

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2018



PHILOMATH FIRE AND RESCUE
Benton County, Oregon

DISTRICT OFFICIALS

June 30, 2018

BOARD OF DIRECTORS

Joe Brier, Chair
35543 Summers Lane
Philomath, Oregon 97370

Kevin Sullivan, Vice Chair
232 N. 18th Street
Philomath, Oregon 97370

Rick Brand, Treasurer
3000 Southwood Drive
Philomath, Oregon 97370

Ruth Jacobs
7115 SW Deerhaven Drive
Corvallis, Oregon 97333

Robyn Jones
328 Mount Union Avenue
Philomath, Oregon 97370

ADMINISTRATION

Thomas Miller, Fire Chief
1035 Main Street
Philomath, Oregon 97370

Lillee Rodriguez, Administrative Assistant
P.O. Box 247
Philomath, Oregon 97370

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Philomath Fire and Rescue
Philomath, Oregon 97370

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Philomath Fire and Rescue's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Philomath Fire and Rescue, Benton County, Oregon, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

The effect of applying the provisions of GASB Statement No. 75 has been reported as a restatement of beginning net position for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, schedule of changes in the District's total OPEB liability and related ratios, and budgetary comparison information on pages 4 through 10, 53, 54, 55, 56, 57, and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, and schedule of changes in the District's total OPEB liability and related ratios in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, or schedule of changes in the District's total OPEB liability and related ratios because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Philomath Fire and Rescue's basic financial statements. The combining statements, 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.

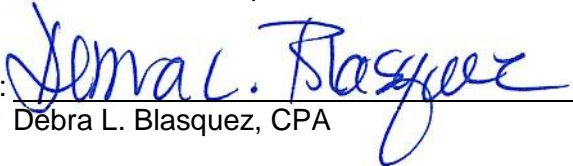
The combining statements and individual fund schedules are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of property tax transactions has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 14, 2018 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Perdue, Blasquez & Co., P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
December 14, 2018

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, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of Philomath Fire and Rescue amounted to \$2,655,716. Of this amount, \$2,042,402 was invested in capital assets, \$6,710 was restricted for debt service, and the remaining balance of \$606,604 was unrestricted.
- The District's total net position decreased by \$159,281 during the current fiscal year.
- Overall expenditures were \$1,899,894, which exceeded total revenues of \$1,740,613 by \$159,281.

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 basic 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 position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 11 through 13 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 six 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, General Obligation Bonded Debt, and GO Bond 2016 Capital Projects Funds, all of which are considered to be major governmental funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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 14 through 17 of this report.

Notes to the Basic Financial Statements

The notes to the basic 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 basic financial statements can be found on pages 18 through 52 of this report.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, schedule of changes in the District's total OPEB liability and related ratios, and budgetary comparison information for the General Fund. This required supplementary information can be found on pages 53 through 58 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 59 through 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District's assets exceeded liabilities by \$2,655,716.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt that is still outstanding. Although the District's investment in 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 Position

The District's net position decreased by \$159,281 during the current fiscal year. This decrease is related to an increase in program expenses.

Condensed statement of net position information is shown on the following page.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Assets and deferred outflows of resources		
Current assets	\$ 1,130,540	\$ 825,817
Restricted assets	6,710	11,398
Net capital assets	5,444,232	5,033,284
Deferred outflows of resources	<u>154,543</u>	<u>414,586</u>
Total assets and deferred outflows of resources	<u>6,736,025</u>	<u>6,285,085</u>
Liabilities and deferred inflows of resources		
Current liabilities	700,150	542,154
Noncurrent liabilities	3,096,547	2,880,833
Deferred inflows of resources	<u>283,612</u>	<u>47,101</u>
Total liabilities and deferred inflows of resources	<u>4,080,309</u>	<u>3,470,088</u>
Net position		
Net investment in capital assets	2,042,402	2,538,284
Restricted for debt service	6,710	11,398
Unrestricted	<u>606,604</u>	<u>265,315</u>
Total net position	<u>\$ 2,655,716</u>	<u>\$ 2,814,997</u>

