

MISSOULA RURAL FIRE DISTRICT

MISSOULA, MONTANA

**FINANCIAL AND
COMPLIANCE REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2014**

RONALD PAUL FOLTZ
Certified Public Accountant

MISSOULA RURAL FIRE DISTRICT

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MISSOULA RURAL FIRE DISTRICT

ORGANIZATION

JUNE 30, 2014

TRUSTEES

Dan Corti Chairman
Kenneth Peters Vice Chairman
Cheryl Hanson Secretary
Steve Cunningham Trustee
Larry Hanson Trustee

OFFICIALS

Bill Colwell District Fire Chief
Brent Christopherson Assistant Chief
Chris Newman Deputy Assistant Chief / Fire Marshal
Dale Golden Office Manager



MISSOULA RURAL FIRE DISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it along with the District's financial statements which begin on page 12.

FINANCIAL HIGHLIGHTS

The District's net position decreased by \$2,000 or less than 1% in 2014. Total revenues increased by \$754,000 mostly because of increases in grant and wildland fire revenues. Total expenses increased by \$660,000 or 11% due to increases in personnel and operation expenses. These changes are discussed in more detail later in this management's discussion and analysis.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information for the District's general and capital improvement funds. The statement of net position and the statement of activities (pages 12 and 13) provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities). The fund financial statements for the general and capital improvement funds present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE DISTRICT AS A WHOLE

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

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

Changes in the District's net position (rounded to the nearest \$1,000) were as follows:

	2014	2013	Change	%
Current assets	\$2,095,000	\$1,884,000	\$211,000	11%
Capital assets - net	2,585,000	2,689,000	(104,000)	(4)%
Total assets	4,680,000	4,573,000	107,000	2%
Current liabilities	(689,000)	(595,000)	94,000	(16)%
Non-current liabilities	(842,000)	(827,000)	15,000	(2)%
Total liabilities	(1,531,000)	(1,422,000)	109,000	(8)%
Net Position	\$3,149,000	\$3,151,000	(\$2,000)	-
Net Position:				
Net investment in capital assets	\$2,199,000	\$2,259,000	(\$60,000)	(3)%
Restricted - capital improvement fund ..	674,000	495,000	179,000	36%
Unrestricted	276,000	397,000	(121,000)	(30)%
Total net position	\$3,149,000	\$3,151,000	(\$2,000)	-

The increase in current assets and the restricted portion of net position results from monies received but not spent in 2014 such as wildland fire revenues.

The decrease in net capital assets and net investment in capital assets is because depreciation expense exceeded capital asset additions and principal payments on capital debt (intercap loans).

The unrestricted portion of net position decreased as a result of using current assets to continue the District's on-going plan of equipment upgrades and an increase in maintenance and repair of fire stations. See Note 3 on page 20 for additional information about capital assets.

Changes in the District's revenues (rounded to the nearest \$1,000) were as follows:

	2014	2013	Change	%
General Revenues:				
District property taxes	\$4,528,000	\$4,288,000	\$240,000	6%
State revenues	674,000	682,000	(8,000)	(1)%
Grants	457,000	138,000	319,000	231%
Other	69,000	54,000	15,000	28%
Contributed Equipment	42,000	20,000	22,000	110%
Total general revenue	5,770,000	5,182,000	588,000	11%
Program revenues - fees for services				
Wildlands fire revenues	179,000	100,000	79,000	79%
State contribution to retirement	646,000	557,000	89,000	16%
Other	1,000	3,000	(2,000)	(67)%
Total program revenues	826,000	660,000	166,000	25%
Total revenue	\$6,596,000	\$5,842,000	\$754,000	13%

District property taxes revenue increased because of the collection of centrally assessed taxes originally paid under protest. Additionally, tax revenues also increased as a result of the inflation factor used in the determination of tax revenue and mill levy limitation under State law.

Grant revenue increased because of a Department of Homeland Security (DHS) Staffing for Adequate Fire and Emergency Response (SAFER) grant received for part of 2013 and received for a full year in 2014.

Wildland Fire revenues increased due to a more active fire season. The increase in State contributions to retirement systems results from six additional firefighters hired with the receipt of the SAFER grant noted above.

Because the District's primary revenue source (property taxes) is only collected twice a year (at the end of November and the end of May), it is necessary to have sufficient working capital at the fiscal year end (June 30) to pay for operating costs for five months through November. The District's cash requirements for operations averages about \$550,000 per month.

Changes in the District's expenses (rounded to the nearest \$1,000) were as follows:

	2014	2013	Change	%
Public Safety - Fire Protection:				
Personnel	\$5,518,000	\$4,938,000	\$580,000	12%
Operations	556,000	481,000	75,000	16%
Maintenance	215,000	224,000	(9,000)	(4)%
Utilities	69,000	61,000	8,000	13%
Depreciation	236,000	229,000	7,000	3%
Interest expense	4,000	5,000	(1,000)	(20)%
Total expenses	6,598,000	5,938,000	660,000	11%
Less program revenues	826,000	660,000	166,000	25%
Net expenses	(5,772,000)	(5,278,000)	(494,000)	9%
Less general revenues	5,770,000	5,182,000	588,000	11%
Change in net position	(\$2,000)	(\$96,000)	\$94,000	(98)%

The increase in personnel costs resulted from normal pay increases for promotions, completed qualifications, and requirements of the collective bargaining agreement. The District also hired six new firefighters for part of 2013 and for all of 2014 with the receipt of the SAFER grant as discussed above. Added costs of the new firefighters include wages, benefits, taxes, and contributions to retirement systems.

