

BIG SKY FIRE DEPARTMENT

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Big Sky Fire Department
Big Sky, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the major fund, the changes in governmental capital assets, and the changes in governmental long-term obligations of the Big Sky Fire Department as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Big Sky Fire Department 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 the financial reporting provisions of section 2.4.401 of the Administrative Rules of Montana as described in Note 1. Management is also responsible for 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 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 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 Big Sky Fire Department 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 Big Sky Fire Department 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 adverse audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by Big Sky Fire Department on the basis of the financial reporting provisions of section 2.4.401(3) of the Administrative Rules of Montana, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Montana.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Big Sky Fire Department as of June 30, 2020, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position, the changes in regulatory basis financial position, the regulatory basis changes in governmental capital assets, and the regulatory basis changes in governmental long-term obligations of the major fund of the Big Sky Fire Department, as of and for the year ended June 30, 2020, in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Big Sky Fire Department basic financial statements. The budgetary comparison supplementary information and the other information, consisting of the Schedule of Proportionate Shares and Schedule of Contributions, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary and Other Information (continued)

The budgetary comparison information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The Schedule of Proportionate Shares and Schedule of Contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2020, on my consideration of the Big Sky Fire Department internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and other 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Sky Fire Department internal control over financial reporting and compliance.

Rosie Barndt, CPA, PC

December 23, 2020

BIG SKY FIRE DEPARTMENT
 GOVERNMENTAL FUND BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$	1,398,614
Receivables:		
Ambulance fees, net		165,647
Property taxes		279,736
Fire services		14,184
Grants		803,039
Prepaid expenses		<u>31,569</u>
 Total assets	 \$	 <u><u>2,692,789</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities:		
Accounts payable	\$	18,907
Accrued payroll liabilities		<u>91,234</u>
Total liabilities		<u>110,141</u>
Deferred inflows of resources:		
Unavailable ambulance fees		55,102
Unavailable property taxes		<u>11,492</u>
Total deferred inflows of resources		<u>66,594</u>
Fund balances:		
Nonspendable		31,569
Unassigned		<u>2,484,485</u>
Total fund balances		<u>2,516,054</u>
 Total liabilities, deferred inflows of resources, and fund balances	 \$	 <u><u>2,692,789</u></u>

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

BIG SKY FIRE DEPARTMENT
 GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - REGULATORY BASIS
 YEAR ENDED JUNE 30, 2020

Revenues:	
Property taxes	\$ 3,649,068
Intergovernmental	2,624,459
Charges for services	480,842
Miscellaneous	25,775
Investment earnings	<u>24,871</u>
Total revenues	<u>6,805,015</u>
Expenditures:	
Current	
Public safety - fire protection:	
Personnel services	4,418,379
Supplies	185,807
Purchased services	360,701
Fixed charges	29,622
Capital outlay	286,498
Debt service	
Principal	543,304
Interest	<u>58,067</u>
Total expenditures	<u>5,882,378</u>
Excess (deficiency) of revenues over expenditures	922,637
Fund balances - beginning	<u>1,593,417</u>
Fund balances - ending	<u>\$ 2,516,054</u>

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

BIG SKY FIRE DEPARTMENT
STATEMENT OF CHANGES IN GOVERNMENTAL LONG-TERM OBLIGATIONS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2020

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2020</u>	Due Within <u>One Year</u>
Compensated absences	\$ 207,761	\$ 38,746	\$ -	\$ 246,507	\$ -
Note from direct borrowing	<u>1,863,592</u>	<u>-</u>	<u>(543,304)</u>	<u>1,320,288</u>	<u>91,527</u>
Total governmental activities long-term obligations	<u>\$ 2,071,353</u>	<u>\$ 38,746</u>	<u>\$ (543,304)</u>	<u>\$ 1,566,795</u>	<u>\$ 91,527</u>

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

BIG SKY FIRE DEPARTMENT
STATEMENT OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2020