District's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Program revenues		
Operating grants and contributions	\$ 111,265	\$ 708,777
General revenues		
Property taxes	1,435,560	1,251,471
Investment earnings	27,109	10,922
Miscellaneous	164,094	25,861
Public education	<u>2,585</u>	<u>-</u>
Total general revenues	<u>1,629,348</u>	<u>1,288,254</u>
Total revenues	<u>1,740,613</u>	<u>1,997,031</u>
Program expenses		
Fire protection	1,835,043	1,449,984
Interest on long-term debt	<u>64,851</u>	<u>6,479</u>
Total program expenses	<u>1,899,894</u>	<u>1,456,463</u>
Change in net position	(159,281)	540,568
Net position - beginning of year, as restated	<u>2,814,997</u>	<u>2,274,429</u>
Net position - end of year	<u>\$ 2,655,716</u>	<u>\$ 2,814,997</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, unassigned 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 major governmental funds reported combined fund balances of \$916,071. This amount included \$22,484 of nonspendable amounts related to prepaid expenses and \$553,081 committed to building improvements. The remaining \$340,506 constitutes unassigned fund balance available for spending at the District's discretion.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Significant Changes in Major Governmental Fund Balances

- General Fund: The 38.4% decrease in nonspendable fund balance can be attributed to a decrease in prepaid expenses.
- General Obligation Bonded Debt Fund: The 193.5% decrease in total fund balance can be attributed to general obligation bond payments made.
- GO Bond 2016 Capital Projects Fund: The \$345,508 increase in total fund balance can be attributed to funds that were saved for the final payment of the new ladder truck.

BUDGETARY HIGHLIGHTS: GENERAL FUND

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2018 include:

- Investment earnings were budgeted for \$4,000. Actual revenues were \$15,442 (286.1% over budget) due to an interest rate increase during the year.
- Public education was budgeted for \$17,000. Actual revenues were \$2,585 (84.8% under budget) due to some of the anticipated revenue being recorded as miscellaneous revenue.
- Capital outlay expenditures were budgeted for \$171,927. Actual expenditures were \$207,338 (20.6% over budget) due to an unbudgeted purchase of rescue equipment in the amount of \$41,922.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2018 amounted to \$5,444,232, net of accumulated depreciation. This investment in capital assets includes land, equipment on order, buildings, vehicles, and equipment. The total depreciation expense related to the District's investment in capital assets during the current fiscal year was \$377,780.

Additional information on the District's capital assets can be found in Note III-B on pages 28 through 29 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$3,401,830. This amount is comprised of general obligation bonds and a capital lease. The District's total debt outstanding increased \$906,830 during the fiscal year.

Additional information on the District's long-term debt can be found in Note III-E on pages 30 through 32 of this report.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 circumstances that could affect its future financial health:

- Debt repayment to be made over the next nine years.
- Growth in the Philomath community, including 300+ apartments.

These factors were considered in preparing the District's budget for the 2018-2019 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 POSITION

For the Year Ended June 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 1,038,560
Accounts receivable	3,164
Property taxes receivable	66,332
Prepaid expenses	<u>22,484</u>
Total current assets	<u>1,130,540</u>
Restricted assets	
Property taxes receivable	<u>6,710</u>
Capital assets	
Land and equipment on order	63,613
Capital assets, net of accumulated depreciation	<u>5,380,619</u>
Total capital assets	<u>5,444,232</u>
Total assets	<u>6,581,482</u>
Deferred outflows of resources	
Net deferred outflow of pension related resources	152,299
Net deferred outflow of OPEB related resources	<u>2,244</u>
Total deferred outflows of resources	<u>154,543</u>
Total assets and deferred outflows of resources	<u>6,736,025</u>

(Continued)

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

STATEMENT OF NET POSITION

For the Year Ended June 30, 2018

(Continued)

