

**Missoula Rural Fire District**

**Audit Report**

**Fiscal Year Ended June 30, 2019**

**Missoula Rural Fire District  
June 30, 2019**

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**Missoula Rural Fire District  
June 30, 2019**

**ORGANIZATION**

OFFICIALS AT JUNE 30, 2019

TRUSTEES

Larry Hanson, Chair

Ben Murphy, Vice-Chair

Cheryl Hanson, Secretary

Dick Mangan

Chuck Beagle

FIRE CHIEF

Christopher M. Newman

ASSISTANT FIRE CHIEF-OPERATIONS

Paul Finlay

ASSISTANT FIRE CHIEF-FIRE MARSHAL

Brent Christopherson

OFFICE MANAGER

Melissa Schnee

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***Nicole M. Noonan, CPA, P.C.***

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*St. Regis, Montana 59866*

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**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, 2019, 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, 2019, 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 2018 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 10, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 43-48 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 February 4, 2021, 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  
February 4, 2021



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## **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, 2019.

### **FINANCIAL HIGHLIGHTS**

The District's net position increased by \$506,299, or approximately 27% in 2019. In 2019 total revenues decreased by \$93,261 or approximately -1% mostly because of a decrease in charges for service (Wildland Revenue), decrease in PILT and the one-time special item revenue received in 2018. These reductions in revenue were offset by an increase in property tax revenue that includes a one-time payment for an error caught during the sunset of the Airport TIF. Total expenses decreased by \$147,928 or approximately -2%. 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 \$506,299 in 2019. 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:

	2019	2018	Change	% Change
Current Assets	3,151,245	2,665,149	486,096	18%
Capital assets, net	2,285,951	2,725,327	(439,376)	-16%
Total Assets	<u>5,437,196</u>	<u>5,390,476</u>	<u>46,720</u>	1%
Deferred Outflows-OPEB expense	25,612	26,458	(846)	N/A
Deferred Outflows-pension expense	1,290,318	1,173,600	116,718	10%
Total Deferred Outflows	<u>1,315,930</u>	<u>1,200,058</u>	<u>115,872</u>	
Current Liabilities	395,432	437,056	(41,624)	-10%
Noncurrent liabilities	3,576,641	3,936,531	(359,890)	-9%
Total Liabilities	<u>3,972,073</u>	<u>4,373,587</u>	<u>(401,514)</u>	-9%
Deferred Inflows-OPEB expense	31,904	25,136	6,768	N/A
Deferred Inflows-pension expense	370,568	319,529	51,039	16%
Total Deferred Inflows	<u>402,472</u>	<u>344,665</u>	<u>57,807</u>	
Net Position	<u>2,378,581</u>	<u>1,872,282</u>	<u>506,299</u>	27%
Net Position consist of:				
Net investment in capital assets	2,285,951	2,527,053	(241,102)	-10%
Unrestricted	92,630	(654,771)	747,401	-114%
Total	<u>2,378,581</u>	<u>1,872,282</u>	<u>506,299</u>	27%

The increase in current assets results mostly from the receipt of a one-time tax revenue increase of \$333,906.06 due to a revenue error discovered during the sunset of the Airport TIF.

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

The decrease in capital assets, net [of accumulated depreciation] and net investment in capital assets is because depreciation expense and disposals exceeded capital asset additions. See Note 4, Capital Assets for detailed information on capital assets.

