

HYALITE RURAL FIRE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

HYALITE RURAL FIRE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hyalite Rural Fire District
Bozeman, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Hyalite Rural Fire District (District) as of and for the year ended June 30, 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Hyalite Rural Fire District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the other required supplementary information on pages 33-38 and as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

[DATE]

HYALITE RURAL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The management's discussion and analysis of Hyalite Rural Fire District (the District) provides an overall review of the District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Overview of the Financial Statements

Government-wide Financial Statement – Reporting the District as a Whole

Statements of Net Position and Statements of Activities

The statement of net position includes all assets, deferred outflows, liabilities, deferred inflows, and net position using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The statement of activities includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

The statement of net position and statement of activities report the District's net position and its change in net position in the current year. Net position is the residual of assets plus deferred outflows less liabilities and deferred inflows, which is one way to measure the District's financial health or financial position. Over time, an increase or decrease in the net position may serve as a useful indicator of whether the financial position of the District 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.

Governmental Activities

The District's functions include emergency response to fires (structure, vehicle, and wild land), medical emergencies, and accidents. Functions include regular firefighting training, public education classes, and testing of area firefighting resources.

Fund Financial Statements – Reporting the District's Most Significant Funds

The fund statements provide detailed information about the funds used by the District. State law generally requires fire districts to segregate money generated for certain specific purposes in separate funds. The District is required to report its activities in these governmental funds: general fund and debt service fund.

HYALITE RURAL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Overview of the Financial Statements (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds.

The Government as a Whole

Following is a schedule of net position:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 2,242,057	\$ 2,008,748	\$ 233,309
Capital assets, net	<u>4,049,237</u>	<u>4,297,971</u>	<u>(248,734)</u>
Total assets	<u>6,291,294</u>	<u>6,306,719</u>	<u>(15,425)</u>
Deferred outflows of resources	<u>67,466</u>	<u>85,449</u>	<u>(17,983)</u>
Current liabilities	296,891	228,766	68,125
Long-term liabilities outstanding	<u>2,238,946</u>	<u>2,421,124</u>	<u>(182,178)</u>
Total liabilities	<u>2,535,837</u>	<u>2,649,890</u>	<u>(114,053)</u>
Deferred inflows of resources	<u>1,412</u>	<u>11,531</u>	<u>(10,119)</u>
Net position			
Net investment in capital assets	1,826,848	1,905,581	(78,733)
Restricted	112,100	359,577	(247,477)
Unrestricted	<u>1,882,563</u>	<u>1,465,589</u>	<u>416,974</u>
Total net position	<u>\$ 3,821,511</u>	<u>\$ 3,730,747</u>	<u>\$ 90,764</u>

HYALITE RURAL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The Government as a Whole (Continued)

Following is a schedule of changes in net position:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ -	\$ 415	\$ (415)
Capital grants and contributions	-	4,510	(4,510)
General revenues			
Property taxes	1,129,431	1,222,695	(93,264)
Intergovernmental	78,142	229,022	(150,880)
Interest	17,168	14,060	3,108
Miscellaneous	<u>4,185</u>	<u>5,903</u>	<u>(1,718)</u>
Total revenues	<u>1,228,926</u>	<u>1,476,605</u>	<u>(247,679)</u>
Expenses:			
Public safety	<u>1,138,162</u>	<u>1,139,028</u>	<u>(866)</u>
Total expenses	<u>1,138,162</u>	<u>1,139,028</u>	<u>(866)</u>
Change in net position	90,764	337,577	(246,813)
Net position, beginning	<u>3,730,747</u>	<u>3,393,170</u>	<u>337,577</u>
Net position, ending	<u>\$ 3,821,511</u>	<u>\$ 3,730,747</u>	<u>\$ 90,764</u>

Where do the Resources Come From

The majority of the revenue comes from general property taxes.

What does it Cost

The major costs are for personnel services.

Capital Asset and Debt Administration

The capital assets are land and buildings, which include fire stations, and equipment including fire trucks, water tenders, and other related vehicles and equipment.

Fund Deficits

None

HYALITE RURAL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Excess of Expenditures over Appropriations

Total expenditures were not in excess of the appropriations for the year ended June 30, 2017.