Operations costs increased primarily because of computer hardware and software updates and hazmat training.

Other costs remained relatively steady.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

The District's policy is to capitalize the hoses, minor apparatus, and other equipment added to a fire engine when it is purchased and then expense the replacement of these items. The District utilizes this same policy for its haz-mat trailers.

The District put a water tender in service at a cost of \$10,000 that was started in 2013 and purchased various equipment at a cost of \$32,000. Additionally, the District had costs of \$47,000 towards a Type 5 engine that is being built and is expected to be completed in 2015.

The Montana Department of Natural Resource and Conservation (DNRC) donated \$12,000 in the form of a Kawasaki Mule. A private company and another governmental entity contributed \$29,000 of equipment to the District (confined space gear and mobile air refill equipment). There were no capital asset disposals in 2014.

Compensated absences liability had an increase of \$81,000 due to normal accruals including a full year with the six firefighter hired with the SAFER grant as noted previously.

See Note 3 on page 20 for further details about capital assets and Note 4 on page 21 for additional information about long-term debt.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's funds, the general fund and the capital improvements fund. The fund financial statements provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown on page 15, total government fund balances increased \$143,000 in 2014 as compared to a \$2,000 decrease in government-wide net position. The difference is detailed on page 16.

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

THE FUTURE OF THE DISTRICT

Missoula Rural Fire District (MRFD) uses a combination response model to provide emergency response personnel that answer the calls for service in our community. We employ career firefighter/EMT's that are supported by resident volunteer firefighters/EMTs, community volunteer

firefighters and volunteer firefighter/EMTs. Career firefighter/EMTs staffing provides the backbone of emergency response for MRFD. We employ forty-one career firefighter/EMTs who work 49 hours per week. Sixty-one percent of our staffing is provided by these members.

The University of Montana's Helena College of Technology (COT) is providing firefighters college level training under the COT Fire Science Program. Missoula Rural Fire District offers a resident firefighter program to twelve student volunteers, who are traditionally COT student/volunteer firefighters. The District assists in tuition requirements and provides living quarters to three resident firefighter/volunteers at Stations 2, 4, 5, and 6. In exchange for our assistance and training opportunities, the students work one 12-hour shift in their respective station every three days. Their station is their primary residence and they respond to calls in support of MRFD operations. This program is designed to increase the number of well-trained firefighters responding from MRFD's stations to provide service to the District's citizens and help the resident firefighter/volunteers gain skills to become career firefighters.

MRFD also has 26 volunteer firefighters and firefighter/EMTs that are members of the community and volunteer to either gain experience as a potential career firefighter or volunteer as a community service. Our volunteer program requires volunteers to schedule and work 24-hours per month in a MRFD station. MRFD aggressively recruits and trains volunteer firefighters. Since 2008 we have trained 181 new volunteer firefighters and have a current active group of 26 volunteer members. Most of these volunteers are seeking career development as a primary goal. Retention and commitment to long term volunteer community service is a challenge because they are a mobile group seeking employment. We are fortunate to still maintain a few motivated volunteers who serve their community as their primary reward.

MRFD received a Staffing for Adequate Fire and Emergency Response (SAFER) Grant in 2012. The funding from the SAFER Grant allowed MRFD to hire six additional career firefighter/EMTs. With the increased staffing MRFD demonstrated an increase in service and performance. MRFD voters passed a 10.04 Mill increase in property tax by a 69% margin on May 6, 2014 to maintain that level of service and continue the employment of those six firefighters when the SAFER Grant expires in September of 2014.

The future of Missoula Rural Fire District continues to be filled with a variety of opportunities and challenges. MRFD provides service from five station locations and each of those stations face challenges to effectively serve our community. Adequate work space and living quarters in the stations is a concern for the District. The possibility to modify or expand old stations or construct new ones depends on the ability of MRFD to successfully develop revenue, available for those tasks. We continue to improve the buildings with annual maintenance projects as internal funding allows. Examples of projects include septic upgrades at Stations 4 and 5 during budget year 2014-15 and new bay doors at Stations 1, 2, 4, and 5.

The Station 5 area (Lolo) continues to grow and will into the foreseeable future. New development at the Western Montana Development (**Bonner Mill Tax Increment Financing Industrial District**) site has fostered changes in the Station #4 area and will increase MRFD's industrial response requirements with a more diverse group of manufactures. The formation of the tax incrementing district will be beneficial to MRFD and the Station 4 response area. Fire service infrastructure is recognized as part of the industrial district needs that can utilize funding generated by the TIF in the future. The Station 4 area is likely to see expanded residential growth and the continued restoration of the historically designated Bonner Mill community. There are also new residential and commercial growth opportunities available for this portion of the District and growth in the West Log Yard area has started and subdivision and expansion of the TIF area, is in the planning and community review stages.

