

HEBGEN BASIN FIRE DISTRICT

GALLATIN COUNTY, MONTANA

Fiscal Years Ended June 30, 2013 and 2014

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

HEBGEN BASIN FIRE DISTRICT

GALLATIN COUNTY, MONTANA

Fiscal Years Ended June 30, 2013 and 2014

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HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2013

**BOARD OF TRUSTEES**

Robert Godwin  
Kyle Goltz  
Lee Sargent  
Gale Loomis  
Ken Davis

Chairperson  
Vice-Chair  
Trustee  
Trustee  
Secretary/Treasurer

**DISTRICT OFFICIALS**

Patti Austin  
Scott Waldren

Financial Manager  
Fire Chief

Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Robert Godwin  
Kyle Goltz  
Gay McBirine  
Nancy Heideman  
Ken Davis

Chairperson  
Vice-Chair  
Trustee  
Trustee  
Secretary/Treasurer

**DISTRICT OFFICIALS**

Patti Austin  
Scott Waldren

Financial Manager  
Fire Chief

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Hebgen Basin Fire District  
Gallatin County  
West Yellowstone, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, General fund and Agency fund, of Hebgen Basin Fire District, Gallatin County, Montana, as of and for the years ended June 30, 2013 and 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.

### **Basis for Qualified Opinion on Government Activities and the General Fund**

As explained in note 3 to the financial statements, management has not adopted a complete methodology for reviewing the collectability of accounts receivable in the Governmental Activities and the General Fund and, accordingly, has not appropriately considered the allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balance and change the revenues. The amount by which this departure would affect the assets, fund balance and revenues has not been determined. As explained in note 6 to the financial statements accounting principles generally accepted in the United States of America require that on-behalf payments should be recorded as revenue and as expenditure. Management has not developed a methodology for reviewing State on-behalf contributions to retirement. Revenues and expenditures are understated, however this departure has a net zero affect on assets and fund balance.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on Governmental Activities and the General Fund” paragraph, the financial statements of the Governmental Activities and General fund referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and General Fund of Hebgen Basin Fire District, Gallatin County, Montana, as of June 30, 2013 and June 30, 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency Fund of Hebgen Basin Fire District, Gallatin County, Montana, as of and for the years ended June 30, 2013 and June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2013, the Hebgen Basin Fire District, Gallatin County, Montana 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**

The Hebgen Basin Fire District, Gallatin County, Montana has omitted budgetary comparison schedule and management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the Hebgen Basin Fire District, Gallatin County, 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 Hebgen Basin Fire District, Gallatin County, Montana's internal control over financial reporting and compliance.

*Denning, Downey and Associates, CPAs, P.C.*

June 30, 2015

**Hebgen Basin Fire District, Gallatin County**  
**Statement of Net Position**  
**June 30, 2013**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$	314,167
Taxes receivable		32,653
Accounts receivable, net of allowance for bad debt		241,228
Due from other governments		14,455
Total current assets	\$	602,503
Noncurrent assets		
Capital assets, net of accumulated depreciation	\$	1,661,097
Total noncurrent assets	\$	1,661,097
Total assets	\$	2,263,600
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	\$	4,130
Notes payable		7,871
Compensated absences		12,356
Capital lease payable		268,147
Total current liabilities	\$	292,504
Noncurrent liabilities		
Notes payable	\$	75,427
Compensated absences		44,951
Total noncurrent liabilities	\$	120,378
Total liabilities	\$	412,882
<b>NET POSITION</b>		
Net investment in capital assets	\$	1,309,652
Unrestricted		541,066
Total net position	\$	1,850,718

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$	323,334
Taxes receivable		30,918
Accounts receivable, net of allowance for bad debt		306,520
Due from other governments		9,154
Total current assets	\$	669,926
Noncurrent assets		
Land	\$	12,000
Capital assets , net of accumulated depreciation		1,628,431
Total noncurrent assets	\$	1,640,431
Total assets	\$	2,310,357
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	\$	4,130
Notes payable		13,037
Compensated absences		17,404
Total current liabilities	\$	34,571
Noncurrent liabilities		
Notes payable	\$	109,857
Compensated absences		47,055
Total noncurrent liabilities	\$	156,912
Total liabilities	\$	191,483
<b>NET POSITION</b>		
Net investment in capital assets	\$	1,517,537
Unrestricted		601,337
Total net position	\$	2,118,874