Changes in the District's revenues were as follows:

Program revenues:	2019	2018	Change	% Change
Charges for services	100,316	584,814	(484,498)	-83%
Operating grants	1,097,861	1,051,564	46,297	4%
Capital grants	-	-	-	N/A
Total program revenues	<u>1,198,177</u>	<u>1,636,378</u>	<u>(438,201)</u>	-27%
General revenue:				
Property taxes	6,171,940	5,372,985	798,955	15%
Local option tax	9,513	9,705	(192)	-2%
Unrestricted federal/state shared revenues	768,080	755,770	12,310	2%
Unrestricted investment earnings	47,872	28,574	19,298	68%
Unrestricted contributions and donations	8,391	15,878	(7,487)	-47%
Miscellaneous income	24,471	18,530	5,941	32%
PILT	-	14,527	(14,527)	-100%
Total general revenues	<u>7,030,267</u>	<u>6,215,969</u>	<u>814,298</u>	13%
Loss on sale of capital asset	(69,358)	-	(69,358)	N/A
Special items	-	400,000	(400,000)	-100%
Total revenue	<u>8,159,086</u>	<u>8,252,347</u>	<u>(93,261)</u>	-1%

Charges for service revenue [wildland fire revenue] decreased due to a less active fire season in 2019.

Operating grant revenue shows an increase because the District recorded an increase in operating grants due to the increase in State on-behalf contributions to the Firefighters Unified Retirement System in 2019.

District property taxes revenue increased 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. Also, an error was caught at the County level during sunset of the Airport TIF resulting in a one-time tax revenue increase of \$333,906.06.

Unrestricted contributions and donations show a decrease of \$7,487 in part because the District received a one-time donation of \$15,000 in FY18 offset by a rise in other donations in FY19.

Miscellaneous revenues increased due to an increase 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 \$650,060 per month for FY2018 and \$637,732 per month for FY2019 which is a decrease of \$12,328 per month.

Changes in the District's expenses were as follows:

	2019	2018	Change	% Change
General Government	847,196	745,613	101,583	14%
Public Safety	6,799,342	7,049,250	(249,908)	-4%
Interest expense	6,249	5,852	397	7%
Total Expenses	<u>7,652,787</u>	<u>7,800,715</u>	<u>(147,928)</u>	-2%
Program Revenues	<u>1,198,177</u>	<u>1,636,378</u>	<u>(438,201)</u>	-27%
Net Expenses before General Revenues	<u>(6,454,610)</u>	<u>(6,164,337)</u>	<u>(290,273)</u>	5%
General Revenues	7,030,267	6,215,969	814,298	13%
Loss on sale of capital asset	(69,358)	-	(69,358)	
Special Items	-	400,000	(400,000)	-100%
Change in Net Position	<u>506,299</u>	<u>451,632</u>	<u>54,667</u>	12%

The District shows an overall decrease in expenses of \$147,531, excluding the increase in debt service interest expense.

It should be noted while the District is required to record pension expense to offset the collective changes in net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense related to the change in the collective is a noncash expense in the year recorded.

## 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. The capital assets are donated to the District and donations received over the years include a maintenance vehicle, dozer, skid steer, and shop truck with a total acquisition value of \$323,000. In 2019, the District purchased a 2018 Ford F-150, Thermal Imager, Ward Diesel Filter System, Kawasaki Mule, and an extrication set.

The District capital asset disposals in 2019 consisted of a Peterbilt tractor, flatbed trailer, 2012 Ford pick-up, maintenance vehicle, dozer, and two old thermal imagers.

The Intercap loan balance decreased due to early payoff of the Intercap Loan in FY 2019.

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.

MRFD passed a mil levy increase in May of 2019 which allowed for the hiring of an additional 10 firefighter/EMTs. The additional firefighters enabled MRFD to guarantee a minimum 2-firefighter response from each of our five stations.

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 start the replacement process of our aging fleet. We have completed our 20-year apparatus replacement plan which will guide our apparatus replacement decisions over the next two decades. Two new Type I engines were put into service recently. We also purchased a 2016 demo aerial ladder truck to replace our aging (1989) ladder truck. The next phase of the apparatus replacement will include a new water tender and a Type 5.

The four-year SAFER grant for recruitment and retention of volunteer firefighters has expired. This grant has helped our 12 resident firefighters with an additional \$2,000 per year per resident in tuition reimbursement. This additional reimbursement opportunity has made the Resident Program more attractive. MRFD will be looking for similar grants to help us continue the resident firefighter program.