Station 2 serves the Missoula County Tax Increment District and 45.5% of the calls from Station 2 provide service to citizens and businesses in that tax increment district. The incrementing district approved a request for assistance and provided a proportional share of funds to purchase a used fire apparatus (328) that helps meet the needs and improve service to the area, during fiscal year 2010. MRFD continues to work with the Missoula County TIF as partners supporting the needs of those citizens and the future of emergency response.

MRFD apparatus replacement and upgrading is also a challenge. We received a grant through Homeland Securities to replace our primary hazmat tow vehicle (348). We used a Department of Defense surplus property exchange program and replaced our oldest water tender (327). MRFD used cash carry over from 2010 to pay off our old Inter-cap Loan and using a similar payment level financed a new type 1 engine (311), a new command vehicle (310), and added another water tender (317) to our fleet financed with a new Inter-cap Loan. We used revenue generated from engine rental at the West Riverside Fire and assistance funding from a DNRC Hybrid program to purchase a new type 5 engine (355) and similar funding and the DNRC Hybrid program in 2012 to purchase another type 5 engine (315). With revenue from the summer of 2013 we have purchased a new 550 Ford chassis and DNRC pump, tank and truck bed assembly and will build another type 5 (325). We used internal budgeted funding to replace 302 and buy another F 550 chassis and DRNC pump, tank, and truck bed package in 2014. The new unit is in service in Lolo and we moved the unit at Lolo to Station 6 as (365). This will allow (366) to be used as a replacement for the old (305). We will also have a dedicated engine (326) for MRFD's fuels mitigation. MRFD received a Kawasaki "mule" (329) from the Department of Defense surplus property program and have increased our back country rescue capabilities. With these updates, we still face challenges in the future but the fleet is significantly improved.

MRFD received grants from the American Heart Association and FEMA, (Assistance to Firefighter Grants) and have replaced the heart defibrillator units on all front line apparatus. We will soon be able to transmit heart rhythms from the scene to the receiving hospital. We also are in the process of accepting a FEMA (Assistance to Firefighters Grant) that will help replace the Self Contained Breathing Apparatus on MRFD's response units.

MRFD continues to support all initial structure fire responses with two type 1 engines, an aerial, two water tenders, a command unit, and administrative assistance. The units responding and increased staffing from the 2012 SAFER grant and the 2014 Mill increase allow MRFD to more consistently dispatch an adequate number of firefighter/EMTs within the initial minutes of an emergency to allow more complete and immediate action to save lives and fight fires.

Revenue from taxation continues to be consistent and to this point the economy has not had major implications; taxes are being paid. Future considerations for increased mill levy requests are strongly influenced by the economy and affect future planning. We will continue to monitor the economy and our revenue flow as we plan to the future and a conservative approach helps plot our course.

The City of Missoula's growth plan directly affects the protection area boundaries of the MRFD. City expansion affects the areas around Stations 1, 2, and 6 in particular. Planning for the future needs of the District without established time lines for City expansion or guarantees that the planned expansion will actually take place makes planning for the future difficult in those areas.

The future of the District is bright and with careful stewardship of resources, Missoula Rural Fire District will continue to be a viable and strong organization improving and providing service to our community.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Missoula Rural Fire District
Missoula, Montana

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the governmental activities and the general and capital improvement funds of Missoula Rural Fire District, Missoula, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Audit Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general and capital improvement funds of Missoula Rural Fire District, Missoula, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

I have previously audited Missoula Rural Fire District's 2013 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated March 17, 2014. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 7 and the schedule of revenues and expenditures - budget and actual on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplemental information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

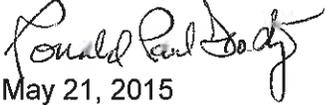
Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Missoula Rural Fire District's basic financial statements. The schedule of expenditures of federal awards on pages 27 is required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. This schedule is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 U.S. generally accepted auditing standards.

In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, I have also issued my report dated May 21, 2015 on my consideration of Missoula Rural Fire District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missoula Rural Fire District's internal control over financial reporting and compliance.


May 21, 2015

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MISSOULA RURAL FIRE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

(With comparative amounts for June 30, 2013)

