

**Baker Rural Fire District  
Fallon County  
Baker, Montana**

**Financial Statements**

**Fiscal Year Ended June 30, 2014**

James J. Wosepka, PC  
Certified Public Accountant  
Baker, Montana

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA  
JUNE 30, 2014**

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**BAKER RURAL FIRE DISTRICT  
ORGANIZATION**

**Fiscal Year Ended  
June 30, 2014**

TRUSTEES

Vern Stark  
Larry Singer  
Dick Chester  
Dave Meccage  
Dennis Koenig

Chairman  
Vice Chairman  
Treasurer  
Trustee  
Trustee



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Beach, ND 58621-0970  
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## James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Baker Rural Fire District  
Fallon County  
Baker, MT 59313

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Baker Rural Fire District, Baker, Montana, 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 each major fund of Baker Rural Fire District, Baker, Montana, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* (omitted) and *budgetary comparison information* on pages 18 – 20 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.

Management omitted the *management's discussion and analysis*. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baker Rural Fire District's basic financial statements. The accompanying supplementary information on pages 21 – 22 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of Baker Rural Fire District, Baker, Montana'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 Baker Rural Fire District, Baker, Montana's internal control over financial reporting and compliance.

September 11, 2014  
Baker, Montana

James J. Wosepka, PC

By  CPA

**BAKER RURAL FIRE DISTRICT**  
**FALLON COUNTY**  
**BAKER, MONTANA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

<b>ASSETS</b>	<b>Governmental Activities</b>
<b>Current Assets</b>	
Cash and Investments	\$ 1,009,589
Taxes Receivable	1,134
Prepaid Expenses	<u>8,684</u>
Total Current Assets	<u>1,019,407</u>
<b>Capital Assets</b>	4,732,560
Less Accumulated Depreciation	<u>(1,119,940)</u>
Net Capital Assets	<u>3,612,620</u>
<b>Total Assets</b>	<u>4,632,027</u>
 <b>LIABILITIES</b>	
Total Liabilities	<u>0</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	3,612,620
Unrestricted	<u>1,019,407</u>
<b>Total Net Position</b>	<u>\$ 4,632,027</u>

The notes to the financial statements are an integral part of this statement.

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenue Operating Grants	Net (Expense) Revenue
<b>GOVERNMENT OPERATIONS:</b>			
Public Safety:			
Repairs, Maintenance, and Supplies	\$ 61,275	\$ -	\$ (61,275)
Purchased Services	38,927	-	(38,927)
Training, Communication, and Transportation	7,078	-	(7,078)
Professional Services	2,500	-	(2,500)
Insurance	30,348	-	(30,348)
Travel	1,752	-	(1,752)
Utilities	13,662	-	(13,662)
Unallocated Depreciation	158,548	-	(158,548)
Totals	\$ 314,090	\$ -	\$ (314,090)
<b>GENERAL REVENUES</b>			
Local Taxes			\$ 148,310
Rent			10,000
Oil/Gas Tax			419,563
Investment Earnings			296
Other			4,277
Total General Revenues			582,446
Change in Net Position			268,356
Net Position, Beginning of Year			4,363,671
Net Position, End of Year			\$ 4,632,027

The notes to the financial statements are an integral part of this statement.

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA  
COMBINED BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Major Fund Capital Reserve Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 678,379	\$ 331,210	\$ 1,009,589
Taxes Receivable	1,134	-	1,134
Prepaid Expenses	8,684	-	8,684
Total Current Assets	\$ 688,197	\$ 331,210	\$ 1,019,407
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 1,134	\$ -	\$ 1,134
<b>FUND BALANCE:</b>			
Unassigned	687,063	-	687,063
Assigned for capital expenditures	-	331,210	331,210
Total Fund Balance	687,063	331,210	1,018,273
Total Deferred Inflows of Resources and Fund Balance	\$ 688,197	\$ 331,210	\$ 1,019,407
 Reconciliation to the Statement of Net Position:			
Total Fund Balance Per Balance Sheet			\$ 1,018,273
 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 as assets in governmental funds. The cost of the assets is \$4,732,560 and the accumulated depreciation is \$1,119,940.			3,612,620
Deferred inflows of resources recorded on Balance Sheet			1,134
Total Net Position - Governmental Funds			\$ 4,632,027

The notes to the financial statements are an integral part of this statement.