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	\$ 7,266
Accrued interest payable	6,479
Accrued payroll liabilities	54,575
Capital lease payable, current portion	331,830
Bonds payable, current portion	<u>300,000</u>
Total current liabilities	<u>700,150</u>
Noncurrent liabilities	
Compensated absences	53,636
Bonds payable, less current portion	2,770,000
Net pension liability	255,173
Net OPEB liability	<u>17,738</u>
Total noncurrent liabilities	<u>3,096,547</u>
Total liabilities	<u>3,796,697</u>
Deferred inflows of resources	
Net deferred inflow of pension related resources	281,958
Net deferred inflow of OPEB related resources	<u>1,654</u>
Total deferred inflows of resources	<u>283,612</u>
Total liabilities and deferred inflows of resources	<u>4,080,309</u>
NET POSITION	
Net investment in capital assets	2,042,402
Restricted for debt service	6,710
Unrestricted	<u>606,604</u>
Total net position	<u>\$ 2,655,716</u>

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital</u>	<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Grants and</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Contributions</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
Fire protection	\$ 1,835,043	\$ -	\$ 111,265	\$ -	\$ (1,723,778)
Interest on long-term debt	<u>64,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,851)</u>
Total governmental activities	<u>\$ 1,899,894</u>	<u>\$ -</u>	<u>\$ 111,265</u>	<u>\$ -</u>	<u>(1,788,629)</u>
General revenues					
Property taxes - general					1,099,815
Property taxes - debt service					335,745
Investment earnings					27,109
Miscellaneous					164,094
Public education					<u>2,585</u>
Total general revenues					<u>1,629,348</u>
Change in net position					(159,281)
Net position - beginning, as restated					<u>2,814,997</u>
Net position - ending					<u>\$ 2,655,716</u>

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>General Obligation Bonded Debt Fund</u>	<u>Building Reserve Fund</u>
ASSETS			
Cash and cash equivalents	\$ 371,143	\$ -	\$ 207,573
Accounts receivable	3,164	-	-
Property taxes receivable	66,332	6,710	-
Prepaid expenses	<u>22,484</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 463,123</u>	 <u>\$ 6,710</u>	 <u>\$ 207,573</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Book overdraft	\$ -	\$ 9,418	\$ -
Accounts payable	7,266	-	-
Accrued payroll liabilities	<u>54,575</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>61,841</u>	 <u>9,418</u>	 <u>-</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	<u>31,236</u>	<u>4,348</u>	<u>-</u>
Fund balances			
Nonspendable	22,484	-	-
Committed	-	-	207,573
Unassigned	<u>347,562</u>	<u>(7,056)</u>	<u>-</u>
 Total fund balances (deficit)	 <u>370,046</u>	 <u>(7,056)</u>	 <u>207,573</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 463,123</u>	 <u>\$ 6,710</u>	 <u>\$ 207,573</u>

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

<u>GO Bond 2016 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 345,508	\$ 123,754	\$ 1,047,978
-	-	3,164
-	-	73,042
-	-	<u>22,484</u>
<u>\$ 345,508</u>	<u>\$ 123,754</u>	<u>\$ 1,146,668</u>
\$ -	\$ -	\$ 9,418
-	-	7,266
-	-	<u>54,575</u>
-	-	<u>71,259</u>
-	-	<u>35,584</u>
-	-	22,484
345,508	123,754	676,835
-	-	<u>340,506</u>
<u>345,508</u>	<u>123,754</u>	<u>1,039,825</u>
<u>\$ 345,508</u>	<u>\$ 123,754</u>	<u>\$ 1,146,668</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

For the Year Ended June 30, 2018

Total fund balances		\$ 1,039,825
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	7,556,200	
Accumulated depreciation	<u>(2,111,968)</u>	5,444,232
Property tax revenue is recognized in the net position 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.		
		35,584
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:		
Accrued interest payable	(6,479)	
Compensated absences payable	(53,636)	
Bonds payable, current portion	(300,000)	
Bonds payable, less current portion	(2,770,000)	
Capital lease payable	<u>(331,830)</u>	(3,461,945)
Pension assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:		
Net pension liability	(255,173)	
Deferred outflows of pension related resources	152,299	
Deferred inflows of pension related resources	<u>(281,958)</u>	(384,832)
OPEB assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:		
Net OPEB liability	(17,738)	
Deferred outflows of OPEB related resources	2,244	
Deferred inflows of OPEB related resources	<u>(1,654)</u>	<u>(17,148)</u>
Net position of governmental activities		\$ <u>2,655,716</u>