The Government's Future

Hyalite Rural Fire District came into full operational existence on July 1, 2016. Rae Rural Fire Service Area and Sourdough Rural Fire District merged into one fire district, Hyalite Rural Fire District. Operationally the two previous Fire Departments had been functioning as one department for over ten years via an interlocal agreement. The merger to one district eliminated the two separate boards of trustees, two different taxing identities using separate tax structures, and the possibility of the interlocal agreement failing and the separate departments needing to absorb additional costs of operations should they become separate. The new district is governed by a Board of five Trustees elected by the district. Currently the board is comprised of members from the previous two boards with experience ranging from two to thirty years.

The new district is funded by mill levies against district property values, identical to how Sourdough Rural Fire District was funded. The mill levy closely matched the previous districts revenue resulting in a revenue neutral position after the transition. The new district as a whole will see continued revenue increases as new development, both residential and commercial, continues to occur in the district resulting in new and increasing tax values.

The new district continued to retain the key employees, Fire Chief and Assistant Fire Chief. In addition, the department employs one full time fire fighter and one administrative assistant/bookkeeper. The admin/bookkeeper will change to simply a part-time admin position with the bookkeeping being outsourced to an accounting firm in 2017/2018. The department continues to enjoy a strong group of volunteer firefighters with many having been on the staff for several years. The volunteers and staff train as a group once a week to keep up to date and proficient in firefighting and EMS procedures and tactics.

Expenses and operational costs are not projected to increase significantly or disproportional to revenue. In addition, the Board of Trustees has been able to add unspent revenue every year to capital and apparatus restricted funds. Most projected apparatus items over the course of 20 years should be able to be funded by the restricted savings, resulting in a current outlook of a stable mill levy. Currently a new rescue truck, firefighters breathing apparatus', updated defibrillators and radios are the largest expenditures coming in the new fiscal year. Two trustee positions came up for election in 2017 and the district voters retained the current trustees. Two positions will come up for election in 2018.

CONTACT FOR FURTHER INFORMATION

Walt Zidack, Treasurer
Hyalite Rural Fire District
(406) 586-3770

HYALITE RURAL FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

Governmental Activities:

ASSETS

Cash and cash equivalents	\$ 2,120,460
Receivables:	
Property taxes	110,247
Other	7,716
Prepaid expenses	3,634
Capital assets, nondepreciable	361,201
Capital assets depreciable, net	<u>3,688,036</u>
Total assets	<u>6,291,294</u>

DEFERRED OUTFLOWS OF RESOURCES

67,466

LIABILITIES

Accounts payable	98,152
Accrued liabilities	18,739
Long-term liabilities:	
Due within one year	180,000
Due after one year	<u>2,238,946</u>
Total liabilities	<u>2,535,837</u>

DEFERRED INFLOWS OF RESOURCES

1,412

NET POSITION

Net investment in capital assets	1,826,848
Restricted for:	
Debt service	112,100
Unrestricted	<u>1,882,563</u>
Total net position	<u>\$ 3,821,511</u>

The accompanying notes are an integral part of these financial statements.

HYALITE RURAL FIRE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Governmental Activities:

Expenses:

Public Safety - fire protection:

Personnel services	\$ 385,101
Materials and services	412,367
Depreciation	267,580
Interest	<u>73,114</u>
Total program expenses	1,138,162

General revenues:

Property taxes	1,129,431
Intergovernmental	78,142
Interest	17,168
Miscellaneous	<u>4,185</u>
Total general revenues	<u>1,228,926</u>

Change in net position 90,764

Net position - beginning 3,730,747

Net position - ending \$ 3,821,511

The accompanying notes are an integral part of these financial statements.

HYALITE RURAL FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,008,360	\$ 112,100	\$ 2,120,460
Receivables:			
Property taxes	110,247	-	110,247
Other	7,716	-	7,716
Prepaid expenses	<u>3,634</u>	<u>-</u>	<u>3,634</u>
Total assets	<u>\$ 2,129,957</u>	<u>\$ 112,100</u>	<u>\$ 2,242,057</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 98,152	\$ -	\$ 98,152
Accrued liabilities	<u>18,739</u>	<u>-</u>	<u>18,739</u>
Total liabilities	<u>116,891</u>	<u>-</u>	<u>116,891</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>74,381</u>	<u>-</u>	<u>74,381</u>
Total deferred inflows of resources	<u>74,381</u>	<u>-</u>	<u>74,381</u>
Fund balances:			
Restricted for:			
Debt service	-	112,100	112,100
Unassigned	<u>1,938,685</u>	<u>-</u>	<u>1,938,685</u>
Total fund balances	<u>1,938,685</u>	<u>112,100</u>	<u>2,050,785</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,129,957</u>	<u>\$ 112,100</u>	<u>\$ 2,242,057</u>

The accompanying notes are an integral part of these financial statements.