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

have been identified as the priority for new stations. The construction of a new Station 4 was started in November 2020 and should be completed in August of 2021. MRFD is in process of completing a Community Risk Assessment Standard of Cover (CRA/SOC) study. This project should be completed in August of 2021 and will 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 internal 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. For instance, the City of Missoula annexed 3200 acres of the airport and development park tax increment financing district (TIF) after the TIF expired. Though MRFD received minimal tax revenue over the life of the TIF, we did receive a significant bump in our newly taxable property at the sunset date. Planning for the future needs of the District without established timelines for City expansion or guarantees that the planned expansion will take place makes planning for the future difficult in those areas. 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, 2019 and 2018**

	Governmental Activities	
	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 2,894,639	\$ 2,443,813
Taxes receivable	256,607	221,336
Total current assets	3,151,246	2,665,149
Noncurrent assets		
Nondepreciable capital assets	159,222	159,222
Depreciable capital assets, net	2,126,729	2,566,105
Total noncurrent assets	2,285,951	2,725,327
Total assets	5,437,197	5,390,476
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension expense	1,290,318	1,173,600
Deferred postemployment benefits expense	25,612	26,458
Total deferred outflows of resources	1,315,930	1,200,058
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	926	586
Accrued payroll	236,825	205,344
Current portion of compensated absences	157,682	182,575
Current portion of loans payable	-	48,551
Total current liabilities	395,433	437,056
Noncurrent liabilities		
Noncurrent portion of compensated absences	473,046	547,725
Noncurrent portion of loans payable	-	149,723
Postemployment benefits liability	251,416	239,207
Net pension liability	2,852,179	2,999,876
Total noncurrent liabilities	3,576,641	3,936,531
Total liabilities	3,972,074	4,373,587
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension expense	370,568	319,529
Deferred postemployment benefits expense	31,904	25,136
Total deferred outflows of resources	402,472	344,665
<b>NET POSITION</b>		
Net investment in capital assets	2,285,951	2,527,053
Unrestricted	92,630	(654,771)
Total Net Position	\$ 2,378,581	\$ 1,872,282

See accompanying notes to the financial statements

**Missoula Rural Fire District**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**  
(With comparative net amounts for the year ended June 30, 2018)

Program Activities	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2019	2018
Governmental activities:						
General government	\$ 847,196	\$ -	\$ -	\$ -	\$ (847,196)	\$ (745,613)
Public safety	6,799,342	100,316	1,097,861	-	(5,601,165)	(5,412,872)
Debt service - interest and other charges	6,249	-	-	-	(6,249)	(5,852)
<b>Total government</b>	<b>\$ 7,652,787</b>	<b>\$ 100,316</b>	<b>\$ 1,097,861</b>	<b>\$ -</b>	<b>(6,454,610)</b>	<b>(6,164,337)</b>
General revenues:						
Property taxes for general purposes				6,171,940	5,372,985	
Local option tax				9,512	9,705	
Unrestricted federal/state shared revenues				768,080	755,770	
Unrestricted investment earnings				47,872	28,574	
Unrestricted contributions & donations				8,391	15,878	
Miscellaneous income				24,471	18,530	
PILT				-	14,527	
Gain (loss) on sale of a capital asset				(69,357)	-	
Special items - net				-	400,000	
Total general revenues and special items				<u>6,960,909</u>	<u>6,615,969</u>	
Change in net position				506,299	451,632	
Net position, beginning of year				1,872,282	1,479,078	
Change in accounting principle				-	(58,428)	
Net position, beginning of year, restated				<u>1,872,282</u>	<u>1,420,650</u>	
Net position, end of year				<u>\$ 2,378,581</u>	<u>\$ 1,872,282</u>	