The accompanying notes are an integral part of these 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, 2018

	General Fund	General Obligation Bonded Debt Fund	Building Reserve Fund
REVENUES			
Property taxes	\$ 1,140,805	\$ 335,249	\$ -
Grants	111,265	-	-
Investment earnings	15,442	-	4,859
Public education	2,585	-	-
Miscellaneous	164,094	-	-
Total revenues	1,434,191	335,249	4,859
EXPENDITURES			
Current			
Personnel services	826,481	-	-
Materials and services	443,702	-	-
Debt service	-	349,851	-
Capital outlay	207,337	-	-
Total expenditures	1,477,520	349,851	-
Excess (deficiency) of revenues over (under) expenditures	(43,329)	(14,602)	4,859
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Proceeds on sale of assets	31,000	-	-
Transfers in	-	-	-
Transfers out	(11,889)	-	-
Total other financing sources (uses)	19,111	-	-
Net change in fund balances	(24,218)	(14,602)	4,859
Fund balances - beginning	394,264	7,546	202,714
Fund balances (deficit) - ending	\$ 370,046	\$ (7,056)	\$ 207,573

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

<u>GO Bond 2016 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,476,054
-	-	111,265
4,051	2,757	27,109
-	-	2,585
<u>-</u>	<u>-</u>	<u>164,094</u>
<u>4,051</u>	<u>2,757</u>	<u>1,781,107</u>
-	-	826,481
-	-	443,702
340,724	-	690,575
<u>832,819</u>	<u>-</u>	<u>1,040,156</u>
<u>1,173,543</u>	<u>-</u>	<u>3,000,914</u>
<u>(1,169,492)</u>	<u>2,757</u>	<u>(1,219,807)</u>
1,515,000	-	1,515,000
-	-	31,000
-	11,889	11,889
<u>-</u>	<u>-</u>	<u>(11,889)</u>
<u>1,515,000</u>	<u>11,889</u>	<u>1,546,000</u>
345,508	14,646	326,193
<u>-</u>	<u>109,108</u>	<u>713,632</u>
<u>\$ 345,508</u>	<u>\$ 123,754</u>	<u>\$ 1,039,825</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, 2018

Net change in fund balances \$ 326,193

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

Governmental funds report capital outlay as expenditures; however, on 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	918,798	
Less current year depreciation	(377,780)	
Disposal of capital assets	(467,190)	
Less related accumulated depreciation	<u>337,120</u>	410,948

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.

(40,494)

Changes in long-term liabilities are not due or payable in the current period and therefore are not reported in the governmental fund statements. These liabilities consist of:

Compensated absences payable	(22,757)	
Capital lease paid	323,170	
Bond proceeds	(1,515,000)	
Debt principal paid	<u>285,000</u>	(929,587)

Changes in the net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.

78,127

Changes in net OPEB assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.

(4,468)

Change in net position

\$ (159,281)

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

NOTES TO BASIC FINANCIAL STATEMENTS

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Philomath Fire and Rescue have been prepared in accordance 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. The fire district is comprised of approximately 58 square miles and serves a population of nearly 9,000 residents. Emergency services provided include fire suppression, 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 position 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 separate 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

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.

Debt Service Fund

General Obligation Bonded Debt Fund – The General Obligation Bonded Debt Fund is a reserve fund that accounts for repayment of the District’s general obligation bond debt.

Capital Projects Funds

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

GO Bond 2016 Capital Projects Fund – The GO Bond 2016 Capital Projects Fund is a reserve fund for capital improvements purchased with the general obligation bond proceeds.

Additionally, the District reports the following nonmajor governmental funds:

Capital Projects Funds

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, 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 unavailable revenue because they are not deemed to be available to finance operations of the current period.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

3. 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.