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
<b>Primary government:</b>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<u>Governmental activities:</u>				<u>Governmental Activities</u>
Public safety	\$ 1,162,799	\$ 339,232	\$ 498,720	\$ (324,847)
Intrest and fiscal fees	18,085	-	-	(18,085)
Total primary government	<u>\$ 1,180,884</u>	<u>\$ 339,232</u>	<u>\$ 498,720</u>	<u>\$ (342,932)</u>
General Revenues:				
Property Taxes			\$ 584,168	
Miscellaneous			13,300	
Interest			2,031	
Gain on disposal of asset			4,197	
Total general revenues			<u>\$ 603,696</u>	
Change in net position			<u>\$ 260,764</u>	
Net position - Beginning of Year			\$ 1,520,207	
Restatements			69,747	
Net position, Beginning of Year Restated			<u>\$ 1,589,954</u>	
Net position - End of Year			<u>\$ 1,850,718</u>	

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>	
<u>Primary government:</u>				<u>Governmental Activities</u>
Governmental activities:				
Public safety	\$ 1,264,154	\$ 388,724	\$ 541,605	\$ (333,825)
Interest and fiscal fees	3,900	-	-	(3,900)
Total primary government	<u>\$ 1,268,054</u>	<u>\$ 388,724</u>	<u>\$ 541,605</u>	<u>\$ (337,725)</u>
		General Revenues:		
		Property taxes	\$	554,295
		Miscellaneous		24,821
		Interest		1,626
		Donation of asset		23,347
		Gain on disposal of assets		1,792
		Total general revenues, special items and transfers	\$	<u>605,881</u>
		Change in net position	\$	<u>268,156</u>
		Net position, Beginning of Year	\$	1,850,718
		Net position, End of Year	\$	<u>2,118,874</u>

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

		<u>General</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$	314,167
Taxes receivable		32,653
Accounts receivable, net of allowance for bad debt		241,228
Due from other governments		14,455
Total assets	\$	<u>602,503</u>
Current liabilities:		
Accrued liabilities	\$	4,130
Total liabilities	\$	<u>4,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-property taxes	\$	<u>32,653</u>
<b>FUND BALANCES</b>		
Unassigned	\$	<u>565,720</u>
Total fund balance	\$	<u><u>565,720</u></u>

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

		<u>General</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$	323,334
Taxes receivable		30,918
Accounts receivable, net of allowance for bad debt		306,520
Due from other governments		9,154
Total current assets	\$	<u>669,926</u>
Total assets	\$	<u>669,926</u>
Current liabilities:		
Accrued liabilities		4,130
Total current liabilities	\$	<u>4,130</u>
Total liabilities	\$	<u>4,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-property taxes	\$	30,918
Total deferred inflows of resources	\$	<u>30,918</u>
<b>FUND BALANCES</b>		
Unassigned		634,878
Total fund balance	\$	<u>634,878</u>

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2013**

<b>Total fund balances - governmental funds</b>	\$	565,720
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,998,065
Less accumulated Depreciation		(336,968)
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		32,653
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		-
Compensated absences payable		(57,307)
Notes payable		(83,298)
Capital lease payable		(268,147)
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u><u>1,850,718</u></u></b>

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2014**

<b>Total fund balances - governmental funds</b>	\$	634,878
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,082,992
Less accumulated depreciation		(442,561)
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		30,918
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences payable		(64,459)
Notes payable		(122,894)
<b>Total net position - governmental activities</b>	\$	<u><u>2,118,874</u></u>

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

		<u>General</u>
<b>REVENUES</b>		
Taxes	\$	574,131
Licenses and permits		120
Grants		498,720
Charges for services		339,112
Miscellaneous		13,300
Interest		2,031
Total revenues	\$	<u>1,427,414</u>
<b>EXPENDITURES</b>		
Public safety	\$	1,041,929
Debt Service - principle payments		25,067
Intrest and fiscal fees		18,085
Capital outlay		256,428
Total expenditures	\$	<u>1,341,509</u>
Excess (deficiency) of revenues over expenditures	\$	<u>85,905</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from ling term debt	\$	83,298
Proceeds from the sale of assets		10,000
Total other financing sources	\$	<u>93,298</u>
Net Change in Fund Balance	\$	<u>179,203</u>
Fund balances, beginning	\$	386,517
Fund balances, ending	\$	<u><u>565,720</u></u>

