



PARK COUNTY RURAL FIRE DISTRICT NO. 1

Financial Statements

June 30, 2014

PARK COUNTY RURAL FIRE DISTRICT NO. 1

Table of Contents

June 30, 2014

Board of Trustees 1

Independent Auditors’ Report..... 2 to 3

Management Discussion and Analysis 4 to 11

Financial Statements

Government-Wide Financial Statements

Statement of Net Position 12

Statement of Activities..... 13

Fund Financial Statements

Governmental Funds

Balance Sheet – Governmental Funds 14

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position 15

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds..... 16

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities 17

Notes to the Financial Statements..... 18 to 29

Required Supplemental Information

Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget to Actual - General Fund 30

Notes to the Required Supplemental Information 31

Internal Control and Compliance Section

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 32 and 33

Schedule of Findings and Responses 34

PARK COUNTY RURAL FIRE DISTRICT
2013 to 2014
ORGANIZATION

BOARD OF TRUSTEES

Courtney Lawellin	Chairman
Charles Donovan	Secretary
Larry Blakely	Trustee
Jeff Schoenen	Trustee
Dan Karrel	Trustee



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Park County Rural Fire District No. 1
Livingston, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Park County Rural Fire District No. 1 (the "District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of June 30, 2014, 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.

Emphasis of a Matter

As described in Note 1 to the financial statements, in fiscal year 2014, the District adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rudd + Company, PLLC

February 9, 2015
Bozeman, Montana

MANAGEMENT DISCUSSION AND ANALYSIS

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

The discussion and analysis of Park County Rural Fire District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 include:

1. The District's assets exceed liabilities by \$1,673,957 indicating a healthy financial position for the District.
2. The General Fund's overall revenue came in \$21,807 over budget. This overage was due, in part, to the following factors:
 - Charges for services had an overall overage of \$21,750. The District responded to more calls than expected.
3. General Fund expenses came in at approximately \$249,386 under the budgeted amount. Savings were the result of lower than anticipated capital outlay.
4. The 2013 Certified Taxable Valuation of the District increased over the previous year. The taxable value went from \$12,948 to \$13,374, an increase of \$426.
5. All operating reserves are allowed by law and include the following as of June 30, 2014:
 - *GENERAL FUND* - Full reserves allowed by law are 10% plus any eligible excess reserves. The excess reserves can be used in the future to back fill operating reserves or to fund the over base levy amount.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. For the District, their only fund, the General Fund, is considered a major fund.

Using this Financial Report

Reporting the District as a Whole

This report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. The accrual basis of accounting is similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid. Activities that are fiduciary in nature are not included in these statements.

The view of the District as a whole looks at all financial transactions and asks the question "How did we do financially during the 2013-2014 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets (what is owned), deferred outflows of resources (what is owed), and liabilities and deferred inflows of resources (what is owed) and the net position (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in fixed or capital assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year.

These two statements report the District's net position and changes in that position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current Montana property tax laws, and increases in fires. Financial factors include timeliness of tax collections, unexpected expenditures, changes to state funding, increases or decreases in the rate of return on investments, grants awarded and other factors.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

Reporting the District as a Whole (continued)

The Statement of Net Position and the Statement of Activities provide information about the governmental activities of the District. This includes all public safety expenditures. Property taxes, charges for services, state and grant revenues usually support most of the functions of the District.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the funds used by the District. State law and generally accepted accounting principles (GAAP) establish the fund structure of fire districts. State law generally requires fire districts to segregate money generated for certain specific purposes; the District may use many funds to account for a multitude of financial transactions.

The fund financial statements report balances and activities of the most significant or major funds separately and combine activities of less significant funds under a single category.

Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations and the existence of legal budget requirements. The District's only fund, the General Fund, is considered a major fund.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for the only governmental fund, which is the general fund. This fund uses the modified accrual basis of accounting and represents all of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, capital assets and long-term debt are reported in the district-wide statements but not in the fund statements.

Budget-to-Actual Comparisons

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund. The District's expenditures were within budget for the fiscal year.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

The District as a Whole

Net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceed liabilities by \$1,673,957 at the close of the most recent fiscal year.

