

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2010

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

DISTRICT OFFICIALS

June 30, 2010

**BOARD OF DIRECTORS**

Tom Ries, Chair  
3233 Chapel Drive  
Corvallis, Oregon 97333

Larry Sleeman, Vice Chair  
400 S. 30<sup>th</sup> Street  
Philomath, Oregon 97370

Ruth Jacobs  
7115 SW Deerhaven Drive  
Corvallis, Oregon 97333

J. Reed Glasmann  
31191 Peterson Road  
Philomath, Oregon 97370

Angie Baca  
P.O. Box 1644  
Philomath, Oregon 97370

**ADMINISTRATION**

Tom Phelps, Fire Chief  
1035 Main Street  
Philomath, Oregon 97370

Gwynn Irvin, Registered Agent  
P.O. Box 247  
Philomath, Oregon 97370

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

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## **FINANCIAL SECTION**



**Koontz & Perdue, P.C.**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Philomath Fire and Rescue  
Philomath, Oregon 97370

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Philomath Fire and Rescue, Benton County, Oregon, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

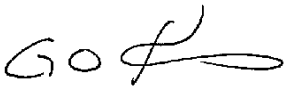
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Philomath Fire and Rescue as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on page 28 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Koontz & Perdue, P.C.

By: 

Albany, Oregon  
December 13, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**INTRODUCTION**

As management of Philomath Fire and Rescue, Benton County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2010, total net assets of Philomath Fire and Rescue amounted to \$2,817,089. Of this amount, \$2,253,898 was invested in capital assets, net of related debt. The remaining balance included \$563,191 of unrestricted net assets.
- The District's total net assets decreased by \$31,375 during the current fiscal year.
- Overall expenses were \$922,128, which exceeded total revenues of \$890,753 by \$31,375.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Philomath Fire and Rescue's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements present functions of the District that are principally supported by taxes (governmental activities). The governmental activities of the District include fire protection.

The government-wide financial statements can be found on pages 8 through 9 of this report.

# PHILOMATH FIRE AND RESCUE

## Benton County, Oregon

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

#### **Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Philomath Fire and Rescue are governmental funds.

#### **□ 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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Building Reserve, and Vehicle Reserve Funds, all of which are considered to be major governmental funds, as well as for the Equipment Reserve Fund.

Philomath Fire and Rescue adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 27 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 28 of this report.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The individual fund schedules can be found immediately following the required supplementary information on pages 29 through 31 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$2,817,089.

A large portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**District's Net Assets**

At the end of the current fiscal year, the District was able to report positive balances in all categories of net assets. The District's net assets decreased by \$31,375 during the current fiscal year.

Condensed statement of net assets information is shown below.

**Condensed Statement of Net Assets**

	<b>Governmental Activities</b>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets	\$ 583,426	\$ 749,637
Net capital assets	<u>2,414,348</u>	<u>2,351,041</u>
Total assets	<u>2,997,774</u>	<u>3,100,678</u>
<b>Liabilities</b>		
Current liabilities	180,685	91,764
Noncurrent liabilities	<u>-</u>	<u>160,450</u>
Total liabilities	<u>180,685</u>	<u>252,214</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	2,253,898	2,116,669
Unrestricted	<u>563,191</u>	<u>731,795</u>
Total net assets	<u>\$ 2,817,089</u>	<u>\$ 2,848,464</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**District's Changes in Net Assets**

The condensed statement of activities information shown below explains changes in net assets.

**Changes in Net Assets**

	<b>Governmental Activities</b>	
	<u>2010</u>	<u>2009</u>
<b>Program revenues</b>		
Fire protection	\$ 16,902	\$ 18,165
<b>General revenues</b>		
Property taxes	847,878	818,084
Investment earnings	4,107	15,158
Miscellaneous	<u>21,866</u>	<u>14,409</u>
Total general revenues	<u>873,851</u>	<u>847,651</u>
Total revenues	<u>890,753</u>	<u>865,816</u>
<b>Program expenses</b>		
Fire protection	908,564	917,583
Interest on long-term liabilities	<u>13,564</u>	<u>12,199</u>
Total program expenses	<u>922,128</u>	<u>929,782</u>
<b>Change in net assets</b>	(31,375)	(63,966)
<b>Net assets - beginning of year</b>	<u>2,848,464</u>	<u>2,912,430</u>
<b>Net assets - end of year</b>	<u>\$ 2,817,089</u>	<u>\$ 2,848,464</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$540,411, a decrease of \$179,675 from the prior year.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$135,507, a decrease of \$148,114 from the prior year. This total amount represents unreserved fund balance, which is available for spending at the District's discretion.