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General</b>
<b>REVENUES</b>	
Taxes	\$ 556,030
Licenses and permits	55
Grants	541,605
Charges for services	388,669
Miscellaneous	24,821
Interest	1,626
Total revenues	\$ 1,512,806
<b>EXPENDITURES</b>	
Public safety	\$ 1,136,564
Debt service, Principle payments	278,551
Interest and fiscal fees	3,900
Capital outlay	88,388
Total expenditures	\$ 1,507,403
Excess (deficiency) of revenues over expenditures	\$ 5,403
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from long term debt	\$ 50,000
Proceeds from the sale of assets	13,755
Total other financing sources (uses)	\$ 63,755
Net Change in Fund Balance	\$ 69,158
Fund balances, beginning	\$ 565,720
Fund balances, ending	\$ 634,878

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

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

<b>Net change in fund balances - total governmental funds</b>	\$ 179,203
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	256,428
- Depreciation expense	(118,489)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Proceeds from the sale of capital assets	(10,000)
- Gain on the sale of capital assets	4,197
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Increase (decrease) in unearned taxes not included in revenue	10,036
The change in compensated absences is shown as an expense in the Statement of Activities	
	(2,380)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Principal payments on capital lease	25,067
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:	
- Proceeds from the sale of long-term debt	(83,298)
<b>Change in net position - Statement of Activities</b>	\$ 260,764

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

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

**Net change in fund balances - total governmental funds** \$ 69,158

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	88,388
- Depreciation expense	(134,743)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Proceeds from the sale of capital assets	(13,755)
- Gain on the sale of capital assets	1,792

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Donated capital assets	23,347
- Long-term receivables (deferred revenue)	(1,735)

The change in compensated absences is shown as an expense in the Statement of Activities

7,153

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments	10,404
- Principal payments on capital lease	268,147

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt	(50,000)
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**Change in net position - Statement of Activities** \$ 268,156

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$	5,089
Total assets	\$	<u>5,089</u>
<b>LIABILITIES</b>		
Warrants payable	\$	5,089
Total liabilities	\$	<u>5,089</u>
<b>NET POSITION</b>		

See accompanying Notes to the Financial Statements

**Hebgen Basin Fire District, Gallatin County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$	<u>10,573</u>
Total assets	\$	<u><u>10,573</u></u>
<b>LIABILITIES</b>		
Warrants payable	\$	<u>10,573</u>
Total liabilities	\$	<u><u>10,573</u></u>

See accompanying Notes to the Financial Statements

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fire District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

**Financial Reporting Entity**

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

*Primary Government*

The District is a political subdivision of the State of Montana governed by an elected Board of Trustees duly elected by the registered voters of the District. The District utilizes the commission form of government. The District is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and 2014

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 types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

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

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and 2014

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
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Major Funds:

The District reports the following major governmental funds:

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

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District’s claims and payroll clearing funds

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District’s cash is held by the County Treasurer and pooled with other County cash. Fire District cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2013 and 2014 consisted of U.S. government backed mortgage investments.

The District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Gallatin County deposits and investments is available from Gallatin County Treasurer’s office, 311 West Main Room 306, Bozeman, Montana, 59715-4576. Fair value approximates carrying value for investments as of June 30, 2014. The Gallatin County investment pool is not rated.

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

HEBGEN BASIN FIRE DISTRICT  
 GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3. RECEIVABLES**

The following allowances for uncollectible accounts were recorded:

Accounts receivable:

Ambulance

Fiscal Year 2013

<u>Fund Name</u>	<u>Accounts Receivable</u>	<u>Allowance for Uncollectable</u>	<u>Reported Accounts Receivable</u>
General	\$ <u>352,921</u>	\$ <u>111,063</u>	\$ <u>241,228</u>

Fiscal Year 2014

<u>Fund Name</u>	<u>Accounts Receivable</u>	<u>Allowance for Uncollectable</u>	<u>Reported Accounts Receivable</u>
General	\$ <u>417,583</u>	\$ <u>111,063</u>	\$ <u>306,520</u>

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a 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.