Governmental activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 638,234	\$ -	\$ -	\$ 638,234
Capital assets, being depreciated:				
Buildings and improvements	4,515,526	195,053	-	4,710,579
Equipment	815,466	91,445	(57,910)	849,001
Vehicles	4,027,839	-	-	4,027,839
Total	9,358,831	286,498	(57,910)	9,587,419
Less accumulated depreciation	(4,348,289)	(601,722)	57,910	(4,892,101)
Capital assets, being depreciated, net	5,010,542	(315,224)	-	4,695,318
Governmental activities capital assets, net	<u>\$ 5,648,776</u>	<u>\$ (315,224)</u>	<u>\$ -</u>	<u>\$ 5,333,552</u>

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

BIG SKY FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Big Sky Fire Department (the Department) is organized and operated under the provisions of Title 7, Chapter 33, Part 21, Montana Code Annotated, to provide fire protection for the rural area in the vicinity of Big Sky, Montana. It is a separate political entity established by the Madison and Gallatin County Commissioners, the affairs of which are governed and managed by an elected Board of Trustees (the Board). The Counties levy and collect taxes to fund the Department's budget, and the Gallatin County Treasurer serves as Treasurer of the Department. The Department is not a component unit of another entity and has no component units.

Basis of Presentation - Fund Financial Statements

The Department has one fund: the general fund. This fund accounts for all revenues and expenditures of the Department. The fund financial statements provide information about the general fund.

Basis of Accounting

The financial statements are presented in accordance with a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). This regulatory basis of accounting, also known as the Small Government Financial Reporting Framework, is in accordance with the financial reporting provisions of section 2.4.401(3) of the Administrative Rules of Montana. This regulatory basis of accounting involves the reporting of fund financial statements and related note disclosures, a statement of changes in governmental capital assets, a statement of changes in governmental long-term obligations, major fund budgetary comparison information as supplementary information (when applicable), and pension schedules of proportionate shares and required contributions (when applicable).

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include:

- The GAAP presentations of government-wide financial statements, related note disclosures and related reconciliations.
- Actuarially determined post-employment benefit information, related note disclosures and related required supplementary information.
- Certain supplementary information required by the GASB.

As a result, all economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this regulatory basis presentation.

BIG SKY FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Financial Statement Presentation

Tax 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; other revenues use this criteria with the exception of receipts from the CARES Act, which was accrued when received within six months after the end of the accounting period. 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.

Estimates

The preparation of the basic financial statements on the basis of the financial reporting provisions of section 2.4.401(3) of the Administrative Rules of Montana, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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/>.

Ambulance Fees Receivable

The Department charges for the ambulance services which it provides. Most of the invoices are submitted to insurance companies and are subject to billing adjustments. Based on the Department's historical percentage of insurance adjustments and collections from patients, the receivable and related revenue have been reduced by \$156,077 as an allowance for billing adjustments.

Taxes Receivable

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

BIG SKY FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes Receivable (continued)

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.

Capital Assets

Capital assets, which include land, building and improvements, vehicles, and equipment, are reported on the statement of changes in governmental capital assets – regulatory basis. All capital assets with a purchase price of \$5,000 or more and a life of at least two years are capitalized. Such assets are recorded at historical cost. Donated property and materials are recorded at their 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.

Building, building improvements, vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building	40
Building improvements	10-15
Vehicles	10
Equipment	5-10

Compensated Absences

Department employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. The governmental fund type (i.e. the general fund) recognizes the expenditure when the benefits are paid. The balance of vested employee's vacation and sick leave is presented in the statement of changes in governmental long-term obligations – regulatory basis.

Department employees earn vacation leave at the rate of 15 days per year during the first ten years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave, up to the maximum accumulation, at the current rate of pay.

BIG SKY FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (continued)

Department employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of sick leave days. However, upon termination, only 25% of accumulated sick leave is paid.