HYALITE RURAL FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance, governmental funds	\$ 2,050,785
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	4,049,237
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the government fund.	
Deferred outflows of resources - pensions	67,466
Deferred inflows of resources - pensions	(1,412)
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds:	
Unavailable property taxes	74,381
Some liabilities, including compensated absences and bonds payable, are not due and payable in the current period and, therefore, are not included in the governmental funds.	<u>(2,418,946)</u>
Net position of governmental activities	<u><u>\$ 3,821,511</u></u>

The accompanying notes are an integral part of these financial statements.

HYALITE RURAL FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 977,951	\$ 240,000	\$ -	\$ 1,217,951
Intergovernmental	91,596	-	-	91,596
Interest	17,064	104	-	17,168
Miscellaneous	<u>4,185</u>	<u>-</u>	<u>-</u>	<u>4,185</u>
Total revenues	<u>1,090,796</u>	<u>240,104</u>	<u>-</u>	<u>1,330,900</u>
Expenditures:				
Public safety - fire protection:				
Personnel services	401,418	-	-	401,418
Materials and services	<u>412,367</u>	<u>-</u>	<u>-</u>	<u>412,367</u>
Debt service:				
Principal	-	170,000	-	170,000
Interest	-	74,125	-	74,125
Capital outlay	<u>18,847</u>	<u>-</u>	<u>-</u>	<u>18,847</u>
Total expenditures	<u>832,632</u>	<u>244,125</u>	<u>-</u>	<u>1,076,757</u>
Excess of revenues over expenditures	<u>258,164</u>	<u>(4,021)</u>	<u>-</u>	<u>254,143</u>
Other financing sources (uses)				
Transfers in	243,456	84,757	-	328,213
Transfers out	<u>-</u>	<u>-</u>	<u>(328,213)</u>	<u>(328,213)</u>
Total other financing sources (uses)	<u>243,456</u>	<u>84,757</u>	<u>(328,213)</u>	<u>-</u>
Net changes in fund balance	501,620	80,736	(328,213)	254,143
Fund balances - beginning	<u>1,437,065</u>	<u>31,364</u>	<u>328,213</u>	<u>1,796,642</u>
Fund balances - ending	<u>\$ 1,938,685</u>	<u>\$ 112,100</u>	<u>\$ -</u>	<u>\$ 2,050,785</u>

The accompanying notes are an integral part of these financial statements.

HYALITE RURAL FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$ 254,143
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	18,847
Depreciation expense	(267,580)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Increase (decrease) in unavailable property taxes	(88,521)
State pension aid (on-behalf payment)	(13,455)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The repayment, however, has any effect on net position.

Repayment of principal on bonds	170,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	4,612
Bond premium amortization	1,012
Adjustment to actuarial pension expense	<u>11,706</u>

Change in net position of governmental activities	<u>\$ 90,764</u>
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The accompanying notes are an integral part of these financial statements.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hyalite Rural Fire District (the District) is organized and operated under the provisions of Title 7, Chapter 33, Part 21, Montana Code Annotated, to provide life, safety, and fire protection systems to the Hyalite community. It is a separate political entity established by the Gallatin County Commissioners, the affairs of which are governed and managed by an elected Board of Trustees (the Board). The County levies and collects taxes to fund the District's budget, and the Gallatin County Treasurer serves as Treasurer of the District. The District is not a component unit of another entity and has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the activities of the District. Governmental activities, which are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the year ended June 30, 2017, the District did not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. For the year ended June 30, 2017, the District did not have any program revenue. Property taxes and other items are reported as general revenues.

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund – The general fund is the District's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund is used to account for and report the accumulation of funds restricted or committed for the periodic payment of principal and interest on general long-term debt.

Capital Improvement Fund – The District's capital project fund accounted for revenues and expenses associated with the construction of the Hyalite Fire Station. This Fund was closed during the year ended June 30, 2017; see Note 7 for more details.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the year for which the taxes and assessments are levied and revenue from investments is recognized when earned.