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
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**NOTE 4. CAPITAL ASSETS**

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

Buildings	10 – 50 years
Machinery & Equipment	5 – 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities fiscal year 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:						
Construction in progress	\$ 1,072	\$ -	\$ -	\$ -	\$ (1,072)	\$ -
Other capital assets:						
Buildings	\$ 162,710	\$ 93,282	\$ -	\$ 376,809	\$ 1,072	\$ 633,873
Machinery and equipment	1,221,580	163,146	(20,525)	-	-	1,364,201
Total other capital assets at historical cost	<u>\$ 1,384,290</u>	<u>\$ 256,428</u>	<u>\$ (20,525)</u>	<u>\$ 376,809</u>	<u>\$ 1,072</u>	<u>\$ 1,998,074</u>
Less: accumulated depreciation	<u>\$ (219,364)</u>	<u>\$ (118,488)</u>	<u>\$ 14,710</u>	<u>\$ (13,835)</u>	<u>\$ -</u>	<u>\$ (336,977)</u>
Total	<u>\$ 1,165,998</u>	<u>\$ 137,940</u>	<u>\$ (5,815)</u>	<u>\$ 362,974</u>	<u>\$ -</u>	<u>\$ 1,661,097</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
Public safety	\$ <u>118,488</u>

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
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Governmental activities fiscal year 2014:

Governmental activities FY2014:

	Balance July 1, 2013	Additions	Deletions	Donated Assets	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$	\$ 12,000	\$	\$	\$ 12,000
Total capital assets not being depreciated	\$ -	\$ 12,000	\$ -	\$ -	\$ 12,000
Other capital assets:					
Buildings	\$ 633,873	\$	\$	\$	\$ 633,873
Machinery and equipment	1,364,201	76,388	(53,852)	50,392	1,437,129
Total other capital assets at historical cost	\$ 1,998,074	\$ 76,388	\$ (53,852)	\$ 50,392	\$ 2,071,002
Less: accumulated depreciation	\$ (336,977)	\$ (132,251)	\$ 29,149	\$ (2,492)	\$ (442,571)
Total	\$ 1,661,097	\$ (43,863)	\$ (24,703)	\$ 47,900	\$ 1,640,431

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
Public safety	\$ <u>132,251</u>

**NOTE 5. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013 and 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities fiscal year 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 54,925	\$ 2,382	\$ -	\$ 57,307	\$ 12,356
Intercap loans	-	83,298	-	83,298	7,871
Capital leases	-	-	(25,067)	268,147	268,147
Total	\$ 54,925	\$ 85,680	\$ (25,067)	\$ 408,752	\$ 288,374

Governmental Activities fiscal year 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 57,307	\$ 7,152	\$ -	\$ 64,459	\$ 17,404
Intercap loans	83,298	50,000	(10,404)	122,894	13,037
Capital leases	268,147	-	(268,147)	-	-
Total	\$ 408,752	\$ 57,152	\$ (278,551)	\$ 187,353	\$ 30,441

HEBGEN BASIN FIRE DISTRICT  
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In prior years the general fund was used to liquidate compensated absences and claims and judgments.

**Intercap Loans**

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Purchase station #3, Construct #4	11/30/12	Varies	10 yrs	2/15/23	\$ 83,298	\$ 75,428
Purchase station #3, Construct #4	8/30/13	Varies	9.5 yrs	2/15/23	<u>50,000</u>	<u>47,466</u>
Total					<u>\$133,298</u>	<u>\$ 122,894</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 13,037	\$ 1,196
2016	13,188	1,203
2017	13,340	1,000
2018	13,495	844
2019	13,652	687
2020	13,810	529
2021	13,967	368
2022	14,130	205
2023	<u>14,275</u>	<u>42</u>
Total	<u>\$ 122,894</u>	<u>\$ 6,074</u>

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and 2014

**Capital Leases**

The District has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. The District paid off all capital lease obligations as of June 30, 2014.