Table 1
Summarized Schedule of Net Position

	Governmental Activities		Total change 2014-2013
	2014	2013	
Assets			
Current and Other Assets	\$ 429,586	\$ 450,012	\$ (20,426)
Capital Assets (net)	1,466,831	1,426,231	40,600
Total Assets	1,896,417	1,876,243	20,174
Liabilities			
Current Liabilities	43,532	67,509	(23,977)
Long-term Liabilities	178,928	193,202	(14,274)
Total Liabilities	222,460	260,711	(38,251)
Net Position			
Net Investment in Capital Assets	1,279,562	1,226,231	53,331
Restricted	10,000	-	10,000
Unrestricted	384,395	389,301	(4,906)
Total Net Position	\$ 1,673,957	\$ 1,615,532	\$ 58,425

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

The District as a Whole (continued)

The key elements of the increase of the District's net position for the year ended June 30, 2014 are as follows:

Table 2
Summarized Schedule of Activities

	Governmental Activities		Total change 2014-2013
	2014	2013	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 31,750	\$ 23,048	\$ 8,702
Operating grants and contributions	66,310	30,050	36,260
Capital grants and contributions	10,000	-	10,000
<i>General Revenues:</i>			
Property taxes	377,893	413,814	(35,921)
State of Montana	30,246	29,887	359
Other general revenues	7,218	65,025	(57,807)
TOTAL REVENUES	523,417	561,824	(38,407)
Expenses			
Public Safety	464,992	502,707	(37,715)
TOTAL EXPENSES	464,992	502,707	(37,715)
CHANGES IN NET POSITION	58,425	59,117	(692)
Net Position, Beginning of Year	1,615,532	1,556,415	59,117
Net Position, End of Year	\$ 1,673,957	\$ 1,615,532	\$ 58,425

Governmental Activities

In Montana, fire districts must seek voter approval for any additional levy authority needed to operate the district over what was approved in prior years and what will be received from the state. Property taxes made up 72.20 percent of revenues for governmental activities for the District in fiscal year 2014.

The major categories of expenses are presented on page 10. Of these expenses, the largest function is public safety, which comprises 100 percent of district expenses.

Spending Levels Compared to Resource Levels

The District's spending for governmental activities was \$58,425 under the total revenues for the District, including program and governmental revenues. Please see page 9 and 10 for a presentation of this information.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

Analysis of Financial Information

The following analysis is provided to help the reader understand the major operations of the District, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the District's financial situation in the future.

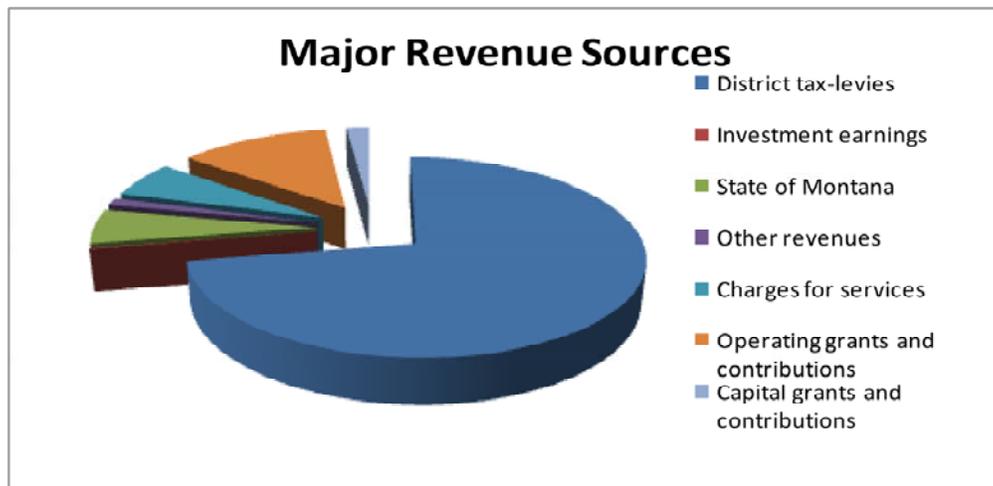
General Information about Park County Rural Fire District: The District provides fire prevention, mitigation and fire fighting services to residents in Park County.