Governmental 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 are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

D. Cash and Investments

Cash is held by the County Treasurer and pooled in the County external investment pool. The fair value of the position in the pool is the same as the value of the pool shares. The County Treasurer invests the pooled cash pursuant to state law (MCA 20-9-213[4]). Allowable investments include time and savings deposits with a bank, savings and loan association, or credit union in the state, obligations of the United States Government, securities issued by agencies of the United States, repurchased agreements, and the State Short-Term Investment Pool (STIP).

The audited financial statements of Gallatin County, which include information about the investment pool, are available at <https://lgs.mt.gov/>.

E. Taxes Receivable

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

Real property taxes and special assessments are generally billed in October and are payable one half by November 30 and one half by May 31. After these dates, taxes and assessments become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing. Taxes and assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month from the time of delinquency until paid plus a penalty of 2%. Real property on which taxes and assessments remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is seized and sold after the taxes become delinquent.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets, which include land, buildings and improvements, and machinery and equipment, are reported on the statement of net position. All capital assets with a purchase price over \$5,000 are capitalized. Such assets are recorded at historical cost. Donated property and materials are recorded at fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Buildings and improvements and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7-40
Machinery and equipment	3-7

G. Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. District employees earn vacation leave ranging from 15 to 24 days per year, depending on the individual's years of service. The maximum permissible accumulation is the amount earned in a year. At termination, employees are paid for any accumulated vacation leave, up to the maximum accumulation, at the current rate of pay. District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of sick leave days. Upon termination, only 25% of accumulated sick leave is paid.

H. Net Pension Liability and Deferred Outflows/Inflows of Resources

The District recognized net pension liability for the pension plan in which it participates. Changes in the net pension liability during the year are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investment earnings are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-term Obligations

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond issuance costs are expensed. Bond premiums/discounts are reported along with the debt as valuation accounts and amortized as a component of interest expense.

J. Fund Balance

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

In accordance with GASB 54, the District reports fund balance in two general classifications: non-spendable and spendable. Non-spendable represents the portion of fund balance that is not in spendable form such as prepaid expenses. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category contains balances that can be spent only for the specific purposes stipulated by external parties. External parties include grantors, debt covenants, votes, and laws and regulations of other governments.

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Board of Trustees. The Board needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment.

Amounts in the assigned fund balance are to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund.

When an expense is incurred for purposes for which both restricted and unrestricted fund balance are available, the District's policy is to apply restricted fund balance first.

K. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. CASH AND INVESTMENTS

As of June 30, 2017, the District had the following investment:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Gallatin County External Investment Pool	\$ 2,008,360	\$ 112,100	\$ 2,120,460

The District participates in an investment pool managed by the Gallatin County Treasurer. The pool is not registered with the Securities and Exchange Commission as an investment company and is not subject to regulatory oversight. Investments of the pool consist primarily of repurchase agreements, the State of Montana's Short-Term Investment Pool (STIP), U.S. Treasury Bills, and securities of the U.S. Government, its agencies, or government sponsored entities and are carried at quoted market prices. The fair value of investments is determined annually, and is based on quoted market prices.

The District's balance in the investment pool is reported as cash and cash equivalents in the accompanying financial statements, as the District has full access to these funds upon request. Interest earnings are allocated to the individual funds of the District based on the District's month end balance in relation to the total pool investments.

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

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 were as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 361,201	\$ -	\$ -	\$ 361,201
Total capital assets not being depreciated	<u>361,201</u>	<u>-</u>	<u>-</u>	<u>361,201</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	3,951,563	-	-	3,951,563
Machinery and equipment	<u>1,766,770</u>	<u>18,847</u>	<u>-</u>	<u>1,785,617</u>
Total	5,718,333	18,847	-	5,737,180
Less accumulated depreciation	<u>(1,781,564)</u>	<u>(267,580)</u>	<u>-</u>	<u>(2,049,144)</u>
Total capital assets being depreciated, net	<u>3,936,769</u>	<u>(248,733)</u>	<u>-</u>	<u>3,688,036</u>
Capital assets, net	<u>\$ 4,297,970</u>	<u>\$ (248,733)</u>	<u>\$ -</u>	<u>\$ 4,049,237</u>

Depreciation expense for the year ended June 30, 2017 totaled \$267,580 and was charged to Public Safety.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. LONG-TERM LIABILITIES

During 2014, the District issued general obligation bonds in the amount of \$2,900,000 to provide funds for the purpose of constructing, equipping and financing the Hyalite Fire Station. The bonds carry interest rates of 2.0% to 3.875%, and mature in 2028.