See accompanying notes to the financial statements

**Missoula Rural Fire District  
Balance Sheet  
Governmental Funds  
June 30, 2019**

	Major Funds		Total Governmental Funds
	General Fund	Capital Improvements Fund	
<b>ASSETS</b>			
Cash and investments	\$ 2,670,242	\$ 224,397	\$ 2,894,639
Taxes receivable	256,607	-	256,607
Total assets	<u>\$ 2,926,849</u>	<u>\$ 224,397</u>	<u>\$ 3,151,246</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 926	\$ -	\$ 926
Accrued payroll	236,825	-	236,825
Total liabilities	<u>237,751</u>	<u>-</u>	<u>237,751</u>
<b>Deferred Inflows of Resources</b>			
Deferred tax revenues	<u>256,607</u>	<u>-</u>	<u>256,607</u>
<b>Fund Balances</b>			
Assigned to capital projects	-	224,397	224,397
Unassigned	<u>2,432,491</u>	<u>-</u>	<u>2,432,491</u>
Total fund balance	<u>2,432,491</u>	<u>224,397</u>	<u>2,656,888</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,926,849</u>	<u>\$ 224,397</u>	<u>\$ 3,151,246</u>

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

Total fund balance for governmental funds	\$ 2,656,888
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.	2,285,951
Taxes receivable are not available to pay current expenditures and, therefore, are deferred in the funds.	256,607
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.	(257,708)
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.	(1,932,429)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(630,728)</u>
Net position of governmental activities	<u>\$ 2,378,581</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, 2019**

	Major Funds		Total Governmental Funds
	General Fund	Capital Improvements Fund	
<b>Revenues</b>			
Taxes and assessments	\$ 6,146,181	\$ -	\$ 6,146,181
Licenses and permits	-	-	-
Intergovernmental	1,833,923	-	1,833,923
Charges for services	45,450	-	45,450
Miscellaneous	118,665	-	118,665
Interest revenue	51,741	-	51,741
Total revenues	<u>8,195,960</u>	<u>-</u>	<u>8,195,960</u>
<b>Expenditures</b>			
Current:			
General government	847,196	-	847,196
Public safety	6,771,157	-	6,771,157
Debt service expense - principal	198,274	-	198,274
Debt service expense - interest	6,249	-	6,249
Capital outlay	128,763	-	128,763
Total expenditures	<u>7,951,639</u>	<u>-</u>	<u>7,951,639</u>
Excess (deficiency) of revenues over expenditures	244,321	-	244,321
<b>Other Financing Sources (Uses)</b>			
Proceeds from the sale of capital assets	174,684	-	174,684
Net change in fund balance	419,005	-	419,005
Fund balance - beginning of year	2,013,486	224,397	2,237,883
Fund balance - end of year	<u>\$ 2,432,491</u>	<u>\$ 224,397</u>	<u>\$ 2,656,888</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, 2019**

Net change in fund balance-total governmental funds (page 16)	\$ 419,005
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	128,763
Depreciation expense	(324,098)
In the statement of activities, the gain or loss on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Proceeds from the sale of capital assets	(174,684)
Gain (loss) on the sale of capital assets	(69,357)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	35,271
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	99,572
Change in postemployment benefits liability and related deferred inflows and outflows of resources	(19,823)
Change in net pension liability and related deferred inflows and outflows of resources	213,376
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.	
Principal payments on long-term debt	198,274
Change in net position in governmental activities (page 14)	\$ 506,299

See accompanying notes to the financial statements

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**Missoula Rural Fire District**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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, 2019**

**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, 2019**

**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, 2019. 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, 2019**

**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, 2018	Additions	Disposals	Balance June 30, 2019
Nondepreciable Capital Assets:				
Land	\$ 159,222	\$ -	\$ -	\$ 159,222
Depreciable Capital Assets:				
Buildings and Improvements	\$ 1,378,224	\$ 13,684	\$ -	\$ 1,391,908
Vehicles	3,774,535	50,186	(372,263)	3,452,458
Technical Equipment	1,204,393	69,858	(30,851)	1,243,400
Office Equipment	84,881	-	-	84,881
Total Depreciable Capital Assets	6,442,033	133,728	(403,114)	6,172,647
Less Accumulated Depreciation	(3,875,928)	(324,097)	154,107	(4,045,918)
Total Depreciable Capital Assets, Net	\$ 2,566,105	\$ (190,369)	\$ (249,007)	\$ 2,126,729