Where do the resources come from? The majority of resources utilized by the District come from local property taxes, state aid, grants, and charges for services. See below for the percent of the resource (revenue) components listed above to the total resources (revenues) of the District.

What does it cost? The major expenditure function of the District is public safety. Page 10 illustrates the costs of major functions and their relative size, compared to total expenditures.

Table 3
Major Revenue Sources

	Governmental Activities	Percent of Total
<i>General revenues:</i>		
District tax-levies	\$ 377,893	72.20%
Investment earnings	711	0.14%
State of Montana	30,246	5.78%
Other revenues	6,507	1.24%
Total general revenues	\$ 415,357	79.36%
Charges for services	31,750	6.06%
Operating grants and contributions	66,310	12.67%
Capital grants and contributions	10,000	1.91%
TOTAL REVENUES	\$ 523,417	100.00%



PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

Analysis of Financial Information (continued)

Table 3
Major Expenses

<i>Expenses</i>	Governmental Activities	Percent of Total
Public Safety	\$ 464,992	100.00%
<i>TOTAL EXPENSES</i>	\$ 464,992	100.00%



PARK COUNTY RURAL FIRE DISTRICT NO. 1
Management Discussion and Analysis
June 30, 2014

Analysis of Financial Information (continued)

What are the Capital Assets and Debt of the District? Capital assets of the District are assets purchased for over \$500 with a useful life of one year or more. The majority of items included in the capital assets are buildings and building improvements, fire trucks and equipment. The following table summarizes the capital assets for the District. Please refer to Note 4 for further information on the District's capital assets.

Table 5
Capital Assets

	Governmental Activities
Land	\$ 130,000
Construction in progress	65,289
Buildings and improvements	1,015,962
Trucks and equipment	1,177,583
Furniture	18,231
Total capital assets	\$ 2,407,065
Less accumulated depreciation	(940,234)
Total capital assets, net of accumulated depreciation	\$ 1,466,831

The long-term debt of the District is comprised of a note payable and compensated absences. Please refer to notes 7 and 8 for further information on the District's debt.

What changes and trends affect the District's future? In the next few years, the District will undergo many changes and have many challenges. These changes and challenges will include but are not limited to expenditures for capital improvements.

Contact for Further Information

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the Districts' accountability for the resources it receives. If you have questions about this report or need additional information, contact the Fire Chief, Dann Babcox, at P.O. Box 1134, Livingston, MT 59047.

FINANCIAL STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 389,247
Property taxes receivable	40,339
Total Current Assets	<u>429,586</u>
Capital Assets	
Land	130,000
Buildings and improvements	1,015,962
Machinery and equipment	1,177,583
Furniture and office equipment	18,231
Construction in progress	65,289
Less: Accumulated depreciation	<u>(940,234)</u>
Net Property and Equipment	<u>1,466,831</u>
Total assets	<u>\$ 1,896,417</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 28,964
Payroll liabilities	214
Current portion of compensated absences	1,804
Current portion of long-term debt	<u>12,550</u>
Total current liabilities	<u>43,532</u>
Noncurrent liabilities	
Compensated absences	4,209
Long-term debt	<u>174,719</u>
Total noncurrent liabilities	<u>178,928</u>
Total liabilities	<u>222,460</u>
Net Position	
Net investment in capital assets	1,279,562
Restricted	10,000
Unrestricted	<u>384,395</u>
Total net position	<u>\$ 1,673,957</u>

The Notes to the Financial Statements are an integral part of this statement.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes In Net Assets
					Total Governmental Activities
Governmental activities					
Public Safety	\$ 464,992	\$ 31,750	\$ 66,310	\$ 10,000	\$ (356,932)
Total governmental activities	\$ 464,992	\$ 31,750	\$ 66,310	\$ 10,000	(356,932)
General revenues:					
District tax-levies					377,893
State entitlement					30,246
Investment earnings					711
Other income					6,507
Total general revenues					415,357
Changes in net position					58,425
Net position, beginning of year					1,615,532
Net position, end of year					\$ 1,673,957

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Balance Sheet – Governmental Funds
As of June 30, 2014