Changes in Long-term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2017:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	Amount due Within <u>One Year</u>
Bonds payable	\$ 2,380,000	\$ -	\$ 170,000	\$ 2,210,000	\$ 175,000
Premium	12,390	-	1,012	11,378	-
Net pension liability	169,077	-	6,115	162,962	-
Compensated absences	39,219	-	4,613	34,606	5,000
Total	<u>\$ 2,600,686</u>	<u>\$ -</u>	<u>\$ 181,740</u>	<u>\$ 2,418,946</u>	<u>\$ 180,000</u>

Debt service requirement to maturity

The approximate annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2017 are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 175,000	\$ 70,725
2019	175,000	67,225
2020	180,000	61,975
2021	190,000	56,575
2022	195,000	50,875
2023-2027	1,060,000	160,275
2028	<u>235,000</u>	<u>9,106</u>
	<u>\$ 2,210,000</u>	<u>\$ 476,756</u>

NOTE 5. RETIREMENT PLANS

The District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all District employees, except certain part-time employees. The Firefighters' Unified Retirement System (FURS) covers firefighter employees. The Public Employees Retirement System (PERS) covers non-firefighting employees. The plans are established under State law and are administered by the State of Montana. Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the FURS and PERS websites.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

The following information uses the June 30, 2016 and 2015 measurement dates for the June 30, 2017 and 2016 reporting dates, respectively. All dates noted on the following pages are reporting dates, unless otherwise specified.

Employer's proportion of FURS and PERS Pension Amounts Combined

	Employer's proportionate share associated with FURS	Employer's proportionate share associated with PERS	Employer's Total Pension
Net pension liability (NPL)	\$ 143,015	\$ 19,947	\$ 162,962
Deferred outflows of resources	\$ 57,591	\$ 9,875	\$ 67,466
Deferred inflows of resources	\$ 1,346	\$ 66	\$ 1,412
Pension expense	\$ 23,412	\$ 6,192	\$ 29,604

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (PERS) and Firefighters' Unified Retirement System (the Plans). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2016 (measurement date) was determined by taking the results of the June 30, 2015 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (Continued)

Not Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017, and 2016, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$143,015 and \$19,947 and the employer's proportionate share was 0.1252 percent and .0012 percent for FURS and PERS, respectively.

	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
FURS					
Employer					
Proportionate Share	\$ 143,015	\$ 134,197	0.1252%	0.1312%	-0.0060%
State of Montana					
Proportionate Share associated with Employer	324,027	298,893	0.2837%	0.2922%	-0.0085%
Total	<u>\$ 467,042</u>	<u>\$ 433,090</u>	<u>0.4089%</u>	<u>0.4234%</u>	<u>-0.0145%</u>
PERS					
Employer					
Proportionate Share	\$ 19,947	\$ 34,880	0.0012%	0.0025%	-0.0013%
State of Montana					
Proportionate Share associated with Employer	244	429	0.0000%	0.0000%	0.0000%
Total	<u>\$ 20,191</u>	<u>\$ 35,309</u>	<u>0.0012%</u>	<u>0.0025%</u>	<u>-0.0013%</u>

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL since the previous measurement date.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of FURS' and PERS' deferred outflows of resources and deferred inflows of resources related to FURS and PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
FURS		
Differences between actual and expected experience	\$ -	\$ 1,346
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	14,972	-
Changes in proportion differences between employer contributions and proportionate share of contributions	18,071	-
Difference between actual and expected contributions	-	-
#Contributions paid subsequent to the measurement date - FY 2017/2016 Contributions	<u>24,548</u>	<u>-</u>
Total	<u>\$ 57,591</u>	<u>\$ 1,346</u>
PERS		
Differences between actual and expected experience	\$ 108	\$ 66
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	1,877	-
Changes in proportion differences between employer contributions and proportionate share of contributions	4,632	-
Difference between actual and expected contributions	-	-
#Contributions paid subsequent to the measurement date - FY 2017/2016 Contributions	<u>3,258</u>	<u>-</u>
Total	<u>\$ 9,875</u>	<u>\$ 66</u>