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 Department 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 granters, 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 Department for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Trustees or by the Fire Chief to which the Board of Trustees delegates that authority.

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 Department's policy is to apply restricted fund balance first.

Fire Protection Impact Fee Revenues

Prior to fiscal year 2013, Gallatin County collected fire protection impact fees from subdivisions within the Department's benefit area. The impact fees may be used only to pay for planning, land acquisition, engineering, design, construction, construction inspection, equipment purchases, and financing costs associated with a specific project to construct or acquire new or expanded fire protection facilities, buildings, and/or equipment that expand the capacity of the Department to provide fire protection services within the Department's benefit area and have an average useful life of at least ten years. Any monies in the fire protection impact fee fund that have not been spent or encumbered within ten years of receipt shall be refunded to the land owner with interest accrued at ten percent from the original date of payment.

BIG SKY FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Protection Impact Fee Revenues (continued)

Upon written request from the Department, the Gallatin County Commissioners will consider the transfer of monies from the impact fee fund to the Department for use on a specific acquisition or construction project. At this time, the Department recognizes revenues from impact fees. On June 30, 2020, the County held \$10,200 in the impact fee fund.

NOTE 2. CASH AND INVESTMENTS

As of June 30, 2020, the Department had \$200 in cash on hand and the following investment:

Carrying Amount

Gallatin County External Investment Pool	\$ 1,398,414
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The Department 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 Department's balance in the investment pool is reported as cash in the accompanying financial statements, as the Department has full access to these funds upon request. Interest earnings are allocated to the individual funds of the Department based on the Department'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 Department invests in a pool managed by the County Treasurer, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer.

NOTE 3. LONG-TERM LIABILITIES

In April of 2020 the Department entered into a \$1,863,592 loan agreement with the Montana Board of Investments to finance the remodel of two fire stations. The loan is to be amortized over 15 years, with interest accruing at the rate of 2.50% per annum through February 15, 2021 and thereafter a rate equal to the Adjusted Interest Rate, plus up to 1.50% per annum as necessary to pay program expenses. The loan repayment dates shall be on February 15 and August 15 of each year. Interest will be added to any delinquent installments at an additional 2% from the due date of the installment until payment thereof.

The balance of this loan is presented in the statement of changes in governmental long-term obligations – regulatory basis.

BIG SKY FIRE DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 3. LONG-TERM LIABILITIES (CONTINUED)

The approximate principal and interest requirements to maturity as of June 30, 2020 are as follows:

Year ending June 30	Principal	Interest	Total
2021	\$ 91,527	\$ 68,954	\$ 160,481
2022	78,327	82,154	160,481
2023	80,989	79,492	160,481
2024	83,741	76,740	160,481
2025	86,585	73,897	160,482
2026-2030	479,123	323,282	802,405
2031-2035	419,996	175,335	595,331
	<u>\$ 1,320,288</u>	<u>\$ 879,854</u>	<u>\$ 2,200,142</u>

NOTE 4. OPERATING LEASE

In October of 2017, the Department entered into a 60 month operating lease for a copier at a monthly rental of \$253, expiring November of 2022. For the year ended June 30, 2020, lease expense amounted to \$3,036.

Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	
2021	\$ 3,036
2022	\$ 759

NOTE 5. RISK MANAGEMENT

The Department'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 Department 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.

NOTE 6. SUBSEQUENT REPORTABLE EVENTS

The Department also became aware that the Big Sky Resort Area District may request that a portion of the funding that they provided to the Department during the year ended June 30, 2020 be returned to them as a result of the Department receiving unexpected funding from the CARES Act. At the time that this report was issued, the Department did not know what amount, if any, would need to be returned.

Due to the COVID-19 pandemic, the Department may realize delayed collections and receipts in future periods. The likelihood and impact of the potential delays are uncertain.