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 389,247
Property taxes receivable	<u>40,339</u>
Total assets	<u>\$ 429,586</u>
Liabilities, Deferred Inflows and Fund Balance	
Liabilities:	
Warrants payable	\$ 28,964
Payroll liabilities	<u>214</u>
Total liabilities	<u>29,178</u>
Deferred inflow of resources:	
Unavailable revenue - property taxes	<u>40,339</u>
Total deferred inflows of resources	<u>40,339</u>
Fund balances:	
Restricted	10,000
Committed	257,972
Unassigned	<u>92,097</u>
Total fund balances	<u>360,069</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 429,586</u>

The Notes to the Financial Statements are an integral part of this statement.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 360,069
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,407,065 and the accumulated depreciation is \$940,234.	1,466,831
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available". All of the deferred property tax inflows reported in the governmental funds is not available.	40,339
Long-term liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(193,282)</u>
Total net position - governmental activities	<u>\$ 1,673,957</u>

The Notes to the Financial Statements are an integral part of this statement.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>
Revenues:	
District tax-levies	\$ 378,662
Charges for services	31,750
Grants	76,310
State sources	30,246
Interest income	711
Other Income	8,998
Total revenues	<u>526,677</u>
Expenditures:	
Current:	
Public safety	386,308
Capital outlay	134,715
Debt service expenditures:	
Principal	12,731
Interest	1,660
Total expenditures	<u>535,414</u>
Excess (deficiency) of revenues over expenditures	(8,737)
Other financing sources:	
Sale of capital assets	<u>2,502</u>
Total other financing sources	2,502
Net change in fund balances	(6,235)
Fund balance, July 1, 2013	<u>366,304</u>
Fund balance, June 30, 2014	<u>\$ 360,069</u>

The Notes to the Financial Statements are an integral part of this statement.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2014

Net change in fund balances - total governmental funds	\$ (6,235)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.	45,593
Governmental funds report proceeds from the sale of assets as revenues. However, in the statement of activities the cost and accumulated depreciation of those assets is removed with a sale and the result is a gain or loss. This is the amount that the proceeds exceeds the loss on sale of assets.	(4,993)
Inflows in the funds that do not provide current financial resources are not reported as inflows in the statement of activities.	(769)
The current period increase in compensated absences did not require the use of current financial resources, therefore, generated no expenditure to be reported in the governmental funds	(72)
The current period decrease in other accrued expenses did not require the use of current financial resources, therefore, generated no expenditure to be reported in the governmental funds	12,648
The government funds reports expenditures for insurance costs for the full period that the insurance covers, even when it extends past the District's year end. However, in the statement of activities the expense is only the insurance cost that is used in the current year.	(478)
The governmental funds report repayment of loan principal as an expenditure. This payment has no effect on net position and is therefore not shown on the statement of activities.	<u>12,731</u>
Change in net position of governmental activities	<u>\$ 58,425</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of Park County Rural Fire District No. 1 (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Nature of Operations

The District was formed with the following objectives: the extinguishing of fires, the prevention of fires, and to aid in the saving of life and property.

The District is managed by a five-member Board of Trustees. The board members are elected or, when there is a vacancy, appointed by the Commissioners of Park County, Montana.

The District consists solely of Park County Rural Fire District No.1. Component units are legally separate organizations for which the elected officials of the primary governments are financially and fiscally accountable. The District is neither a component unit of another government, nor does it have any component units.

Government Wide and Fund Financial Statements

The District's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government. All internal activity has been eliminated.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents the results of direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of fire fighting services. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds. The focus of governmental fund financial statements is on major funds. For the District, the general fund is the only major fund of the District.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability or deferred inflow is incurred, regardless of the timing of related 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected by the last day of the fiscal year. Therefore, all revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. There are no other funds for the fiscal year ended June 30, 2014.

New Accounting Pronouncement

During the year, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASBS No. 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASBS No. 65, unavailable tax revenue will now be reported as *Deferred Inflow of Resources* instead of as a liability.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Budgets

State law requires that the District adopt budgets for certain funds, generally those supported by property taxes.