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	FURS	PERS
	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$ 1,087	\$ 91
2018	1,087	91
2019	7,156	1,066
2020	4,539	670
2021	(243)	-
Thereafter	-	-

Pension Expense

	Year Ended	
	June 30, 2017	June 30, 2016
FURS		
Employer Proportionate Share	\$ 23,412	\$ 20,648
State of Montana Proportionate Share associated with Employer	42,007	32,359
Total	<u>\$ 65,419</u>	<u>\$ 53,007</u>
PERS		
Employer Proportionate Share	\$ 6,192	\$ 11,215
State of Montana Proportionate Share associated with Employer	20	27
State of Montana Coal Tax for Employer	349	837
Total	<u>\$ 6,561</u>	<u>\$ 12,079</u>

At June 30, 2017, the employer recognized its proportionate share of FURS' and PERS' Pension Expense in the amount of \$23,412 and \$6,192, respectively. The employer also recognized grant revenue of \$42,007 and \$20 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for FURS and PERS, respectively. Additionally, the employer recognized grant revenue of \$349 from the Coal Severance Tax fund.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Plan Description - Firefighters' Unified Retirement System (FURS)

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, Montana Code Annotated (MCA). This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district Districts that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Plan Description - Public Employee Retirement System (PERS)

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, MCA. This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits - FURS

Eligibility for benefit

20 years of membership service, regardless of age.

Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately.

5 years of membership service.

Member's compensation is defined as

Hired prior to July 1, 1981 and not electing GABA – highest monthly compensation (HMC); Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits - FURS

Monthly benefit formula

Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service, OR

- i. If less than 20 years of service – 2% of HMC for each year of service;
- ii. If more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981 and those electing GABA:

2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

Summary of Benefits – PERS

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; or Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership service; Age 70, regardless of membership service.

Early Retirement

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization for PERS is 40 years or more.

Overview of Contributions - FURS

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are described below.

Fiscal Year	Member		Employer	State
	Non-GABA	GABA		
1998-2017	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Overview of Contributions - PERS

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and the additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the PCR is included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non Employer Contributions

- a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

Fiscal year	Member		Local Government	
	Hired before 7/1/2011	Hired after 7/1/2011	Employer	State
2017	7.90%	7.90%	8.37%	0.10%
2016	7.90%	7.90%	8.27%	0.10%
2015	7.90%	7.90%	8.17%	0.10%
2014	7.90%	7.90%	8.07%	0.10%
2012-2013	6.90%	7.90%	7.07%	0.10%
2010-2011	6.90%		7.07%	0.10%
2008-2009	6.90%		6.94%	0.10%
2000-2007	6.90%		6.80%	0.10%

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Stand-Alone Statements

The FURS and PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report (CAFR)*. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.asp>.

Actuarial Assumptions

The Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the Total Pension Liability to June 30, 2016. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. There were several significant assumptions and other inputs used to measure the Total Pension Liability. Among those assumptions were the following:

FURS

- Investment Return 7.75%
- Admin Expense as % of Payroll 0.19%
- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 7.3%
- Postretirement Benefit Increases

i. Guaranteed Annual Benefit Adjustment (GABA)

Members hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

ii. Minimum Benefit Adjustment (non-GABA)

Members hired before July 1, 1997 and member did not elect GABA – the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

PERS

- Investment Return 7.75%
- Admin Expense as % of Payroll 0.27%
- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Postretirement Benefit Increases

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

- FURS: The State contributes 32.61% of salaries paid by employers.
- PERS: The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly.

Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Target Allocations

Asset Class	Target Asset Allocation	Real Rate of Return - Arithmetic Basis	Long-term Expected Real Rate of Return
	(a)	(b)	(a)*(b)
Cash equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			3.00%
Portfolio-Return-Expectation			7.37%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016, is summarized in the table above.

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
FURS Employer's proportion of			
Net Pension Liability	\$ 225,189	\$ 143,015	\$ 75,449
PERS Employer's proportion of			
Net Pension Liability	\$ 28,944	\$ 19,947	\$ 12,196

The table above presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

PERS Disclosure for the defined contribution plan

The District contributed to the State of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the Public Employees' Retirement Board and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2016, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 289 employers that have participants in the PERS-DCRP totaled \$382,656.