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets as of June 30, 2010 amounted to \$2,414,348, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, and equipment. The total depreciation expense related to the District's investment in capital assets during the current fiscal year was \$151,865.

Additional information on the District's capital assets can be found in Note III-B on pages 21 through 22 of this report.

**Long-Term Liabilities**

At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$160,450. This amount represents a capital lease for the acquisition of fire vehicles.

The District's total long-term liabilities decreased by \$73,922 due to payments made during the year.

Additional information on the District's long-term liabilities can be found in Note III-E on pages 22 through 23 of this report.

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could affect its future financial health:

- It is anticipated that the costs of providing medical insurance coverage to employees will continue to rise.

These factors were considered in preparing the District's budget for the 2010-2011 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Philomath Fire and Rescue, P.O. Box 247, Philomath, Oregon 97370.

## **BASIC FINANCIAL STATEMENTS**

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 520,254
Property taxes receivable	44,790
Prepaid expenses	<u>18,382</u>
Total current assets	583,426
Capital assets, net of accumulated depreciation	<u>2,414,348</u>
Total assets	<u>2,997,774</u>
<b>LIABILITIES</b>	
Current liabilities	
Accrued payroll liabilities	4,219
Compensated absences	16,016
Long-term liabilities, current portion	<u>160,450</u>
Total liabilities	<u>180,685</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,253,898
Unrestricted	<u>563,191</u>
Total net assets	<u>\$ 2,817,089</u>

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

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>
Governmental activities				
Fire protection	\$ 908,564	\$ -	\$ 16,902	\$ -
Interest on long-term liabilities	<u>13,564</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 922,128</u>	<u>\$ -</u>	<u>\$ 16,902</u>	<u>\$ -</u>
General revenues				
Property taxes				847,878
Investment earnings				4,107
Miscellaneous				<u>21,866</u>
Total general revenues				<u>873,851</u>
Change in net assets				(31,375)
Net assets - beginning				<u>2,848,464</u>
Net assets - ending				<u>\$ 2,817,089</u>

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

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	Building Reserve Fund	Vehicle Reserve Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 115,350	\$ 190,040	\$ 177,628
Property taxes receivable	44,790	-	-
Prepaid expenses	18,382	-	-
Total assets	\$ 178,522	\$ 190,040	\$ 177,628
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accrued payroll liabilities	\$ 4,219	\$ -	\$ -
Deferred revenue	38,796	-	-
Total liabilities	43,015	-	-
Fund balances			
Reserved for capital expenditures	-	190,040	177,628
Unreserved	135,507	-	-
Total fund balances	135,507	190,040	177,628
Total liabilities and fund balances	\$ 178,522	\$ 190,040	\$ 177,628

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

Nonmajor Governmental Fund	Total Governmental Funds
Equipment Reserve	
\$ 37,236	\$ 520,254
-	44,790
-	<u>18,382</u>
<u>\$ 37,236</u>	<u>\$ 583,426</u>
\$ -	\$ 4,219
-	<u>38,796</u>
-	<u>43,015</u>
37,236	404,904
-	<u>135,507</u>
<u>37,236</u>	<u>540,411</u>
<u>\$ 37,236</u>	<u>\$ 583,426</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2010

<b>Total fund balances</b>		\$ 540,411
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	3,859,130	
Accumulated depreciation	<u>(1,444,782)</u>	2,414,348
Property tax revenue is recognized in the net assets of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		38,796
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences payable	(16,016)	
Capital lease	<u>(160,450)</u>	<u>(176,466)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 2,817,089</u></b>

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

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General Fund	Building Reserve Fund	Vehicle Reserve Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 836,807	\$ -	\$ -
Grants	16,902	-	-
Investment earnings	1,281	1,268	1,163
Miscellaneous	<u>21,866</u>	<u>-</u>	<u>-</u>
Total revenues	<u>876,856</u>	<u>1,268</u>	<u>1,163</u>
<b>EXPENDITURES</b>			
Current			
Personal services	526,688	-	-
Materials and services	215,519	-	-
Debt service	-	-	87,486
Capital outlay	<u>71,535</u>	<u>83,167</u>	<u>37,345</u>
Total expenditures	<u>813,742</u>	<u>83,167</u>	<u>124,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,114</u>	<u>(81,899)</u>	<u>(123,668)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	49,228	160,000
Transfers out	<u>(211,228)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(211,228)</u>	<u>49,228</u>	<u>160,000</u>
Net change in fund balances	(148,114)	(32,671)	36,332
Fund balances - beginning	<u>283,621</u>	<u>222,711</u>	<u>141,296</u>
Fund balances - ending	<u>\$ 135,507</u>	<u>\$ 190,040</u>	<u>\$ 177,628</u>