The General Fund budget is based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts however budgets may be amended for emergencies as defined by State law. Budget authority may be transferred between expenditure classifications within the same fund.

Cash

Cash is held by the County Treasurer and pooled in the County external investment pool. The fair value of the position in the pool is the same as the value of the pool shares. The County Treasurer, at the direction of the District, invests the pooled cash pursuant to state law (MCA 20-9-213[4]). Allowable investments include eligible securities as authorized by MCA 7-6-303; savings or time deposits in a state or national bank; building and loan association, savings and loan association, or credit union insured by the FDIC, or NCUA located in the State; repurchase agreements; and the State Short-Term Investment Pool (STIP) as provided in MCA 17-6-204. STIP has invested in derivatives, but the nature of those transactions, the reason for entering into them and the District's exposure to credit risk is not available to the District for disclosure.

The audited financial statements of Park County which include the external investment pools where the District's monies are held may be obtained at the Park County Treasurer's Office in Livingston, Montana.

Property Taxes

Property taxes are assessed based on the approved mill levies within each District and each individual property's assessed value. Property values within the District are assessed by the County Assessor, an agent of the State of Montana. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices.

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer. The District records property taxes receivable as of the date levied. Uncollected taxes receivable at year-end are reported as deferred inflows.

The total mill levy for the year was 28.55 mills and the taxable value was \$13,374.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Delinquent taxes may be collected for up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Any taxes unpaid at the end of ten years may be written off by the County Commissioners.

Because of the above the described collection procedures, estimated uncollectible taxes receivable are minimal and therefore not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the District may demand payment from the protested tax escrow fund for all or part of the protested taxes from the second and subsequent years of the protest. The District policy is to not recognize this revenue until the protest is settled and taxes are distributed.

Capital Assets

The District capitalizes all assets purchased during the year over \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Land, buildings, equipment and furniture are stated on the basis of historical cost, except estimated historical costs were utilized for some items purchased prior to 2001. Donated assets are recorded at their estimated fair market value at the time of donation.

Depreciation is recorded using the straight-line method with the following lives:

Buildings	40 Years
Machinery and equipment	5-10 Years
Furniture	5 Years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District, in its fund financial statements, has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

Warrants Payable

The District makes expenditures by means of warrants. These warrants are an order to the County Treasurer to pay a specified sum to the payee or to the bearer. State law requires that warrants be paid and registered if presented for a budgeted fund with insufficient cash and refused for payment for a non-budgeted fund with insufficient cash. Registered warrants become a liability of the District. Interest accrues thereon until publication of the call for payment. The District has no registered warrants as of June 30, 2014.

Liability for Compensated Absences

District employees earn sick leave at a maximum rate of one working day per month without limit as to the number of working days that may be accumulated. Vacation leave is accumulated based on the number of years of service and ranges from 15-24 days per year. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Upon retirement or termination employees are paid 100% of unused vacation leave and 25% of unused sick leave. Non-vesting sick leave is not accrued.

In governmental funds, sick leave and vacation leave are recorded as expenditures in the year paid, it is the District's policy to satisfy any unpaid amounts at year end from future resources, not expendable available resources.

Fund Equity

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor how those amounts may be spent. Designations of fund balances as non-spendable, restricted, committed, assigned or unassigned are based upon the types of constraints placed upon the outstanding balances. For additional disclosure on the reporting of Fund Equity, see Note 9 of these financial statements.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The District has evaluated subsequent events through February 9, 2015, the date which the financial statements were issued. See disclosure of the District's subsequent event at Note 11.

2. Cash and Investments

The District participates in the Park County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in certificates of deposit, U.S. Treasury bills, other short-term bank investments, and the STIP, and are reported as cash in the accompanying financial statements, as the District has full access to these funds upon request. Interest earnings are allocated to the individual funds of the District based on average month end cash balances. Interest earnings are distributed to the District periodically. Funds are withdrawn from the investment program as needed to pay warrants.

Investments of the pool consist mainly of government backed securities and bonds. The pool is valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered.

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

Custodial credit risk is the risk that in the event of a financial institution failure, the District's investments may not be returned or the District will not be able to recover the collateral securities in the possession of the outside party.