**Missoula Rural Fire District**  
**Notes to the Financial Statements**  
**June 30, 2019**

**4. Capital Assets (continued)**

Capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Public Safety	\$ 324,097
Total Depreciation Expense	<u>\$ 324,097</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, 2019 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Contracted Debt	\$ 198,274	\$ -	\$ (198,274)	\$ -	\$ -
Compensated Absences	730,300	-	(99,572)	630,728	157,682
Total	<u>\$ 928,574</u>	<u>\$ -</u>	<u>\$ (297,846)</u>	<u>\$ 630,728</u>	<u>\$ 157,682</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, 2019**

**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, 2019, PERS-DCRP contribution rates are the same as noted below for the PERS-DBRP. Of the employer contribution, 8.33% 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 \$4,246 for fiscal year 2019.

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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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 8.57% of members’ compensation for fiscal year 2018, increased to 8.67% for fiscal year 2019.
- Local government entities are required to contribute 8.47% of members’ compensation for fiscal year 2018, increased to 8.57% for fiscal year 2019.
- School district employers contributed 8.2% of members’ compensation for fiscal year 2018, increased to 8.3% for fiscal year 2019.
- 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, 2019**

**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 \$33,454,182 during fiscal year 2018.

**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 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 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, 2019**

**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, 2018 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%	0.23%

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 2134, 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, 2019**

**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, 2018, 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	2.6%	4.00%
Domestic Equity	36.0%	4.55%
Foreign Equity	18.0%	6.35%
Fixed Income	23.4%	1.00%
Private Equity	12.0%	7.75%
Real Estate	8.0%	4.00%
Total	<u>100.0%</u>	

**Missoula Rural Fire District  
Notes to the Financial Statements  
June 30, 2019**

**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	\$ 938,151	\$ 648,686	\$ 410,990
District's Proportionate Share of FURS Net Pension Liability	3,776,668	2,203,493	936,272

**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, 2019**

**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, 2018, was determined by taking the results of the June 30, 2017 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

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, 2019, the District recorded a liability of \$648,686 and \$2,203,493 for its proportionate share of the Net Pension Liability of PERS and FURS, respectively. The Net Pension Liability was measured as of June 30, 2018. The District's proportion of the Net Pension Liability was based on the District's contributions of \$43,293 to PERS and \$443,498 to FURS, received during the measurement period of July 1, 2017 through June 30, 2018, relative to total employer contributions received from all participating employers. At June 30, 2018, the District's proportion was .0311% for PERS and 1.9132% for FURS. The District's proportionate share decreased .0131% for PERS and increased .0212% for FURS from fiscal year 2017 to fiscal year 2018.

PERS

	Net Pension Liability as of June 30,	
	2019	2018
District Proportionate Share	\$ 648,686	\$ 861,277
State of Montana Proportionate Share Associated with District	216,987	11,181
Total	\$ 865,673	\$ 872,458

**Missoula Rural Fire District  
Notes to the Financial Statements  
June 30, 2019**

**6. State-Wide Retirement Plans (continued)**

FURS

	Net Pension Liability as of June 30,	
	2019	2018
District Proportionate Share	\$ 2,203,493	\$ 2,138,599
State of Montana Proportionate Share Associated with District	5,038,415	4,856,529
Total	\$ 7,241,908	\$ 6,995,128

**Pension Expense**

PERS and FURS

At June 30, 2019, the District recognized pension expense of \$(92,021) and \$1,413,984 for its proportionate share of the PERS and FURS pension expense, respectively, which included \$14,481 and \$1,014,083, 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 \$14,481 for PERS and \$1,014,083 for FURS. The PERS expense was negative due to the decrease in the District's proportionate share from fiscal year 2017 to 2018.