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

Nonmajor Governmental Fund Equipment Reserve	Total Governmental Funds
\$ -	\$ 836,807
-	16,902
395	4,107
<u>-</u>	<u>21,866</u>
<u>395</u>	<u>879,682</u>
-	526,688
-	215,519
-	87,486
<u>37,617</u>	<u>229,664</u>
<u>37,617</u>	<u>1,059,357</u>
<u>(37,222)</u>	<u>(179,675)</u>
2,000	211,228
<u>-</u>	<u>(211,228)</u>
<u>2,000</u>	<u>-</u>
(35,222)	(179,675)
<u>72,458</u>	<u>720,086</u>
<u>\$ 37,236</u>	<u>\$ 540,411</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

**Net change in fund balances** \$ (179,675)

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

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	215,496	
Less current year depreciation	<u>(151,865)</u>	63,631

In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the disposed assets, net of related accumulated depreciation.

Cost of disposed assets	(13,516)	
Related accumulated depreciation	<u>13,192</u>	(324)

Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. This is the amount by which repayments exceeded proceeds.

Capital lease payments		73,922
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Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.

		<u>11,071</u>
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**Change in net assets** \$ (31,375)

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Philomath Fire and Rescue have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

Philomath Fire and Rescue was incorporated as a city department in 1930 and serves the communities of Philomath, Wren, and the area of Inavale. Emergency services provided include firefighting, hazardous material response, emergency medical service, vehicle rescue, and search and rescue. The District is governed by a five-member board of directors elected from the District at large.

**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 of the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separated columns in the fund financial statements.

**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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term liabilities, as well as expenditures related to compensated absences, are recorded only when payment is due.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund.

Capital Projects Funds

*Building Reserve Fund* – The Building Reserve Fund is a reserve fund for capital improvements to buildings.

*Vehicle Reserve Fund* – The Vehicle Reserve Fund is a reserve fund for the purchase of fire protection vehicles.

Additionally, the District reports the following nonmajor governmental fund:

Capital Projects Fund

*Equipment Reserve Fund* – The Equipment Reserve Fund is a reserve fund for the purchase of fire protection equipment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The District reports deferred revenue on the balance sheet of the governmental funds. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

**2. Property Taxes**

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets on the governmental funds balance sheet. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred revenue because they are not deemed to be available to finance operations of the current period.

**3. Prepaids**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**4. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**4. Capital Assets (Continued)**

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Equipment	7-15
Vehicles	15-25
Buildings	40-50

**5. Compensated Absences**

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net assets. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**6. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, the face amounts of debt and other long-term liabilities issued are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Retirement Plans**

Most of the District's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenditures.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**7. Retirement Plans (Continued)**

In addition, the District has a VALIC retirement plan for volunteers supported by grant revenues. These contributions are recorded as expenditures of the District.

**8. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general and capital projects funds. All funds are budgeted on the cash basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, debt service, and capital outlay for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

Philomath Fire and Rescue maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2010, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 494,087</u>

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. Deposits and Investments (Continued)**

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. Oregon statute requires deposits in excess of amounts insured by the Federal Depository Insurance Corporation (FDIC) to be held in an institution listed as a qualified depository as a part of the Public Funds Collateralization Program, established under ORS 295. The District holds deposits at Wells Fargo Bank that are insured up to \$250,000 by the FDIC. At June 30, 2010, none of the District's bank balance of \$56,155 was exposed to custodial credit risk.