Information as to the types and amounts of fully insured deposits and collateral for deposit with securities can be obtained from the Park County Treasurer. Risk in the event of loss is unclear in State law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, risk classification according to GASB 40 is impracticable. The County addresses credit risk with its own formal investment policy.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

2. Cash and Investments (continued)

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>
Park County Treasurer External Investment Pool	No Maturity	Not Rated

3. Retirement Plans

The District participates in the State of Montana's Public Employees Retirement System (PERS), a statewide cost-sharing multiple-employer retirement plan, which covers all employees. The plan is established under state law and administered by the State of Montana. The plan provides retirement, disability and death benefits to plan members and beneficiaries.

The plan issues a publicly available annual report that includes financial statements and required supplemental information for the plan. The report may be obtained from the Public Employees Retirement System, PO Box 200231, 1712 Ninth Avenue, Helena, Montana 59620-0131.

Contribution rates for the plan are required and determined by State law. The contribution rates for fiscal year 2014 expressed as a percentage of covered payroll are 8.07% contributed by the District, 0.1% contributed by the State of Montana, and 7.9% contributed by the employee. The amounts contributed to the plan during the fiscal year ended June 30, 2014, were equal to the required contribution for the year. The amounts contributed by the District to the Plan are as follows:

	<u>Covered Payroll</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2012	\$ 48,000	\$ 3,393	\$ 3,312
2013	\$ 54,431	\$ 3,848	\$ 3,756
2014	\$ 61,040	\$ 4,926	\$ 4,822

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

4. Capital Assets

A summary of capital assets follows:

	Beginning June 30, 2013	Additions	Retirements and Transfers	Ending June 30, 2014
Capital assets not subject to depreciation:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in progress				
Buildings	395,870	52,890	(428,440)	20,320
Vehicle	92,008	44,969	(92,008)	44,969
Capital assets subject to depreciation:				
Buildings and improvements	587,522	428,440	-	1,015,962
Trucks and equipment	1,117,042	124,041	(63,500)	1,177,583
Furniture and office equipment	13,408	4,823	-	18,231
Total capital assets	<u>2,335,850</u>	<u>655,163</u>	<u>(583,948)</u>	<u>2,407,065</u>
Less accumulated depreciation for:				
Buildings and improvements	(157,264)	(20,045)	-	(177,309)
Trucks and equipment	(748,739)	(66,104)	58,507	(756,336)
Furniture and office equipment	(3,616)	(2,973)		(6,589)
Total accumulated depreciation	<u>(909,619)</u>	<u>(89,122)</u>	<u>58,507</u>	<u>(940,234)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,426,231</u>	<u>\$ 566,041</u>	<u>\$ (525,441)</u>	<u>\$ 1,466,831</u>

The construction in progress consists of two fire trucks being rebuilt and a building remodel. Depreciation expense has been charged to public safety function in the amount of \$89,122 for the year ended June 30, 2014.

In fiscal year 2014, the District received a donation of a vehicle. It was recorded at the estimated fair market value of \$8,500.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

5. Risk Management

The District faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e., employee injuries, and f) 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 property and content damage, employee torts, professional liabilities and medical insurance costs of employees. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. Commitments

As of June 30, 2014, the District has a commitment for a fire truck rebuild and a buy-sell agreement for the purchase of real estate property. The commitments are \$15,511 and \$118,900, respectively. See Note 11 for further discussion of the real estate purchase.

7. Compensated Absences

The following is a summary of compensated absences of the District for the fiscal year ended June 30, 2014:

	<u>Compensated Absences</u>
Balance July, 1, 2013	\$ 5,941
Additions	72
Reductions	<u>-</u>
Balance June 30, 2014	<u>\$ 6,013</u>

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

8. Long-term Debt

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2014:

Description	Maturity Date	Interest Rate	Balance as of June 30, 2013	Reductions	Outstanding June 30, 2014	Due in one year
Loan # 2458	2/15/2028	FY2014 - 1%, Variable	\$ 200,000	\$ (12,731)	\$ 187,269	\$ 12,550