**BAKER RURAL FIRE DISTRICT**  
**FALLON COUNTY**  
**BAKER, MONTANA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND ALL CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Major Fund Capital Reserve Fund	Total Governmental Funds
<b>REVENUES</b>			
Other Revenue From Local Sources	\$ 14,277	\$ -	\$ 14,277
Oil and Gas Revenue	419,563	-	419,563
Interest	158	138	296
County Sources	147,825	-	147,825
Total Revenues	<u>581,823</u>	<u>138</u>	<u>581,961</u>
<b>EXPENDITURES</b>			
<b>Public Safety:</b>			
Repairs, Maintenance, and Supplies	61,275	-	61,275
Purchase Services	38,927	-	38,927
Utilities	13,662	-	13,662
Training, Communication, and Transportation	8,830	-	8,830
Professional Services	2,500	-	2,500
Insurance	30,348	-	30,348
Capital Outlay	-	58,808	58,808
Total Expenditures	<u>155,542</u>	<u>58,808</u>	<u>214,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>426,281</u>	<u>(58,670)</u>	<u>367,611</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.	336,281	31,330	367,611
Fund Balance Beginning of Year	<u>350,782</u>	<u>299,880</u>	<u>650,662</u>
Fund Balance End of Year	<u>\$ 687,063</u>	<u>\$ 331,210</u>	<u>\$ 1,018,273</u>

The notes to the financial statements are an integral part of this statement.

**BAKER RURAL FIRE DISTRICT**  
**FALLON COUNTY**  
**BAKER, MONTANA**  
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF  
 ALL GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2014

<b>Net change in fund balances - total governmental funds (page 8)</b>	\$ <u>367,611</u>
Amounts reported for governmental activities in the statement of activities (page 6) 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	58,808
Depreciation expense	<u>(158,548)</u>
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	<u>485</u>
<b>Change in Net Position in Governmental Activities</b>	<b>\$ <u><u>268,356</u></u></b>

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. Summary of Significant Accounting Policies**

The significant accounting policies followed by the District are presented below:

**Reporting Entity**

All operations of the District are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the Districts' activities. The District is considered to be an independent reporting entity and has no component units.

**Basis of Presentation and Basis of Accounting**

**Government-wide Statements** - The statement of net position and the statement of activities show information about the overall financial position and activities of the District.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, oil and gas tax, and mineral royalties. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied.

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. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

**Fund Financial Statements** - These statements provide information about the District's funds including a separate statement for the District's fiduciary funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. There are only two funds and they are classified as major funds.

**Governmental Funds** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year end are recognized as revenue.

**1. Summary of Significant Accounting Policies - cont.**

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year end are not significant. Deferred revenues are recorded for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

Major Funds - Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Accordingly, 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 Reserve Fund - The purpose of this fund is to hold funds for a future building project. This is a budgeted fund.

**Encumbrances**

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District utilizes a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General and Capital Reserve Funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the definition in the Administrative Rules of Montana (ARM 10.10.101). The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.
2. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2014, there were \$0 encumbrances.

**Cash and Investments**

Cash and investments are held by the County Treasurer in an agency fund. The County Treasurer invests the cash as directed by the District.

1. **Summary of Significant Accounting Policies - cont.**

**Cash and Investments – cont.**

All funds deposited are pooled and invested in accordance with State law. Interest earnings are allocated to the District based on average month end balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the District to determine investment risk (including amounts invested in financial derivatives), collateral, or insurance coverage for its share of the County's pooled investments. Information as to the County's investment pool can be obtained from the County's annual financial report.