Deposits

The District's deposits and investments at June 30, 2010 are as follows:

Petty cash	\$ 50
Checking accounts	26,117
Total investments	<u>494,087</u>
Total deposits	<u>\$ 520,254</u>

Cash and investments by fund:

Governmental activities	
General Fund	\$ 115,350
Building Reserve Fund	190,040
Vehicle Reserve Fund	177,628
Equipment Reserve Fund	<u>37,236</u>
Total cash and investments	<u>\$ 520,254</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 36,763	\$ -	\$ -	\$ 36,763
Construction in progress	<u>-</u>	<u>36,883</u>	<u>-</u>	<u>36,883</u>
Total capital assets not being depreciated	<u>36,763</u>	<u>36,883</u>	<u>-</u>	<u>73,646</u>
Capital assets being depreciated				
Buildings	923,143	126,661	-	1,049,804
Vehicles	1,941,584	-	-	1,941,584
Equipment	<u>755,660</u>	<u>51,952</u>	<u>13,516</u>	<u>794,096</u>
Total capital assets being depreciated	<u>3,620,387</u>	<u>178,613</u>	<u>13,516</u>	<u>3,785,484</u>
Less accumulated depreciation for				
Buildings	(362,933)	(21,300)	-	(384,233)
Vehicles	(503,695)	(79,524)	-	(583,219)
Equipment	<u>(439,481)</u>	<u>(51,041)</u>	<u>(13,192)</u>	<u>(477,330)</u>
Total accumulated depreciation	<u>(1,306,109)</u>	<u>(151,865)</u>	<u>(13,192)</u>	<u>(1,444,782)</u>
Total capital assets being depreciated, net	<u>2,314,278</u>	<u>26,748</u>	<u>324</u>	<u>2,340,702</u>
Governmental activities capital assets, net	<u>\$ 2,351,041</u>	<u>\$ 63,631</u>	<u>\$ 324</u>	<u>\$ 2,414,348</u>

Capital assets are reported on the statement of net assets as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 36,763	\$ -	\$ 36,763
Construction in progress	36,883	-	36,883
Buildings	1,049,804	(384,233)	665,571
Vehicles	1,941,584	(583,219)	1,358,365
Equipment	<u>794,096</u>	<u>(477,330)</u>	<u>316,766</u>
Total governmental activities capital assets	<u>\$ 3,859,130</u>	<u>\$ (1,444,782)</u>	<u>\$ 2,414,348</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**B. Capital Assets (Continued)**

Depreciation expense was charged to the functions/programs of the District as follows:

Governmental activities	
Fire protection	<u>\$ 151,865</u>

**C. Interfund Transfers**

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	Transfers in:			Total
	Building Reserve Fund	Vehicle Reserve Fund	Equipment Reserve Fund	
Transfers out:				
General Fund	<u>\$ 49,228</u>	<u>\$ 160,000</u>	<u>\$ 2,000</u>	<u>\$ 211,228</u>

The purpose of the transfers was to reserve funds for capital expenditures.

**D. Compensated Absences**

The following schedule summarizes the changes in compensated absences liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 16,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,016</u>

The General Fund has traditionally been used to liquidate compensated absences liabilities.

**E. Long-Term Liabilities**

Capital Lease

The District entered into an agreement to lease certain firefighting equipment. The agreement is, in substance, a purchase (capital lease) and is reported as a long-term capital lease obligation. The lease has been recorded at the present value of minimum lease payments as of the inception date.

The following is a summary of long-term liabilities transactions for the year.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year*
Governmental activities					
Capital lease	<u>\$ 234,372</u>	<u>\$ -</u>	<u>\$ 73,922</u>	<u>\$ 160,450</u>	<u>\$ 160,450</u>

\*See Note IV-E.1 for further explanation.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**E. Long-Term Liabilities (Continued)**

Capital Lease (Continued)

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2010
Governmental activities		
Firefighting equipment	5.58%	\$ 160,450

Equipment and related accumulated amortization under the capital lease are as follows:

	Governmental Activities
Equipment	\$ 536,826
Less: accumulated amortization	(91,262)
Net value	\$ 445,564

Future minimum lease commitments are as follows:

Year Ending June 30	Governmental Activities
2011	\$ 174,972
Total minimum lease payments	174,972
Less executory costs and related profit	972
Net minimum lease payments	174,000
Less amount representing interest	13,550
Present value of minimum lease payments	\$ 160,450

Amortization of leased equipment under capital assets is included with depreciation expense. The Vehicle Reserve Fund has traditionally been used to liquidate long-term liabilities related to the capital lease.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

Plan Description

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003 and is a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying District employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**IV. OTHER INFORMATION (Continued)**

**B. Retirement Plans (Continued)**

**1. Oregon Public Employees Retirement System (Continued)**

Funding Policy

The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF, OPSRP, and OPSRP Fire and Police rates in effect for the year ended June 30, 2010 were 10.58%, 3.24%, and 5.95%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The District has elected to pay the required employee contribution of 6% of covered payroll.