	2014	2013
ASSETS		
Current Assets:		
Cash and Investments	\$1,666,950	\$1,527,445
Property Taxes Receivable (Net)	368,553	356,258
Grant Receivable	60,013	
Total Current Assets	<u>2,095,516</u>	<u>1,883,703</u>
Capital Assets	5,229,897	5,098,957
Less Accumulated Depreciation	(2,645,250)	(2,409,760)
Capital Assets - Net	<u>2,584,647</u>	<u>2,689,197</u>
Total Assets	<u>4,680,163</u>	<u>4,572,900</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued	257,907	201,859
Compensated Absences - Current Portion	385,199	348,040
Note Payable - Current Portion	45,697	45,012
Total Current Liabilities	<u>688,803</u>	<u>594,911</u>
Non-current Liabilities:		
Compensated Absences	388,214	344,486
Note Payable	339,589	385,286
Estimated Retiree Health Care Costs	114,418	97,290
Total Non-current Liabilities	<u>842,221</u>	<u>827,062</u>
Total Liabilities	<u>1,531,024</u>	<u>1,421,973</u>
NET POSITION		
Net Investment in Capital Assets	2,199,361	2,258,899
Restricted - Capital Improvement Fund	674,221	494,843
Unrestricted	275,557	397,185
Total Net Position	<u>\$3,149,139</u>	<u>\$3,150,927</u>

See Notes to Financial Statements

MISSOULA RURAL FIRE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(With comparative amounts for the year ended June 30, 2013)

	2014	2013
EXPENSES		
Public Safety - Fire Protection:		
Personal Services		
Salaries and Wages	\$3,451,238	\$3,084,003
Contributions to Retirement Systems	1,005,944	868,288
Other Employee Benefits	1,060,428	985,771
Operations	556,323	480,473
Maintenance	215,468	223,807
Utilities	68,643	61,142
Depreciation	235,490	229,165
Interest	4,190	5,429
Total Expenses	<u>6,597,724</u>	<u>5,938,078</u>
PROGRAM REVENUE		
Fees for Services	179,714	102,718
State Contribution to Retirement Systems	645,762	556,999
Total Program Revenues	<u>825,476</u>	<u>659,717</u>
Net Expenses	<u>(5,772,248)</u>	<u>(5,278,361)</u>
GENERAL REVENUES		
District Property Taxes	4,527,945	4,288,454
State Revenues	674,620	682,053
Grants	457,203	138,441
Investment Earnings	4,375	7,773
Other	64,766	46,286
Contributed Equipment	41,551	19,542
Total General Revenues	<u>5,770,460</u>	<u>5,182,549</u>
CHANGE IN NET POSITION	(1,788)	(95,812)
NET POSITION		
Beginning of the Year	<u>3,150,927</u>	<u>3,246,739</u>
End of the Year	<u>\$3,149,139</u>	<u>\$3,150,927</u>

See Notes to Financial Statements

MISSOULA RURAL FIRE DISTRICT

**BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2014**

	General Fund	Capital Improvement Fund	Total
ASSETS			
Cash and Investments	\$992,729	\$674,221	\$1,666,950
Property Taxes Receivable (Net)	368,553		368,553
Grant Receivable	60,013		60,013
Total Assets	\$1,421,295	\$674,221	\$2,095,516
LIABILITIES			
Accounts Payable	\$113,861		\$113,861
Accrued Payroll	144,046		144,046
Total Liabilities	257,907		257,907
DEFERRED INFLOWS OF RESOURCES:			
Deferred Property Tax Revenue	368,553		368,553
Total Deferred Inflows of Resources	368,553		368,553
FUND BALANCES			
Restricted		\$674,221	674,221
Unassigned	794,835		794,835
Total Fund Balance	794,835	674,221	1,469,056
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,421,295	\$674,221	\$2,095,516
RECONCILIATION TO THE STATEMENT OF NET POSITION			
Fund balance reported above			\$1,469,056
Add capital assets not reported above		\$5,229,897	
Less accumulated depreciation		<u>(2,645,250)</u>	2,584,647
Less liabilities not reported above:			
Compensated absences		(773,413)	
Note Payable		(385,286)	
Estimated Retiree Health Care Costs		<u>(\$114,418)</u>	(1,273,117)
Add property tax revenue deferred above, not deferred on the statement of net position			<u>368,553</u>
Net position			<u><u>\$3,149,139</u></u>

See Notes to Financial Statements

MISSOULA RURAL FIRE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

GOVERNMENT FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Improvement Fund	Total
REVENUES			
Property Taxes	\$4,515,650		\$4,515,650
State Entitlement	674,620		674,620
State Contribution to Retirement Systems	645,762		645,762
Grants	457,203		457,203
Fees for Services	1,240	\$178,474	179,714
Investment Earnings	3,471	904	4,375
Other	64,766		64,766
Contributed Equipment	41,551		41,551
Total Revenues	6,404,263	179,378	6,583,641
EXPENDITURES			
Current Operations:			
Personnel	5,419,595		5,419,595
Operations	556,323		556,323
Maintenance	215,468		215,468
Utilities	68,643		68,643
Capital Outlay	130,940		130,940
Debt Service	49,202		49,202
Total Expenditures	6,440,171		6,440,171
CHANGE IN FUND BALANCE	(35,908)	179,378	143,470
FUND BALANCE			
Beginning of the Year	830,743	494,843	1,325,586
End of the Year	<u>\$794,835</u>	<u>\$674,221</u>	<u>\$1,469,056</u>