**Warrants Payable**

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. Warrants issued by the District but not yet paid by the County Treasurer amounted to \$0.

**Capital Assets**

Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements	39 years
Equipment	15 years

**Taxes**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method, which is other than GAAP, is used for these accounts. Management does not believe that the accounting method being used results in any material differences.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

1. **Summary of Significant Accounting Policies - cont.**

**Interfund Transactions**

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

**Fund Balance Reporting**

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The District does not have any prepaid items or nonspendable funds.

In addition to the nonspendable fund balances, GASB 54 provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the General Fund that is not constrained for any particular purpose.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

1. **Summary of Significant Accounting Policies - cont.**  
**Deferred Outflows/Inflows of Resources – cont.**

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

2. **Reconciliation of Government-Wide and Fund Financial Statements**

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this difference are as follows:

Capital outlay	\$ 58,808
Depreciation expense	<u>(158,548)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (99,740)</u>

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 State Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by state 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.

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

3. **Property Taxes – cont.**

The District is permitted by state statutes to levy taxes for various purposes. The taxes levied by the District for the year ended June 30, 2014 were properly established and were within the legal limits or approved by voters.

4. **Cash and Investment**

Cash and investments are held by the County Treasurer. The Board of Trustees may invest money of the District in obligations of the United States Government, in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state, or a repurchase agreement, or under the State Unified Investment Program.

The Fallon County Commissioners require at least 50% security on money held by the County Treasurer of Fallon County. The County government is considered to have \$250,000 FDIC insurance per bank for their demand deposits and \$250,000 FDIC for their time and/or savings deposits. This includes the District's cash and investments since they are in the County's name. At June 30, 2014, the total amount of cash and investments were in demand deposits.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. All of the deposits either in the District's name or Fallon County Treasurer's name are held as authorized by the State of Montana.

**Custodial Credit Risk**

The investment policy of the District does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entity's money is insured for each "public unit" based on how the account is titled at the financial institution. The Fallon County government is considered to have \$250,000 FDIC coverage for demand deposits and \$250,000 FDIC coverage for time and savings deposits in each bank in the state.

All of the District deposits with financial institutions that are in excess of the federal depository insurance limits are held by the investment counterparty, not in the name of the District.

**Credit, Interest Rate, and Foreign Currency Risk**

The District has no interest rate risk, credit risk, or foreign currency risk of debt securities, as there are no debt securities owned by the District nor does the District own any foreign investments.

5. **Pending Litigation**

There was no pending litigation or unasserted claims or assessments against the District at June 30, 2014.

6. **County Provided Services**

The District is provided various financial services by Fallon County. The County serves as a bank for the District. The District's funds are maintained and accounted for as an agency fund at the County. The County also serves as cashier and treasurer for the District for tax collections and other revenues subject to deposit into the District agency fund maintained by the County. The County bills and collects property taxes and makes payments on District issued warrants. No service charges have been recorded by the District or the County.

7. **Use of Estimates**

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

8. **Capital Assets**

A summary of capital assets are as follows:

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
<b>COST</b>				
Land	\$ 83,895	\$ -	\$ -	\$ 83,895
Building	3,357,089	-	-	3,357,089
Machinery/Equipment	1,232,768	58,808	-	1,291,576
	<u>\$ 4,673,752</u>	<u>58,808</u>	<u>-</u>	<u>\$ 4,732,560</u>
<b>ACCUMULATED DEPRECIATION</b>				
Building	\$ 178,905	84,010	-	\$ 262,915
Machinery/Equipment	782,487	74,538	-	857,025
	<u>961,392</u>	<u>158,548</u>	<u>-</u>	<u>1,119,940</u>
Net Book Value	<u>\$ 3,712,360</u>			<u>\$ 3,612,620</u>

Depreciation expense for the year was \$158,548.