BIG SKY FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Over (Under)</u>
Revenues:			
Taxes	\$ 3,664,441	\$ 3,649,068	\$ (15,373)
Intergovernmental revenues	1,161,318	1,910,239	748,921
Charges for services	475,000	480,842	5,842
Miscellaneous revenues	8,500	25,775	17,275
Investment earnings	12,000	24,871	12,871
Re-appropriated reserves	636,034	-	(636,034)
Total revenues	<u>5,957,293</u>	<u>6,090,795</u>	<u>133,502</u>
Expenditures:			
Current:			
Personal services	3,748,274	3,704,159	(44,115)
Other costs	634,500	576,130	(58,370)
Capital outlay	1,574,519	286,498	(1,288,021)
Debt service			-
Principal	-	543,304	543,304
Interest	-	58,067	58,067
Total expenditures	<u>5,957,293</u>	<u>5,168,158</u>	<u>(789,135)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	922,637	<u>922,637</u>
Fund balance - beginning		<u>1,593,417</u>	
Fund balance - ending		<u>\$ 2,516,054</u>	
<u>Reconciliation:</u>			
Total revenues per statement of revenues, expenditures, and changes in fund balance		\$ 6,805,015	
Less on behalf payment		<u>(714,220)</u>	
Total revenues, budgetary basis		<u>\$ 6,090,795</u>	
Total expenditures per statement of revenues, expenditures, and changes in fund balance		\$ 5,882,378	
Less on behalf payment		<u>(714,220)</u>	
Total expenditures, budgetary basis		<u>\$ 5,168,158</u>	

BIG SKY FIRE DEPARTMENT
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

NOTE 1. BUDGET COMPLIANCE

The Department annually adopts an operating budget for the fiscal year beginning on July 1. The Board may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Without a public hearing, the budget cannot be increased except by a public emergency that could not have been reasonably foreseen at the time of its adoption. Expenditures are limited to the amount of the budget appropriation for each line item; however, the budgeted amounts may be adjusted by means of transfers between line items by resolution of the Board. All budget appropriations lapse at the end of the fiscal year.

NOTE 2. BUDGET BASIS OF ACCOUNTING

The budget is prepared on the same basis of accounting used in preparing the Department's fund financial statements, except for noncash on-behalf payments which are not included in the Department's budget.

NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There was no excess of expenditures over appropriations during the year.

BIG SKY FIRE DEPARTMENT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2020

Year ended June 30:	Employer's proportion of the net pension liability as a percentage	Employer's proportionate share of the net pension liability as an amount	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
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>							
2020	1.124100%	\$ 1,289,524	\$ 3,118,725	\$ 4,408,249	\$ 1,949,337	66.15%	80.08%
2019	0.993100%	\$ 1,143,743	\$ 2,615,229	\$ 3,758,972	\$ 1,564,035	73.13%	79.03%
2018	0.821700%	\$ 928,776	\$ 2,109,148	\$ 3,037,924	\$ 1,228,346	75.61%	77.77%
2017	0.785700%	\$ 897,329	\$ 2,033,064	\$ 2,930,393	\$ 1,106,350	81.11%	75.48%
2016	0.734054%	\$ 750,768	\$ 1,672,159	\$ 2,422,927	\$ 986,459	76.11%	76.90%
2015	0.638463%	\$ 623,245	\$ 1,406,012	\$ 2,029,257	\$ 829,344	75.15%	76.70%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>							
2020	0.000226%	\$ 4,720	\$ 3,473	\$ 8,193	\$ 3,726	126.69%	73.85%
2019	0.000300%	\$ 5,356	\$ 3,510	\$ 8,866	\$ 4,221	126.88%	73.47%
2018	0.270000%	\$ 52,770	\$ 1,962	\$ 54,732	\$ 33,609	157.01%	73.75%
2017	0.000600%	\$ 9,469	\$ 116	\$ 9,585	\$ 6,659	142.20%	74.71%
2016	0.001452%	\$ 20,298	\$ 249	\$ 20,547	\$ 16,946	119.78%	78.40%
2015	0.001801%	\$ 22,443	\$ 274	\$ 22,717	\$ 20,389	110.07%	79.90%

* 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.