The loan bears interest at an initial rate of 1.00% per annum through February 15, 2015 and thereafter at an adjusted interest rate, plus up to 1.5% per annum as necessary to pay for the cost of administering the Program.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2014, are as follows:

Fiscal Year	Ending	Principal	Interest	Payment
2015		12,550	1,842	\$ 14,392
2016		12,676	1,716	14,392
2017		12,803	1,589	14,392
2018		12,932	1,460	14,392
2019		13,061	1,331	14,392
2020-2024		67,297	4,661	71,958
2025-2028		55,950	1,257	57,207
Totals		\$ 187,269	\$ 13,856	\$ 201,125

Interest expense of \$1,660 has been charged to the function of Public Safety for the fiscal year ended June 30, 2014.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

9. Fund Balances

Fund balance is classified on the relative strength of the spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors or laws, or regulations or other governments, or through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action (to establish, modify or rescind a fund balance commitment) of the government’s highest level of decision making authority. The Board of Trustees is the highest level of decision making authority. Funds may be committed by adoption of a resolution.

Assigned fund balance – amounts that are constrained by the governments’ intent to be used for specific purposes, but are neither restricted nor committed. Funds can be assigned by Fire Chief or the Board of Trustees.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

The District has a policy to expend restricted amounts first when an expenditure has been incurred for purposes for which both restricted and unrestricted fund balances are available. The policy states the order of releasing fund balance for current expenditures is restricted, committed, assigned and then unassigned.

The following is a schedule of fund balance by fund type and restrictions as of June 30, 2014:

	<u>General Fund</u>
Restricted	\$ 10,000
Committed	257,972
Unassigned	<u>92,097</u>
Total Fund Balances	<u>\$ 360,069</u>

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Financial Statements
June 30, 2014

10. OPEB Liability

The District does not currently offer post-employment benefits and there are no retirees on the District's health plan. Accordingly, no liability for other post employment benefits has been accrued.

11. Subsequent Event

In August 2014, the District purchased real estate property for \$119,900. The purchase added eight additional parking spaces for the station and the house will be rented to create additional income for the District. The purchase was financed by a loan through the Montana Board of Investments' Intercap Loan Program for \$118,900. The loan bears interest at an initial rate of 1.00% per annum through February 15, 2015 and thereafter at an adjusted interest rate, plus up to 1.5% per annum as necessary to pay for the cost of administering the Program. Loan repayment dates are February 15 and August 15 of each year with the final payment on August 29, 2029.

REQUIRED SUPPLEMENTAL INFORMATION

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget to Actual – General Fund
For the Year Ended June 30, 2014

	General Fund	
	Original/Final Budget	Actual Results
Revenues:		
District tax-levies	\$ 367,000	\$ 378,662
Charges for services	10,000	31,750
Grants	75,000	76,310
State of Montana	29,000	30,246
Other	23,200	8,998
Interest income	600	711
Total revenues	<u>504,800</u>	<u>526,677</u>
Expenditures:		
Current:		
Public safety	427,058	386,308
Capital outlay	341,042	134,715
Debt Service:		
Principal Retirement	15,000	12,731
Interest and fiscal charges	1,700	1,660
Total expenditures	<u>784,800</u>	<u>535,414</u>
Revenues over expenditures	<u>\$ (280,000)</u>	<u>\$ (8,737)</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Notes to the Required Supplemental Information
For the Year Ended June 30, 2014

1. Budgets

State law permits the inclusion of obligations for construction in progress and obligations for the purchase of personal property as expenditures for budget purposes (MCA 20-9-121). The District does not use encumbrances so there is not a difference between budgetary expenditures or fund statement expenditures.

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original and final budgeted amounts and reflect line item budget transfers within the funds during the year (if any).

INTERNAL CONTROL AND COMPLIANCE SECTION



RUDD & COMPANYSM

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

To the Board of Trustees
Park County Rural Fire District No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Park County Rural Fire District No. 1, ("the District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rudd + Company, PLLC

Bozeman, Montana
February 9, 2015

PARK COUNTY RURAL FIRE DISTRICT NO. 1
Schedule of Findings and Responses
June 30, 2014

Financial Statement Findings:	None Reported
Compliance Findings:	None Reported
Prior Year Findings:	None Reported