9. **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), and d) environmental damage. 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, and professional liabilities. The District is insured by commercial policies for tort liability coverage, and given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and deductibles on the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. **Subsequent Events**

The District has evaluated subsequent events through the date of this report, the date which the financial statements were available to be issued.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

**GENERAL FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b><u>REVENUES:</u></b>				
District Taxes	\$ 146,153	\$ 146,153	\$ 147,825	\$ 1,672
Interest	150	150	158	8
Oil/Gas Tax	328,881	328,881	419,563	90,682
Other Income	<u>10,000</u>	<u>10,000</u>	<u>14,277</u>	<u>4,277</u>
<b>TOTAL REVENUES</b>	<u>485,184</u>	<u>485,184</u>	<u>581,823</u>	<u>96,639</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Repairs, Maintenance, and Supplies	125,000	125,000	61,275	63,725
Purchased Services	80,200	80,200	38,927	41,273
Utilities	30,000	30,000	13,662	16,338
Training, Communication, and Transportation	120,000	120,000	8,830	111,170
Professional Services	3,500	3,500	2,500	1,000
Travel	7,000	7,000	-	7,000
Insurance	75,000	75,000	30,348	44,652
Debt Services	-	-	-	-
Capital Outlay	<u>105,123</u>	<u>105,123</u>	<u>-</u>	<u>105,123</u>
<b>TOTAL EXPENDITURES</b>	<u>545,823</u>	<u>545,823</u>	<u>155,542</u>	<u>390,281</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(60,639)</u>	<u>(60,639)</u>	<u>426,281</u>	<u>486,920</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer Out	(195,000)	(195,000)	(90,000)	105,000
Sale of Fixed Assets	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>(195,000)</u>	<u>(195,000)</u>	<u>(90,000)</u>	<u>105,000</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (255,639)</u>	<u>\$ (255,639)</u>	336,281	<u>\$ 591,920</u>
Fund Balance - July 1, 2013 - Budget and GAAP basis			<u>350,782</u>	
Fund Balance - June 30, 2014 - Budget and GAAP basis			<u>\$ 687,063</u>	

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2014

**Budgets**

A budget is adopted by the Board of Trustees each fiscal year for the General Fund. The budget is formulated in accordance with county budget laws set out in the Montana Code Annotated, which apply to rural fire districts so far as applicable. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers, if applicable.

**Encumbrances**

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria" as defined in the Administrative Rules of Montana (ARM 10.10.101).

As of June 30, 2014, there were no encumbrances.

**SUPPLEMENTAL  
INFORMATION**

**BAKER RURAL FIRE DISTRICT  
FALLON COUNTY  
BAKER, MONTANA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**CAPITAL RESERVE FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES:</u>			
Interest	\$ 120	\$ 138	\$ 18
<u>EXPENDITURES:</u>			
Capital Outlay	389,880	58,808	(331,072)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(389,760)</u>	<u>(58,670)</u>	<u>331,090</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	90,000	90,000	-
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>90,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (299,760)</u>	31,330	<u>\$ 331,090</u>
Fund Balance - July 1, 2013 - Budget and GAAP basis		<u>299,880</u>	
Fund Balance - June 30, 2014 - Budget and GAAP basis		<u>\$ 331,210</u>	



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## James J. Wosepka, PC – Certified Public Accountant

Licensed In North Dakota and Montana

### 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  
Baker Rural Fire District  
Fallon County  
Baker, MT 59313

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 Baker Rural Fire District, Baker, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Baker Rural Fire District, Baker, Montana's basic financial statements, and have issued our report thereon dated September 11, 2014.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Baker Rural Fire District, Baker, Montana'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 Baker Rural Fire District, Baker, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Baker Rural Fire District, Baker, Montana'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.

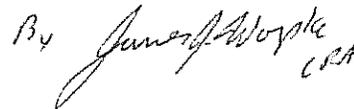
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Baker Rural Fire District, Baker, Montana'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.

James J. Wosepka, PC

By  CMA

September 11, 2014  
Baker, Montana