See Notes to Financial Statements

MISSOULA RURAL FIRE DISTRICT

**RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balance reported on the government funds statement	\$143,470
Increase in property taxes receivable reported on the statement of activity but not included in revenue on the government funds statement	12,295
Capital expenditures reported on the government funds statement not included in expenses in the statement of activity	130,940
Depreciation expenses reported on the statement of activity not included on the government funds statement	(235,490)
Increase in compensated absences liability reported as an expense on the statement of activity not reported on the government funds statement	(80,887)
Increase in estimated retiree health care costs liability reported as an expense on the statement of activity not reported on the government funds statement	(17,128)
Debt service expenditures reported on the government funds statement not included on the statement of activity	<u>45,012</u>
Change in net position	<u><u>(\$1,788)</u></u>

See Notes to Financial Statements

MISSOULA RURAL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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MISSOULA RURAL FIRE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Missoula Rural Fire District was formed in 1961 as authorized by State law, (MCA 7-33-2101). The District is governed by an elected Board of Trustees and the accompanying financial statements include all the activities controlled by the Board of Trustees.

Because the District is controlled by an elected governing board, is a separate legal entity, is not financially or fiscally dependent upon any other local government, or controlled by any other government, it is considered to be an independent reporting entity and has no component units.

B. 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. The statement of net position reflects wording and categories as required by Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*.

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. 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. Revenues from response contracts, fire service and incident fees, and reimbursements for community training are recognized when the services are performed.

Program revenues include fees for services (primarily fire fighting services) and State contributions to retirement systems. 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, the general fund and the capital improvements fund. The capital improvements fund was established under State law (MCA 7-33-2111) which permits the District to establish this fund for the acquisition and replacement of facilities or equipment with a cost of \$5,000 or more and a life expectancy of at least five years.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue.

Notes to the Financial Statements - Missoula Rural Fire District 2014 (continued)

Most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Consequently, under the modified accrual basis, these revenues are recognized when cash is received and deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables. This change from previous years, when deferred property taxes were reported as a liability, results from the District's implementation of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

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. Capital asset acquisitions and principal payments on capital debt are reported as expenditures in the government funds.

C. Specific Accounting Policies

Cash - is deposited with the Missoula County Treasurer and is pooled and invested by the County. Information about the pooled investments is included in the County's annual financial statements. State law permits investment of district funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U. S. Government, and the State's unified investment program. It is not practical for the District to determine the insurance coverage, collateral, or investment risk for its share of these pooled investments.

Inventories - which consist of fuel and miscellaneous supplies, are not significant and are expensed when purchased.

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:

Building and Improvements	20 years
Vehicles	7 - 20 years
Technical and Other Equipment	5 - 20 years

Vacation and Sick Leave - Accrued vacation represents earned vacation hours at June 30, 2014 at the current rate of pay. State law requires payment of 25% of unused sick leave on termination. The District also pays termination benefits equal to 75% of the accrued sick leave for employees who have completed twenty years of service. The liability for sick leave represents 25% of earned hours at the current rate of pay for employees with less than 20 years of service and 75% for employees with more than 20 years of service.

Estimated Retiree Health Care Costs

A liability and expense is recorded for the cost of allowing retirees to participate in the District's group health insurance plan. The District pays for all of its health care coverage on a pay-as-you go basis.

Notes to the Financial Statements - Missoula Rural Fire District 2014 (continued)

Comparative Totals - The government-wide financial statements include prior-year comparative totals and are not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principals. Accordingly, these totals should be read in conjunction with the government-wide financial statements for the year ended June 30, 2013, from which they have been derived. Certain amounts have been restated to conform with 2014 classifications.

2. PROPERTY TAXES RECEIVABLE

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

Property taxes receivable at June 30 consist of delinquent and protested property taxes from prior year levies and are expected to be collected within the coming fiscal year; consequently they have been classified as current assets in the statement of net position. Taxes receivable are reported net of an estimated allowance for uncollectible taxes of \$128,666.

3. CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Cost of Assets:					
Land	\$84,964				\$84,964
Buildings and Improvements ..	1,370,534				1,370,534
Vehicles	3,114,669	\$27,637		\$91,072	3,233,378
Technical Equipment	339,204	56,600		13,633	409,437
Office Equipment	84,881				84,881
Construction In Progress	104,705	46,703		(104,705)	46,703
Total	5,098,957	130,940			5,229,897
Accumulated Depreciation:					
Buildings and Improvements ..	(927,324)	(39,509)			(966,833)
Vehicles	(1,256,185)	(156,288)			(1,412,473)
Technical Equipment	(183,833)	(28,942)			(212,775)
Office Equipment	(42,418)	(10,751)			(53,169)
Total	(2,409,760)	(235,490)			(2,645,250)
Capital Assets - Net	\$2,689,197	(\$104,550)	\$0	\$0	\$2,584,647

Notes to the Financial Statements - Missoula Rural Fire District 2014 (continued)

4. LONG-TERM DEBT

Changes in general long-term debt during the year ended June 30, 2014 were as follows:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Amount Due in One Year
Interkap Loan Program . . .	\$430,298		(\$45,012)	\$385,286	\$45,697
Vacation and Sick Pay	692,526	\$80,887		773,413	385,199
Estimated Retiree Health Care Costs	97,290	17,128		114,418	
Total	<u>\$1,220,114</u>	<u>\$98,015</u>	<u>(\$45,012)</u>	<u>\$1,273,117</u>	<u>\$430,896</u>