BIG SKY FIRE DEPARTMENT
SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2020

Year ended June 30:	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>					
2020	\$ 314,445	\$ 314,445	\$ -	\$ 2,189,726	14.360016%
2019	\$ 279,924	\$ 279,924	\$ -	\$ 1,949,337	14.359959%
2018	\$ 224,596	\$ 224,596	\$ -	\$ 1,564,035	14.360037%
2017	\$ 176,391	\$ 176,391	\$ -	\$ 1,228,346	14.360042%
2016	\$ 158,178	\$ 158,178	\$ -	\$ 1,106,350	14.297284%
2015	\$ 144,412	\$ 144,412	\$ -	\$ 986,459	14.639433%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>					
2020	\$ 13,062	\$ 13,062	\$ -	\$ 150,663	8.669680%
2019	\$ 320	\$ 320	\$ -	\$ 3,726	8.588298%
2018	\$ 357	\$ 357	\$ -	\$ 4,221	8.457711%
2017	\$ 2,813	\$ 2,813	\$ -	\$ 33,609	8.369782%
2016	\$ 1,927	\$ 1,927	\$ -	\$ 6,659	28.938279%
2015	\$ 3,836	\$ 3,836	\$ -	\$ 16,946	22.636610%

*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.

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
Big Sky Fire Department
Big Sky, Montana

I 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 major fund, the changes in governmental capital assets, and the changes in governmental long-term obligations of Big Sky Fire Department (the Department) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Big Sky Fire Department's basic financial statements and have issued my report thereon December 23, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Department'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 the Department's internal control. Accordingly, I do not express an opinion on the effectiveness of the Department'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.

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 internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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 statement 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 *Government 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 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.

Rosie Barnett, CPA, PC

December 23, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Big Sky Fire Department
Big Sky, Montana

Report on Compliance for Each Major Federal Program

I have audited Big Sky Fire Department's (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Department's major federal program for the year ended June 30, 2020. The Department'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the Department 's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Department'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 the major federal program. However, my audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In my opinion, the Department 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, 2020.

Report on Internal Control Over Compliance

Management of the Department 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 the Department's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Department'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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rosie Barnett, CPA, PC

December 23, 2020

BIG SKY FIRE DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
U.S. Department of Treasury			
<u>Passed through State of Montana and Gallatin County, Montana</u>			
COVID-19 - Coronavirus Relief Fund	21.019	-	\$ 772,454
<u>Federal Emergency Management Agency</u>			
SAFER grant	97.083	EMW-2016-FH- 00209	<u>195,278</u>
Total federal financial assistance			<u>\$ 967,732</u>

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Big Sky Fire Department under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Department.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

De Minimis Indirect Cost Rate

The Department has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

BIG SKY FIRE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

The auditor's report expresses an unmodified opinion on whether the financial statements of Big Sky Fire Department were prepared in accordance with a regulatory basis of accounting known as the Small Government Financial Reporting Framework, in accordance with the financial reporting provisions of section 2.4.401(3) of the Administrative Rules of Montana.

Internal control over financial reporting:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.

No instances of noncompliance material to the financial statements of Big Sky Fire Department were disclosed during the audit.

Federal Awards:

Internal control over the major program:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.

The auditor's report on compliance for the major federal award program for Big Sky Fire Department expresses an unmodified opinion.

There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).

The program tested as a major program is as follows:

CFDA #21.019
U.S. Department of Treasury
Passed-through State of Montana and Gallatin County, Montana

The \$750,000 threshold was used in distinguishing between Type A and Type B programs.

Big Sky Fire Department was not determined to be a low-risk auditee.

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

BIG SKY FIRE DEPARTMENT
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS
YEAR ENDED JUNE 30, 2020

There were no findings, questioned costs, or deficiencies in internal control reported for the year ended June 30, 2019.