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.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5-25
Equipment	5-30
Buildings	20-50

4. 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 position. 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.

5. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amounts of debt issued are reported as other financing sources. Premiums received on debt issuance 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

6. 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.

In addition, the District has a Variable Annuity Life Insurance Company (VALIC) retirement plan for volunteers, supported by grant revenues. These contributions are recorded as expenditures of the District.

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The District has two items that qualify for reporting in this category, which are deferred amounts related to pensions and deferred amounts related to other postemployment benefits. These amounts are deferred and recognized as outflows of resources when the District recognizes pension or other postemployment benefit expenses/expenditures. Deferred outflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The District has three items that qualify for reporting in this category, which are unavailable revenue from property taxes, deferred amounts related to pensions, and deferred amounts related to other postemployment benefits. Unavailable revenue from property taxes are deferred and recognized as inflows of resources in the period that the amounts become available. Unavailable revenue from property taxes is reported on the balance sheet. Deferred amounts related to pensions and other postemployment benefits are deferred and recognized as inflows of resources in the period when the District recognizes pension or other postemployment benefit income. Deferred inflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

7. Deferred Outflows and Inflows of Resources (Continued)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net other postemployment benefits (OPEB) retirement health insurance account (RHIA) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense information about the net position of OPERS, and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the implicit OPEB liability, the District has relied on actuarial reports. The net OPEB liability, deferred outflows of resources, and deferred inflows of resources are related to changes in assumptions for the covered active and inactive participants.

8. Fund Equity

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

8. Fund Equity (Continued)

- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balance has been granted to the board of directors.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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, debt service, and capital projects funds. All funds are budgeted on the cash basis of accounting.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 personnel services, materials and services, debt service, capital outlay, and contingency 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, the District adopted one supplemental budget. The District does not use encumbrances and appropriations lapse at year-end.

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

B. Classification of Appropriations

The District was in violation of Oregon Revised Statute (ORS) 294.388 regarding its budget resolution. The budget resolution misclassified debt service appropriations as materials and services appropriations in the General Obligation Bonded Debt Fund and the GO Bond 2016 Capital Projects Fund.

C. Excess of Expenditures over Appropriations

The District expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2018:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Personnel services	\$ 809,400	\$ 819,153	\$ 9,753
General	Capital outlay	171,927	207,337	35,410
General Obligation Bonded Debt	Debt service	349,495	349,851	356

D. Deficit Fund Equity

The General Obligation Bonded Debt Fund reported a deficit fund balance at June 30, 2018 of \$7,056 due to less tax funds received than initially estimated.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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. 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. 72, Fair Value Measurement and Application, 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, 2018, 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>\$ 825,410</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, 2018

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. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds an account at Citizens Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. In addition, the District holds an account at Oregon State Credit Union, for which deposits are insured by the National Credit Union Share Insurance Fund (NCUSIF) up to \$250,000. At June 30, 2018, the District had deposits of \$33,895 insured by the FDIC and \$10,004 insured by the NCUSIF.

Deposits

The District's deposits and investments at June 30, 2018 are as follows:

Petty cash	\$ 50
Checking and savings accounts	213,100
Total investments	<u>825,410</u>
Total deposits and investments	<u>\$ 1,038,560</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