Annual Pension Cost

The District's contributions to PERS for the three years ended June 30, 2008, 2009, and 2010 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2008	\$ 30,760	100%
2009	\$ 47,507	100%
2010	\$ 39,748	100%

**2. Length of Service Award Plan for Volunteers**

The District provides pension benefits for its volunteer employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan administrator is the Special District Association of Oregon. A volunteer who meets all of the requirements is entitled to participate under the plan. Participation is voluntary, not mandatory. The District contributes to the plan on behalf of the volunteer using the contribution formula. The contribution formula is based on activity participation, not on salaries. A volunteer is eligible to receive contributions upon being a member in good standing. The District's contribution for each employee and interest allocated to the employee's account are fully vested after five years of participation. Distributions can begin upon the volunteer becoming fully disabled or upon reaching the established retirement age of 50. The District contributed \$10,000 per year for the years ended June 30, 2010 and 2009.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**IV. OTHER INFORMATION (Continued)**

**C. Other Post-Employment Benefits**

**1. Retirement Health Insurance Account (RHIA)**

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7277, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.29% of covered payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The District's contributions to RHIA for the years ended June 30, 2008, 2009, and 2010 were \$699, \$982, and \$1,056, respectively, which equaled the required contributions each year.

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

**IV. OTHER INFORMATION (Continued)**

**D. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following pronouncement that has a future effective date that will impact future financial presentations. Management has not currently determined what impact implementation of the following statement will have on future financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the District beginning with its fiscal year ending June 30, 2011. This statement establishes new classifications for governmental fund balances and clearer definitions for governmental fund types.

**E. Subsequent Events**

Management has evaluated subsequent events through December 13, 2010, which was the date that the financial statements were available to be issued.

**1. Early Retirement of Capital Lease**

The District has decided to pay off the remaining two payments of the capital lease within the next fiscal year. The entire remaining balance has been classified as current, as determined by the District's management.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Property taxes	\$ 839,580	\$ (2,490)	\$ 837,090	\$ (283)	\$ 836,807
Grants	24,600	8,787	33,387	(16,485)	16,902
Charges for services	1,000	(1,000)	-	-	-
Investment earnings	6,500	(5,219)	1,281	-	1,281
Miscellaneous	5,000	16,866	21,866	-	21,866
	<u>876,680</u>	<u>16,944</u>	<u>893,624</u>	<u>(16,768)</u>	<u>876,856</u>
<b>EXPENDITURES</b>					
Current					
Personal services	539,430	(16,542)	522,888	3,800	526,688
Materials and services	298,981	(77,653)	221,328	(5,809)	215,519
Capital outlay	97,915	(26,380)	71,535	-	71,535
Contingency	15,000	(15,000)	-	-	-
	<u>951,326</u>	<u>(135,575)</u>	<u>815,751</u>	<u>(2,009)</u>	<u>813,742</u>
Excess (deficiency) of revenues over (under) expenditures	(74,646)	152,519	77,873	(14,759)	63,114
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(211,228)</u>	<u>-</u>	<u>(211,228)</u>	<u>-</u>	<u>(211,228)</u>
Net change in fund balance	(285,874)	152,519	(133,355)	(14,759)	(148,114)
Fund balance - beginning	<u>410,874</u>	<u>(162,588)</u>	<u>248,286</u>	<u>35,335</u>	<u>283,621</u>
Fund balance - ending	<u>\$ 125,000</u>	<u>\$ (10,069)</u>	<u>\$ 114,931</u>	<u>\$ 20,576</u>	<u>\$ 135,507</u>

**OTHER SUPPLEMENTARY INFORMATION**

INDIVIDUAL FUND SCHEDULES

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

BUILDING RESERVE FUND

For the Year Ended June 30, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Investment earnings	\$ -	\$ 1,268	\$ 1,268	\$ -	\$ 1,268
Miscellaneous	<u>2,500</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,500</u>	<u>(1,232)</u>	<u>1,268</u>	<u>-</u>	<u>1,268</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>273,530</u>	<u>(190,363)</u>	<u>83,167</u>	<u>-</u>	<u>83,167</u>
Excess (deficiency) of revenues over (under) expenditures	(271,030)	189,131	(81,899)	-	(81,899)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>49,228</u>	<u>-</u>	<u>49,228</u>	<u>-</u>	<u>49,228</u>
Net change in fund balance	(221,802)	189,131	(32,671)	-	(32,671)
Fund balance - beginning	<u>221,802</u>	<u>909</u>	<u>222,711</u>	<u>-</u>	<u>222,711</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 190,040</u>	<u>\$ 190,040</u>	<u>\$ -</u>	<u>\$ 190,040</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