NOTE 6. RISK MANAGEMENT

The District's risk management activities are recorded in the general fund. Significant losses for public officials, automobile, property and general liability are covered by commercial insurance policies. The District also participates in the State Unemployment and Workers' Compensation programs for losses due to employee life and health risk. There have been no significant reductions in insurance coverage.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. TRANSFERS

As of July 1, 2016, the District transferred the fund balance from the capital improvement fund to the general and debt service funds. The capital improvement fund was created in accordance with the 2013 Bond Resolution, which required the fund to be established to account for the bond proceeds and project costs. According to the Resolution, upon completion of the project, any remaining proceeds of the bonds are to be transferred to the debt service fund. Upon review of total project costs, it was determined that the general fund incurred \$243,456 in project costs, so this amount was transferred to the general fund; the remaining balance was transferred to the debt service fund.

NOTE 8. NEW PRONOUNCEMENTS

During the year ended June 30, 2017, the District adopted the following:

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 68* (GASB 82). This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District has followed guidance as provided by the State of Montana for implementation.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. MERGER

Sourdough Rural Fire District merged with Rae Fire Service Area and formed Hyalite Rural Fire District; the merger was effective July 1, 2016. The primary reason for the merger was to more efficiently provide life, safety and fire protection systems to the community.

The amounts recognized as of July 1, 2016 are as follows:

	Sourdough Rural Fire District	Rae Fire Service Area	Combined
Current and other assets	\$ 1,155,761	\$ 852,987	\$ 2,008,748
Capital assets, net	<u>3,097,162</u>	<u>1,200,809</u>	<u>4,297,971</u>
Total assets	<u>4,252,923</u>	<u>2,053,796</u>	<u>6,306,719</u>
Deferred outflows of resources	<u>85,449</u>	<u>9,807</u>	<u>95,256</u>
Current liabilities	218,959	-	218,959
Long-term liabilities outstanding	<u>2,421,124</u>	<u>-</u>	<u>2,421,124</u>
Total liabilities	<u>2,640,083</u>	<u>-</u>	<u>2,640,083</u>
Deferred inflows of resources	<u>11,531</u>	<u>-</u>	<u>11,531</u>
Net position			
Net investment in capital assets	704,772	1,200,809	1,905,581
Restricted	359,577	-	359,577
Unrestricted	<u>622,409</u>	<u>843,180</u>	<u>1,465,589</u>
Total net position	<u>\$ 1,686,758</u>	<u>\$ 2,043,989</u>	<u>\$ 3,730,747</u>

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through [DATE] the date on which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HYALITE RURAL FIRE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS *
YEAR ENDED JUNE 30, 2017

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM							
2017	0.125200%	\$ 143,015	\$ 324,027	\$ 467,042	176328	81.107%	75.480%
2016	0.131210%	\$ 134,197	\$ 298,893	\$ 433,090	\$ 176,326	76.107%	76.900%
2015	0.101091%	\$ 98,681	\$ 222,621	\$ 321,302	\$ 131,314	75.149%	76.700%
PUBLIC EMPLOYEES RETIREMENT SYSTEM							
2017	0.001200%	\$ 19,947	\$ 244	\$ 20,191	\$ 14,027	142.204%	74.710%
2016	0.002495%	\$ 34,880	\$ 429	\$ 35,309	\$ 29,120	119.780%	78.400%
2015	0.000000%	\$ -	\$ -	\$ -	\$ -	111.220%	79.870%

*The amounts presented above for each fiscal year were determined as of June 30th, the measurement date. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HYALITE RURAL FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS *
YEAR ENDED JUNE 30, 2017

<u>Year ended June 30:</u>	<u>Contractually required contributions</u>	<u>Contributions in relation to the contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM					
2017	\$ 24,548	\$ 24,548	\$ -	\$ 170,200	14.423%
2016	\$ 25,210	\$ 25,210	\$ -	\$ 176,328	14.297%
2015	\$ 25,813	\$ 25,813	\$ -	\$ 176,326	14.639%
PUBLIC EMPLOYEES RETIREMENT SYSTEM					
2017	\$ 3,258	\$ 3,258	\$ -	\$ 38,930	8.369%
2016	\$ 1,539	\$ 1,540	\$ -	\$ 14,027	10.979%
2015	\$ 2,415	\$ 2,415	\$ -	\$ 29,120	8.293%