**Recognition of Deferred Outflow and Inflows of Resources**

PERS and FURS

At June 30, 2019, 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	\$ 49,328	\$ -
Changes in assumptions	55,161	-
Difference between projected and actual earnings on pension plan investments	-	10,074
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	321,628
Contributions paid to PERS subsequent to the measurement date of June 30, 2018 (Fiscal Year 2019 Contributions)	38,207	-
Total	\$ 142,696	\$ 331,702

**Missoula Rural Fire District  
Notes to the Financial Statements  
June 30, 2019**

**6. State-Wide Retirement Plans (continued)**

FURS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 247,341	\$ 12,139
Changes in actuarial assumptions	215,755	-
Difference between projected and actual earnings on pension plan investments	-	26,727
Changes in proportion and differences between employer contributions and proportionate share of contributions	230,364	-
Contributions paid to TRS subsequent to the measurement date of June 30, 2018 (Fiscal Year 2019 Contributions)	454,162	-
Total	\$ 1,147,622	\$ 38,866

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, 2020. 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
2020	\$ (90,792)	\$ 217,347
2021	(74,306)	177,363
2022	(57,976)	85,867
2023	(4,139)	123,326
Thereafter	-	50,691
	\$ (227,213)	\$ 654,594

**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, 2019**

**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 \$468 to \$1,679, 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, 2019, there were the following plan participants:

Retirees receiving benefits	4
Active employees	46
	<hr/>
	50
	<hr/>

**Missoula Rural Fire District  
Notes to the Financial Statements  
June 30, 2019**

**7. Postemployment Benefits (continued)**

**OPEB Liability**

A roll forward actuarial valuation, dated and using a measurement date of June 30, 2019, 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 5.0% of the plan, based on its proportionate share of the present value of future benefits. Changes in the OPEB liability for fiscal year 2019 are as follows:

	Fiscal Year Ending June 30, 2019
Beginning Postemployment Benefits Liability	\$ 239,207
Annual Service Cost	12,635
Interest	8,037
Difference between Expected and Actual Experience	(11,547)
Change in Assumptions	3,084
Ending Postemployment Benefits Liability	\$ 251,416

**OPEB Expense**

During fiscal year 2019, the District recognized OPEB expense of \$19,823.

**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 July 1, 2019):	3.36%
Payroll Growth:	2.5%
General Inflation:	3.0%

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

Termination Before Retirement: Crocker T-7 with mortality removed

**Missoula Rural Fire District**  
**Notes to the Financial Statements**  
**June 30, 2019**

**7. Postemployment Benefits (continued)**

Participation Rates:

- 25% of eligible employees are assumed to enroll in the plan.
- 36% of eligible employees are assumed to elect early retirement.
- 7% of those retiring at age 65 or greater are assumed to elect coverage.
- 62% of retirees electing medical coverage are assumed to enroll in the Standard Plan and 38% in the High Deductible Plan.
- Dental and vision coverage elections are assumed to be the same as current coverage.

Healthcare cost trend rate:

Year	Healthcare Cost Trend Rate
2018	6.20%
2019	6.00%
2020	5.80%
2021	5.60%
2022	5.40%
2023	5.20%
2024 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 2.36%	Discount Rate 3.36%	1% Increase 4.36%
Total Postemployment Benefits Liability	\$ 312,299	\$ 251,416	\$ 205,935
	1% Decrease 5.20%	Healthcare Cost Trend Rate 6.20%	1% Increase 7.20%
Total Postemployment Benefits Liability	\$ 202,129	\$ 251,416	\$ 318,217

**Changes in Assumptions**

The discount rate was decreased from 3.45% to 3.36% for the June 30, 2019 measurement date.