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the District's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from District service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities.

**NOTE 6. STATE-WIDE RETIREMENT PLANS**

All full-time District employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS) or Firefighters' Unified Retirement System (FURS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014 for the defined benefit plans, were:

HEBGEN BASIN FIRE DISTRICT  
 GALLATIN COUNTY, MONTANA  
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	<u>PERS**</u>	<u>FURS</u>
Employer	8.07%	14.36%
Employee	7.90%*	9.5% w/o GABA 10.7% w/GABA
		Also – 1% withheld & paid to Montana State Firemen’s Association
State	0.10%	32.61%

\* For PERS members hired before 7/1/2011 that rate is 6.9%

\*\* For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account.

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District’s financial statements and were considered material.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>		<u>FURS</u>
2012	\$	-	\$ 57,455
2013	\$	2,744	\$ 57,903
2014	\$	3,582	\$ 65,195

**NOTE 7. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and 2014

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE 8.     RESTATEMENTS**

During the 2013 fiscal year, the following adjustments relating to prior years' transactions were made to net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental activities	\$ <u>69,747</u>	Reclassify an operating lease as a capital lease

**NOTE 9.     INTERLOCAL AGREEMENTS**

The District entered into a 10 year interlocal agreement with the Town of Yellowstone to provide fire protection, fire suppression, fire prevention and emergency medical services within the boundary of the District. The Town will pay \$37,500 per month (\$450,000 annually) for these services. Beginning in the fiscal year that ended June 30, 2012 this agreement includes percentage increases from the previous year's rate equating to the percentage increase or decrease in the average 5-year resort tax collections for the previous 5 years. The District shall insure personal property and the Town will insure Fire Station One located at 10 S. Faithful, West Yellowstone, Montana. The District will pay 90% and the Town will pay 10% of the shared utilities. The District will also reimburse the town for the last two payments on the ambulance loan.

**NOTE 10.    SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

The District is provided various financial services by Gallatin County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

HEBGEN BASIN FIRE DISTRICT  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and 2014

**NOTE 11. RISK MANAGEMENT**

The District faces 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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

Board of Trustees  
Hebgen Basin Fire District  
Gallatin County  
West Yellowstone, Montana

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, General Fund, and the Agency fund information of Hebgen Basin Fire District, Gallatin County, Montana, as of and for the years ended June 30, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the Hebgen Basin Fire District's basic financial statements and have issued our report thereon dated June 30, 2015, which was qualified because account receivable allowance for uncollectible accounts was not properly established and on-behalf payments by the state for FURS was not reported.

**Internal Control Over Financial Reporting**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as items 2014-001 and 2014-002.

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. We consider the deficiencies described below to be significant deficiencies as identified as item 2014-003.

**2014-001      Ambulance Allowance for Doubtful Accounts**

**Condition:**

The district did not take into consideration amounts in collections that are more likely than not collectable when allocating their allowance for doubtful accounts.

**Context:**

The District's aged billing report segregates amounts owed from services to the Fire District by the number of days past due. 30, 60, 90, 120 and 150 days are incremented and the District also keeps track of amounts that are in collections. For fiscal year 2013 and 2014, the District had \$242,500 in collections and \$111,063 as an allowance for doubtful accounts, a difference of \$131,437.

**Criteria:**

Accounts receivable should be shown net of allowance for doubtful accounts. The allowance for doubtful accounts should be established upon management's estimation of collectability of receivables.

**Effect:**

The District overstated accounts receivable by \$131,437 as of June 30, 2014

**Cause:**

The District used the same allowance for doubtful accounts of \$111,063 for multiple years, and did not take into consideration the collectability of accounts that have been submitted to collections.

**Recommendation:**

The District should consider receivables in collections when establishing an allowance for doubtful accounts.

**Auditee Response:**

We will evaluate the older accounts that are in collections and reevaluate our allowance for doubtful account on a yearly basis.

**2014-002      On Behalf Retirement**

**Condition:**

The District did not account for the state on-behalf payments for the firefighters.