Principal and interest requirements to maturity are (interkap loans assume an interest rate of 1.00%):

Year Ending June 30,	----- Interkap Loans -----		
	Principal	Interest	Total
2015	45,697	3,738	49,435
2016	46,394	3,279	49,673
2017	47,101	2,814	49,915
2018	47,820	2,341	50,161
2019	48,551	1,861	50,412
2020	49,293	1,373	50,666
2021	50,046	879	50,925
2022	50,384	376	50,760
Total	<u>\$385,286</u>	<u>\$16,661</u>	<u>\$401,947</u>

Interkap Loan Program

In October 2011, the District borrowed \$94,947 for the purchase of a chassis for a new Type I fire engine. Loan payments consist of 21 semiannual payments at an annually adjusted interest rate. The first payment (interest only) was due in February 2012 and the final payment in February 2022.

In November 2011, the District borrowed \$88,988 for the purchase of a chassis for a new water tender. Loan payments consist of 21 semiannual payments at an annually adjusted interest rate. The first payment (interest only) was due in February 2012 and the final payment in February 2022.

Notes to the Financial Statements - Missoula Rural Fire District 2014 (continued)

In March 2012, the District borrowed \$291,065 for the purchase of various components for the new chassis' purchased in October and November 2011. Loan payments consist of 20 semiannual payments at an annually adjusted interest rate. The first payment was due in August 2012 and the final payment in February 2022.

The adjustable interest rate for all InterCap loans was 1.00% for 2014 and 1.25% for 2013.

Compensated Absences

Compensated absence payments are made by the general fund. Vacation pay is classified as compensated absences due within one year and accrued sick leave is classified as non-current.

5. ESTIMATED RETIREE HEALTH CARE COSTS

Missoula Rural Fire District participates in the Missoula County Employee Benefits Plan along with ten other entities including Missoula County. Missoula County Employee Benefits Plan is a multiple employer health insurance plan administered by Missoula County. Missoula County issues publicly available financial reports that includes financial statements and required supplementary information for the plan. Those reports may be obtained from Missoula County, Office of Financial Services, 200 West Broadway, Missoula, Montana 59802 or phone (406) 721 - 5700.

The District pays for all of its health care coverage on a pay-as-you go basis.

For retirees to qualify for the Missoula County Employee Benefits Plan, an employee must have attained age 50 and have completed 5 years of service or have completed 25 years of service (early retirement), attained age 60 and have completed 5 years of service, or attained age 65, or completed 30 years of service. Retirees enrolling in the plan may choose between two options. The standard medical plan has a \$500 deductible and \$4,000 annual out-of-pocket maximum, covers 70% of eligible medical expenses, and includes a \$150 prescription drug deductible. The second option is a high deductible plan with a \$2,500 deductible and \$4,000 annual out-of-pocket maximum, covers 70% of eligible medical expenses, and includes a \$500 prescription drug deductible. Monthly premiums at the time of the actuarial valuation in 2014 were \$389 to \$1,419 depending on the plan election and level of dependent coverage.

The District had an actuarial study made for the retirees future health care costs as of June 30, 2014. Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on the types of benefits provided under the current plan. The actuarial study assumed that retirees could stay on the plan for life.

Actuarial calculations reflect a long-term prospective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued actuarial liabilities. For the actuarial valuation performed at June 30, 2014, the projected unit credit cost method was used. The health care cost trend rates were 8% for 2014 decreasing to 5% for 2017 and after. The assumed discount rate was 4.2%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years.

Notes to the Financial Statements - Missoula Rural Fire District 2014 (continued)

Based on the actuarial study, the Accrued Actuarial Liability (AAL) at June 30, 2014 was \$292,226 and the Annual Required Contribution (ARC) for retirees was \$20,751. The reported liability at June 30, 2014 was \$114,418. The ARC is an actuarially determined rate that represents a level of funding projected to cover the normal cost each year and amortize the unfunded actuarial liabilities over a period of 30 years. For 2014 when the actuarial valuation was made, the ARC was 0.60% of total salaries for 2014 of \$3,451,238. The District operates on a pay-as-you go basis. A schedule of funding progress is not presented because no contributions were made toward these costs. The next actuarial valuation is required to be done for 2016.

The change in Net OPEB obligation is as follows:

Net OPEB Obligation at June 30, 2011	\$51,046
Annual Required Contribution	25,417
Adjustment to the Annual Required Contribution	<u>1,250</u>
Net OPEB Obligation at June 30, 2012	77,713
Annual Required Contribution	25,417
Adjustment to the Annual Required Contribution	<u>(5,840)</u>
Net OPEB Obligation at June 30, 2013	97,290
Annual Required Contribution	20,751
Interest on Beginning of Year Net OPEB Obligation	2,022
Adjustment to the Annual Required Contribution	<u>(5,646)</u>
Net OPEB Obligation at June 30, 2014	<u><u>\$114,417</u></u>

6. GOVERNMENT FUND BALANCE REPORTING

Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* requires classifying fund balances into specifically defined classifications. Restricted fund balance for the capital improvement fund is restricted by State law.