**Missoula Rural Fire District  
Notes to the Financial Statements  
June 30, 2019**

**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 \$31,904 for the District. Deferred outflows of resources due to changes in assumptions and other inputs totaled \$25,612.

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
2020	\$ (849)
2021	(849)
2022	(849)
2023	(849)
2024	(849)
2025	(849)
2026	(943)
2027	(255)
	\$ (6,292)

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, 2019**

**9. On-Behalf Benefit Payments**

During fiscal year 2019, the State of Montana contributed \$1,031,351 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, 2018, as further discussed in Note 6.

**10. 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, 2018.

**11. 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.

**12. Subsequent Events**

In August 2019, the District approved the purchase of two Type 1 fire engines for \$784,040. These engines were received in November 2020, with an InterCap loan of \$350,000 signed to partially fund this purchase.

In December 2019, the District approved the purchase of an Aerial Ladder Truck for \$673,834. In March 2020, InterCap loan funds of \$313,000 were used to help fund the purchase. In May 2020, the truck arrived at the District.

**Missoula Rural Fire District**  
**Notes to the Financial Statements**  
**June 30, 2019**

**12. Subsequent Events (continued)**

In April 2020, the District moved forward with plans to build Station 4, contracting with an architectural firm for \$310,000. In October 2020, the property for the fire station was purchased for \$147,600 and a contract with a construction contractor was approved for \$3,400,373, with a related a related construction loan signed in November 2020.

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

Beginning in March 2020, the COVID-19 outbreak caused significant disruption to the normal operations of the District. While some operations have changed, District finances have not suffered a significant negative impact. The duration of these operational changes and any potential future financial impacts cannot be reasonably estimated at this time.

**Missoula Rural Fire District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>RESOURCES (INFLOWS):</b>				
Property taxes	\$ 5,850,136	\$ 5,850,136	\$ 6,146,181	\$ 296,045
Intergovernmental	1,156,724	1,156,724	1,833,923	677,199
Charges for services	10,500	10,500	45,450	34,950
Miscellaneous	3,126,505	3,126,505	293,349	(2,833,156)
Interest revenue	4,000	4,000	51,741	47,741
Amounts available for appropriation	<u>10,147,865</u>	<u>10,147,865</u>	<u>8,370,644</u>	<u>(1,777,221)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	3,280,899	3,280,899	847,196	2,433,703
Public safety	6,229,197	6,229,197	6,771,157	(541,960)
Debt service expense - principal and interest	204,093	204,093	204,523	(430)
Capital outlay	433,676	433,676	128,763	304,913
Total charges to appropriations	<u>10,147,865</u>	<u>10,147,865</u>	<u>7,951,639</u>	<u>2,196,226</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	419,005	<u>\$ 419,005</u>
Fund balance - beginning of year			<u>2,013,486</u>	
Fund balance - end of year			<u>\$ 2,432,491</u>	

See accompanying notes

***REQUIRED***

***SUPPLEMENTARY***

***INFORMATION***



**Missoula Rural Fire District**  
**Notes to the Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance-Budget and Actual**  
**June 30, 2019**

**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**  
**For the Last Ten Fiscal Years\***

**Schedule of Proportionate Share of the Net Pension Liability**

	PERS					FURS				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>Information based on plan measurement date</b>										
District's proportionate share of net pension liability (as a percentage)	0.0311%	0.0442%	0.0614%	0.0684%	0.0796%	1.9132%	1.8920%	1.7151%	1.6168%	1.5223%
District's proportionate share of net pension liability	\$ 648,686	\$ 861,277	\$ 1,045,474	\$ 956,132	\$ 991,438	\$ 2,203,493	\$ 2,138,599	\$ 1,958,831	\$ 1,653,594	\$ 1,485,971
State of Montana proportionate share of net pension liability associated with the District	216,987	11,181	12,774	11,745	12,107	5,038,415	4,856,529	4,438,093	3,682,992	3,352,278
Total	\$ 865,673	\$ 872,458	\$ 1,058,248	\$ 967,877	\$ 1,003,545	\$ 7,241,908	\$ 6,995,128	\$ 6,396,924	\$ 5,336,586	\$ 4,838,249
District's covered payroll, based on plan measurement date	\$ 511,130	\$ 548,584	\$ 735,197	\$ 798,231	\$ 903,925	\$ 3,013,222	\$ 2,828,394	\$ 2,415,114	\$ 2,172,712	\$ 1,977,360
District's proportionate share of the net pension liability as a percentage of covered payroll	126.91%	157.00%	142.20%	119.78%	109.68%	73.13%	75.61%	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%	79.03%	77.77%	75.48%	76.90%	76.71%