**Context:**

The District did not report the on-behalf payments from the state for the Firefighters Unified Retirement System (FURS) and the Public Employees Retirement System (PERS). The Fire District should have reported revenues and expenditures of \$131,492 for FURS and \$39 for PERS for a total of \$131,492.

**Criteria:**

Per GASB 24, on-behalf payments, which are payments for fringe benefits and salaries directly paid by to a third party recipient for the employees, are to be recorded as a revenue and an expenditure on the financial statements.

**Effect:**

The District understated revenues and expenditures by \$131,492.

**Cause:**

The District did not record on-behalf payments made by the state for FURS or PERS retirement.

**Recommendation:**

The District should consider estimating the amount of on-behalf made by the State and report them as a revenue and expenditure.

**Auditee Response:**

We were not aware of this requirement, and we will talk to our financial statement preparers in the future to report the revenues and expenditures to reflect the state on-behalf payments for FURS and PERS.

**2014-003      Segregation of Duties – Ambulance Billing and Collections**

**Condition:**

There is one person to invoice, take collections and prepare deposits. The Chief takes the deposit to the bank, and the Board of Trustees approves all write-offs/adjustments.

**Context:**

The District's clerk generates invoices, posts cash receipts and adjustments to customer accounts, and prepares deposits for ambulance services. The Board of Trustees reviews and approves write-offs/adjustments to customer accounts.

**Criteria:**

There is inadequate segregation of duties with regard to ambulance billing and collections.

**Effect:**

A misstatement, including one due to theft or error, could go undetected.

**Cause:**

Due to limited staff size adequate segregation of duties (authorization, recording and custody of assets) is difficult to achieve.

**Recommendation:**

Someone else such as the Chief or the Assistant Chief could prepare the deposit.

**Auditee Response:**

We are looking into implementing a semi-annual audit to test for correct billing, receipting and depositing which would be performed by board members.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hebgen Basin Fire District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as items 2014-004 and 2014-005.

### **2014-004      Management's Discussion and Analysis**

**Condition:**

The District did not prepare a Management's Discussion and Analysis to include with the financial statements.

**Context:**

The District chose not to prepare the Management's Discussion and Analysis.

**Criteria:**

Governmental Accounting Standards Board (GASB) issued Statement number 34 (GASB 34) which requires a Management's Discussion and Analysis be prepared by the management of the District to be included prior to the financial statements of the District as part of required supplementary information

**Effect:**

The District is not in compliance with GASB 34.

**Cause:**

The District did not prepare the Management's Discussion and Analysis.

**Recommendation:**

The District should prepare a Management's Discussion and Analysis as required by GASB 34 based on the financial statements of the District.

**Auditee Response:**

We don't see a benefit to preparing the MD&A at this time. As a Fire District we will look into preparing an MD&A for the next audit report

### **2014-005      Budgetary Comparison schedule**

**Condition:**

The District did not prepare a budgetary comparison schedule

**Context:**

The District did not have a budgetary comparison schedule prepared to be part of Required Supplemental Information (RSI).

**Criteria:**

Governmental Accounting Standards Board (GASB) issued Statement number 34 (GASB 34) which requires a Budgetary Comparison Schedules to be prepared by the management and to be presented as part of Required Supplementary Information(RSI).

**Effect:**

We noted noncompliance with GASB 34.

**Cause:**

The District did not prepare the Budgetary Comparison Schedule.

**Recommendation:**

The District should have a Budgetary Comparison Schedule prepared to be presented as part of RSI.

**Auditee Response:**

We were not aware of this requirement and will talk to our financial statement preparers in the future.

**Hebgen Basin Fire District's Response to Findings**

Hebgen Basin Fire District's response to the findings identified in our audit is described above. Hebgen Basin Fire District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 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.

*Denning, Downey and Associates, CPAs, P.C.*

June 30, 2015

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Hebgen Basin Fire District  
Gallatin County  
West Yellowstone, Montana

The prior audit report contained five recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Balancing Cash	Implemented
Segregation of Duties - Ambulance Billing and Collecting	Repeated
Balancing Taxes to County	Implemented
Ambulance Receivable Balancing Prepared MD&A	Implemented Repeated

*Denning, Downey and Associates, CPA's, P.C.*

June 30, 2015