The District spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the District spends committed first, then assigned, and lastly, unassigned funds.

Committed funds must be so designated by the District's Board of Trustees and assigned funds are designated by the Fire Chief as authorized by the Board of Trustees. There were no committed or assigned funds at June 30, 2014.

Notes to the Financial Statements - Missoula Rural Fire District 2014 (continued)

7. RETIREMENT PLAN

The District participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover all employees, the Montana Public Employees' Retirement System (MPERS) and the Firefighters Unified Retirement System (FURS). The plans are established by State law and are administered by the State of Montana. Retirement, disability, and death benefits are provided to plan members and beneficiaries.

MPERS and FURS contribution rates are required and determined by State laws. The contribution rates for MPERS were increased in 2014 by 1% for employers from 7.07% to 8.07% and for employees hired before July 1, 2011 from 6.9% to 7.9%. There were no changes in contribution rates for employer or employees for FURS in 2014. Gross wages are subject to MPERS contributions whereas only a firefighter's contract salary (does not include overtime, holiday, etc.) is subject to FURS contributions.

The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	State	Total
MPERS (for Members Hired Before 7/1/2011)	8.07%	7.90%	0.10%	16.07%
MPERS (for Members Hired After 7/1/2011)	8.07%	7.90%	0.10%	16.07%
FURS	14.36%	10.70%	32.61%	57.67%

The amounts contributed to MPERS and FURS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2012	2013	2014
MPERS:			
Employer	\$70,497	\$66,426	\$76,234
Employee	68,803	64,829	74,629
State	997	940	945
Total MPERS Contributions	140,297	132,195	151,808
FURS:			
Employer	218,955	244,863	283,949
Employee	165,550	184,855	213,678
State	497,224	556,059	644,817
Total FURS Contributions	881,729	985,777	1,142,444
Total Retirement System Contributions	\$1,022,026	\$1,117,972	\$1,294,252

The plans issue publicly available financial reports that includes financial statements and required supplementary information for the plans.

Notes to the Financial Statements - Missoula Rural Fire District 2014 (concluded)

Those reports may be obtained from the Public Employees Retirement System at:

Montana Public Employees Retirement System
P.O. Box 200131, 100 North Park Avenue
Helena, Montana 59620-0131
Telephone (406) 444-3154

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to (1) damage to and loss of property, (2) general liability, (3) workers compensation (job related illnesses or injury), and (4) employee medical insurance.

Commercial insurance policies are purchased for damage to or loss of property and general liability. The District participates in a county-wide public risk pool, the Missoula County Workers' Compensation Authority, for workers compensation coverage. Employee medical coverage is provided through the Missoula County Employee Benefits Plan, the County's medical self-insurance program. There were no significant changes in how the District covered its risks in 2014.

9. SUBSEQUENT EVENTS

In May 2014 voters approved to increase Missoula Rural Fire District's mill levy by 10.4 mills in order to raise approximately \$440,766 per year for the purpose of continuing to fund the six firefighter/EMT positions hired in 2013 and currently funded with a Federal Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER) grant that ends in October 2014. The additional mills are to be levied for the first time in fiscal year 2015.

In fiscal year 2015 Missoula Rural Fire District purchased various vehicles and equipment totaling \$291,803 including work on two Type 5 engines, a staff vehicle, extrication equipment, and five defibrillators.

In April 2015 Missoula Rural Fire District was awarded a Federal Department of Homeland Security Assistance to Firefighters Grant in the amount of \$338,514 for the replacement of Self Contained Breathing Apparatus (SCBA). The grant requires that the District contribute a 10% match of \$33,851.

MISSOULA RURAL FIRE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance
REVENUES			
Property Taxes	\$4,504,119	\$4,515,650	\$11,531
State Entitlement	674,690	674,620	(70)
Fire Service and Incident Fees	1,600	1,240	(360)
Interest Revenue	2,000	3,471	1,471
Grants	450,000	457,203	7,203
Other	92,000	64,766	(27,234)
Contributed Equipment		41,551	41,551
Total Revenues	<u>5,724,409</u>	<u>5,758,501</u>	<u>34,092</u>
EXPENDITURES			
Current Operations:			
Personnel	4,947,809	4,773,833	173,976
Operations	636,353	556,323	80,030
Maintenance	356,525	215,468	141,057
Utilities	65,250	68,643	(3,393)
Capital Outlay	992,853	130,940	861,913
Debt Service	50,000	49,202	798
Total Expenditures	<u>7,048,790</u>	<u>5,794,409</u>	<u>1,254,381</u>
Excess (Deficiency) of Revenues Over Expenditures	<u><u>(\$1,324,381)</u></u>	<u><u>(\$35,908)</u></u>	<u><u>(\$1,288,473)</u></u>

Notes:

State law requires only that actual expenditures not exceed total budgeted expenditures. There were no budget amendments in 2014. The original and final budget amounts are shown above.