**Schedule of Pension Contributions**

	PERS					FURS				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>Information based on District fiscal year</b>										
Contractually required contributions	\$ 38,207	\$ 43,293	\$ 45,917	\$ 62,428	\$ 67,385	\$ 454,162	\$ 443,498	\$ 406,157	\$ 345,297	\$ 318,073
Contributions recognized by the plan	38,207	43,293	45,917	62,428	67,385	454,162	443,498	406,157	345,297	318,073
Contribution difference	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll, based on District's fiscal year	\$ 445,828	\$ 511,130	\$ 548,584	\$ 735,197	\$ 798,231	\$ 3,162,683	\$ 3,013,222	\$ 2,828,394	\$ 2,415,114	\$ 2,172,712
Contributions recognized by the plan as a percentage of covered payroll	8.57%	8.47%	8.37%	8.49%	8.44%	14.36%	14.72%	14.36%	14.30%	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, 2019**

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, 2019**

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, 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, 2019	Fiscal Year Ending June 30, 2018
Beginning Postemployment Benefits Liability	\$ 239,207	\$ 158,827
Change in Accounting Principle	-	58,428
Beginning Postemployment Benefits Liability, Restated	239,207	217,255
Annual Service Cost	12,635	12,958
Interest	8,037	7,495
Difference between Expected and Actual Experience	(11,547)	(28,515)
Change in Assumptions	3,084	30,014
Ending Postemployment Benefits Liability	<u>\$ 251,416</u>	<u>\$ 239,207</u>
Covered Employee Payroll	\$ 3,612,866	\$ 3,881,031
Postemployment Benefits Liability to Covered Employee Payroll	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.*

**Nicole M. Noonan, CPA, P.C.**

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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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, 2019, 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 February 4, 2021.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 2019-001 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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  
February 4, 2021

**Missoula Rural Fire District  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**2019-001 Pension Reporting in Government-Wide Financial Statements (Material Weakness)**

*Criteria:* On-behalf pension contributions paid by the state for District employees are recorded in the fund statements as offsetting revenues and expenditures but must be removed for government-wide financial statement reporting. Government-wide financial statements report pension activity under Government Accounting Standards Board Statement No. 68 using a measurement date one year prior to the reporting date.

*Condition:* On-behalf pension contributions paid by the state for District employees for fiscal year 2019 were not removed for government-wide financial statement reporting.

*Cause:* The reporting for pensions is complex and the on-behalf pension contributions net to zero, so it is easy to overlook the step of removing these contributions for government-wide reporting.

*Effect:* Program revenues and expenses are both overstated by \$1,031,351 on the Statement of Activities. There is no effect on net position.

*Context:* The District has a consultant prepare the government-wide financial statements for year-end financial reporting. This error only effects the government-wide financial statements and does not affect the fund financial statements, which are used for day-to-day operating decisions and board of trustees review.

*Repeat Finding:* No.

*Recommendations:* Further review of the reconciliation between fund revenues and expenditures and government-wide revenues and expenses for pension reporting, looking for specific items each year would help uncover this type of error.

*Views of Responsible Officials:* In the future Melissa Schnee, Finance Director, will thoroughly review pension adjustments and reconciliations before presenting for audit.