VEHICLE RESERVE FUND

For the Year Ended June 30, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Investment earnings	\$ -	\$ 1,163	\$ 1,163	\$ -	\$ 1,163
Miscellaneous	<u>1,200</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,200</u>	<u>(37)</u>	<u>1,163</u>	<u>-</u>	<u>1,163</u>
<b>EXPENDITURES</b>					
Debt service	87,487	(1)	87,486	-	87,486
Capital outlay	<u>214,159</u>	<u>(176,814)</u>	<u>37,345</u>	<u>-</u>	<u>37,345</u>
Total expenditures	<u>301,646</u>	<u>(176,815)</u>	<u>124,831</u>	<u>-</u>	<u>124,831</u>
Excess (deficiency) of revenues over (under) expenditures	(300,446)	176,778	(123,668)	-	(123,668)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Net change in fund balance	(140,446)	176,778	36,332	-	36,332
Fund balance - beginning	<u>140,446</u>	<u>850</u>	<u>141,296</u>	<u>-</u>	<u>141,296</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 177,628</u>	<u>\$ 177,628</u>	<u>\$ -</u>	<u>\$ 177,628</u>

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2010

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Investment earnings	\$ 1,000	\$ (605)	\$ 395	\$ -	\$ 395
<b>EXPENDITURES</b>					
Capital outlay	<u>75,155</u>	<u>(37,538)</u>	<u>37,617</u>	<u>-</u>	<u>37,617</u>
Excess (deficiency) of revenues over (under) expenditures	(74,155)	36,933	(37,222)	-	(37,222)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Net change in fund balance	(72,155)	36,933	(35,222)	-	(35,222)
Fund balance - beginning	<u>72,155</u>	<u>303</u>	<u>72,458</u>	<u>-</u>	<u>72,458</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 37,236</u>	<u>\$ 37,236</u>	<u>\$ -</u>	<u>\$ 37,236</u>

## **OTHER FINANCIAL SCHEDULES**

**PHILOMATH FIRE AND RESCUE**  
**Benton County, Oregon**

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2010

Tax Year	Taxes Receivable July 1, 2009	2009-2010 Levy	Adjustments and Discounts	Collections	Taxes Receivable June 30, 2010
2009-2010	\$ -	\$ 847,454	\$ -	\$ 818,485	\$ 28,969
2008-2009	21,172	-	(670)	11,625	8,877
2007-2008	6,865	-	(135)	3,096	3,634
2006-2007	3,201	-	(101)	1,447	1,653
2005-2006	1,414	-	(93)	867	454
2004-2005	278	-	(62)	(3)	219
2003-2004	210	-	(32)	26	152
Prior	863	-	-	31	832
Subtotal - Prior	34,003	-	(1,093)	17,089	15,821
Total	\$ 34,003	\$ 847,454	\$ (1,093)	835,574	\$ 44,790
Add:					
Other taxes and interest				1,516	
Undistributed taxes with county, July 1, 2009				-	
Total available for distribution				837,090	
Less: Turnovers to District				(837,090)	
Undistributed taxes with county, June 30, 2010				\$ -	

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY  
STATE REGULATIONS**



**Koontz & Perdue, P.C.**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors  
Philomath Fire and Rescue  
Philomath, Oregon 97370

We have audited the basic financial statements of Philomath Fire and Rescue as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether Philomath Fire and Rescue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

**Deposit of public funds with financial institutions (ORS Chapter 295)**

**Indebtedness limitations, restrictions, and repayment**

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Authorized investment of surplus funds (ORS Chapter 294)**

**Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

In connection with our testing, except for the following, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

1. The District failed to maintain proper documentation for the procurements and bidding process.

#### **OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 13, 2010.

This report is intended solely for the information and use of the board of directors and management of Philomath Fire and Rescue and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.



Koontz & Perdue, P.C.

December 13, 2010