*The amounts presented above for each fiscal year were determined as of June 30th, the employer's most recent fiscal year end. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HYALITE RURAL FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 875,000	\$ 875,000	\$ 977,951	\$ 102,951
Intergovernmental	-	-	36,114	36,114
Interest	500	500	17,064	16,564
Miscellaneous	<u>27,000</u>	<u>27,000</u>	<u>4,185</u>	<u>(22,815)</u>
Total revenues	<u>902,500</u>	<u>902,500</u>	<u>1,035,314</u>	<u>132,814</u>
EXPENDITURES				
Current:				
Public safety	758,000	758,000	758,303	303
Capital outlay	<u>140,375</u>	<u>140,375</u>	<u>18,847</u>	<u>(121,528)</u>
Total expenditures	<u>898,375</u>	<u>898,375</u>	<u>777,150</u>	<u>(121,225)</u>
Net change in fund balance	<u>\$ 4,125</u>	<u>\$ 4,125</u>	<u>258,164</u>	<u>\$ 254,039</u>
Other financing sources				
Transfers in			<u>243,456</u>	
Net changes in fund balance			501,620	
Fund balance - beginning			<u>1,437,065</u>	
Fund balance - ending			<u>\$ 1,938,685</u>	
Total revenues per statement of revenues, expenditures, and changes in fund balance			\$ 1,090,796	
Less on behalf payment			<u>(55,482)</u>	
Total revenues, budgetary basis			<u>\$ 1,035,314</u>	
Total expenditures per statement of revenues, expenditures, and changes in fund balance			\$ 832,632	
Less on behalf payment			<u>(55,482)</u>	
Total expenditures, budgetary basis			<u>\$ 777,150</u>	

HYALITE RURAL FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

NOTE 1. BUDGET COMPLIANCE

In accordance with Section 7-33-2105, Montana Code Annotated, the District's Board annually presents its budget to the Board of County Commissioners at the regular budget meetings as prescribed by law and therewith certifies the amount of money necessary and proper for the ensuing year. Based on this statute, the total budget is the legal level of budgetary authority. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. Budgets may be amended as defined by State law.

NOTE 2. BUDGET BASIS OF ACCOUNTING

The budget is prepared on the same basis of accounting used in preparing the District's fund financial statements except for reimbursements from the Rae Fire Service Area, which are not included in the District's budget.

NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Total expenditures were not in excess of the total budgeted expenditures during the years ended June 30, 2017.

NOTE 4. CHANGES OF BENEFIT TERMS

The following changes to the plan provision were made as identified:

House Bill 454 – Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

- Guaranteed Annual Benefit Adjustment (GABA) – for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
 - a. 1.5% each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90% ; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

NOTE 4. CHANGES OF BENEFIT TERMS (CONTINUED)

2015 Legislative Changes – PERS:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit – for PERS

- 1.) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- 2.) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- 3.) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- 4.) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - member receives same retirement benefit as prior to return to service;
 - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

HYALITE RURAL FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

NOTE 4. CHANGES OF BENEFIT TERMS (CONTINUED)

2015 Legislative Changes – FURS:

If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership.

NOTE 5. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

	FURS	PERS
Admin Expense as % of Payroll	0.19%	0.27%

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

	FURS	PERS
General Wage Growth*	4.00%	4.00%
*Includes inflation at	3.00%	3.00%
Merit increase	0% to 7.3%	0% to 6.0%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open

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

To the Board of Trustees
Hyalite Rural Fire District
Bozeman, 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 and the major funds of Hyalite Rural Fire District as of and for the years ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hyalite Rural Fire District's basic financial statements and have issued our report thereon [DATE].

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hyalite 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hyalite Rural Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hyalite Rural Fire District's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

[DATE]
Board of Trustees
Page two

Compliance and Other Matters

As part of obtaining reasonable assurance that Hyalite Rural 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

[DATE]

HYALITE RURAL FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

None.

DRAFT

HYALITE RURAL FIRE DISTRICT
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017

There were no findings, questioned costs, or reportable conditions reported for the year ended June 30, 2016.

DRAFT