State contributions to retirement systems on behalf of the District are not included in the above schedule.

MISSOULA RURAL FIRE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Project Title	CFDA Number	Project Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE			
Administered by Missoula County Office of Emergency Management:			
Forest Service Schools and Roads Cluster:			
Title III - County Projects	10.665	N/A	<u>\$27,361</u>
DEPARTMENT OF DEFENSE			
Administered by Montana Department of Natural Resources and Conservation:			
Department of Defense Firefighter Program	12.XXX	N/A	<u>12,231</u>
DEPARTMENT OF TRANSPORTATION			
Administered by Montana Department of Military Affairs:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0336- 13-01-00	<u>14,500</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Grant -			
Administered by Federal Emergency Management Agency (FEMA):			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH- 00705	<u>457,203</u>
TOTAL FEDERAL AWARDS			<u><u>\$511,295</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. ACCOUNTING POLICIES

The accounting policies used in preparing the schedule of expenditures of federal awards are the same as those used in the preparation of the fund financial statements as described in Note 1.B to the financial statements (Fund Financial Statements).

RONALD PAUL FOLTZ
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Board of Trustees
Missoula Rural Fire District
Missoula, Montana

I have audited, in accordance with U.S. generally accepted auditing standards 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 government activities and the general and capital improvement funds of Missoula Rural Fire District, Missoula, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Missoula Rural Fire District's basic financial statements, and have issued my report thereon dated May 21, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 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.

I consider item **2014-001** described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify and deficiencies in internal control that I consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Missoula Rural Fire District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

MISSOULA RURAL FIRE DISTRICT'S RESPONSE TO FINDINGS

Missoula Rural Fire District's response to the finding identified in my audit is described on page 34. Missoula Rural Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.



May 21, 2015

RONALD PAUL FOLTZ
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Trustees
Missoula Rural Fire District
Missoula, Montana

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

I have audited the compliance of Missoula Rural Fire District, Missoula, Montana, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Missoula Rural Fire District's major federal programs for the year ended June 30, 2014. Missoula Rural Fire District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Missoula Rural Fire District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Missoula Rural Fire District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Missoula Rural Fire District's compliance.

Opinion on Each Major Federal Program

In my opinion, Missoula Rural Fire District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

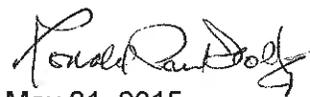
Management of Missoula Rural Fire District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Missoula Rural Fire District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Missoula Rural Fire District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



May 21, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR MISSOULA RURAL FIRE DISTRICT
MISSOULA, MONTANA**

YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued: Unmodified opinion
2. Internal control over financial reporting:
Material weaknesses identified? _____ yes X no
Significant deficiency(s) identified not
considered to be material weaknesses? X yes _____ none reported
3. Noncompliance material to the
financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
Material weaknesses identified? _____ yes X no
Significant deficiency(s) identified not
considered to be material weaknesses? _____ yes X none reported
5. Type of auditor's report issued on
compliance for major programs: Unmodified opinion
6. Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ yes X no

7. Identification of major programs:

U. S. Department of Homeland Security

CFDA No. 97.083

Staffing for Adequate Fire and Emergency Response
(SAFER)

8. Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000
9. Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENTS FINDINGS

FINDING - SIGNIFICANT DEFICIENCY:

2014-001 Segregation of Accounting Duties

Ideal segregation of accounting duties is not always possible in an organization with a small staff as is the case with Missoula Rural Fire District.

Accordingly, I recommend the Board of Trustees continue to monitor the District's activities and transactions.

PRIOR YEAR AUDIT FINDINGS

2013-001 Financial Reporting - Corrected.

2013-002 Segregation of Accounting Duties -inherent weakness - Repeated, see **2014-001**.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR AUDIT FINDINGS

No matters were reported.



MISSOULA RURAL FIRE DISTRICT

2521 South Avenue West • Missoula, Montana 59804
(406) 549-6172 • FAX (406) 549-6023

May 21, 2014

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

To Whom It May Concern:

This letter is in response to the annual financial and compliance audit recently conducted by Ronald Paul Foltz, CPA for the year ending June 30, 2014.

FINDING – SIGNIFICANT DEFICIENCY: Segregation of Accounting Duties

The Board of Trustees takes its duty seriously and monitors all financial activities very closely. All expenditures are approved during the meetings of the Board. The Board requires financial Reports from its administrative staff that allows the individual trustees to have an understanding of the District's activities and transactions.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS:

FINDING-MATERIAL WEAKNESS: Financial Reporting – **Corrected**

FINDING-SIGNIFICANT DEFICIENCY: Segregation of Accounting Duties- See Comment Above.

Thank you for your consideration. Should the Missoula Rural Fire District need to provide additional information to your office, please do not hesitate to contact us.

Sincerely,

Melissa Schnee, Office Manager
Missoula Rural Fire District

Cc: Chief Colwell
Missoula Rural Fire District Board of Trustees