A. Deposits and Investments (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 371,143
General Obligation Bonded Debt Fund (book overdraft)	(9,418)
Building Reserve Fund	207,573
GO Bond 2016 Capital Projects Fund	345,508
Nonmajor governmental funds	<u>123,754</u>
Total cash and investments	<u>\$ 1,038,560</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 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
Equipment on order	687,322	26,850	687,322	26,850
Construction in progress	<u>1,559,952</u>	<u>-</u>	<u>1,559,952</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,284,037</u>	<u>26,850</u>	<u>2,247,274</u>	<u>63,613</u>
Capital assets being depreciated				
Buildings	1,206,868	2,251,031	10,117	3,447,782
Vehicles	2,618,591	759,755	440,486	2,937,860
Equipment	<u>995,096</u>	<u>128,436</u>	<u>16,587</u>	<u>1,106,945</u>
Total capital assets being depreciated	<u>4,820,555</u>	<u>3,139,222</u>	<u>467,190</u>	<u>7,492,587</u>
Less accumulated depreciation for				
Buildings	(557,350)	(80,698)	(3,892)	(634,156)
Vehicles	(825,778)	(236,390)	(316,644)	(745,524)
Equipment	<u>(688,180)</u>	<u>(60,692)</u>	<u>(16,584)</u>	<u>(732,288)</u>
Total accumulated depreciation	<u>(2,071,308)</u>	<u>(377,780)</u>	<u>(337,120)</u>	<u>(2,111,968)</u>
Total capital assets being depreciated, net	<u>2,749,247</u>	<u>2,761,442</u>	<u>130,070</u>	<u>5,380,619</u>
Governmental activities capital assets, net	<u>\$ 5,033,284</u>	<u>\$ 2,788,292</u>	<u>\$ 2,377,344</u>	<u>\$ 5,444,232</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

B. Capital Assets (Continued)

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 36,763	\$ -	\$ 36,763
Equipment on order	26,850	-	26,850
Buildings	3,447,782	(634,156)	2,813,626
Vehicles	2,937,860	(745,524)	2,192,336
Equipment	1,106,945	(732,288)	374,657
Total capital assets	\$ 7,556,200	\$ (2,111,968)	\$ 5,444,232

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

Governmental activities	
Fire protection	\$ 377,780

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:
	Nonmajor
	Governmental
	Fund
	Vehicle
	Reserve
Transfers out:	
Governmental activities	
General Fund	\$ 11,889

The principal purpose of the interfund transfers into the Vehicle Reserve Fund was to fund emergent needs of the District in case of damage or loss. The goal of the District is to build up the reserve funds to be able to cushion any future significant events that are unforeseeable and potentially financially catastrophic.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

D. Compensated Absences

The following schedule summarizes the changes in compensated absences liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 30,879	\$ 22,757	\$ -	\$ 53,636

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

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Bonds							
General Obligation Bond, Series 2016	1.89%	\$ 2,000,000	\$ 1,840,000	\$ -	\$ 165,000	\$ 1,675,000	\$ 175,000
General Obligation Bond, Series 2017	2.21%	1,515,000	-	1,515,000	120,000	1,395,000	125,000
Capital lease							
Apparatus purchase	2.68%	655,000	655,000	-	323,170	331,830	331,830
Total long-term liabilities		\$ 4,170,000	\$ 2,495,000	\$ 1,515,000	\$ 608,170	\$ 3,401,830	\$ 631,830

2. General Obligation Bond, Series 2016

On October 31, 2016, the District closed on a general obligation bond agreement. The bond is a direct obligation that pledges the full faith and credit of the District and is payable from property tax proceeds. The proceeds of the bond have been used to make capital acquisitions. Interest is fixed at 1.89% and is due semiannually on December 15 and June 15. Principal is due annually on June 15. The General Obligation Bonded Debt Fund has been used to pay the principal and interest for the bond.

3. General Obligation Bond, Series 2017

On July 21, 2017, the District closed on a general obligation bond agreement. The bond is a direct obligation that pledges the full faith and credit of the District and is payable from property tax proceeds. The proceeds of the bond have been used to make capital acquisitions. Interest is fixed at 2.21% and is due semiannually on December 15 and June 15. Principal is due annually on June 15. The General Obligation Bonded Debt Fund has been used to pay the principal and interest for the bond.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

E. Long-Term Liabilities (Continued)

4. Future Maturities of Bonded Debt

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 300,000	\$ 62,488	\$ 362,488
2020	315,000	56,417	371,417
2021	330,000	50,048	380,048
2022	350,000	43,363	393,363
2023	370,000	36,284	406,284
2024-2027	<u>1,405,000</u>	<u>66,808</u>	<u>1,471,808</u>
	<u>\$ 3,070,000</u>	<u>\$ 315,408</u>	<u>\$ 3,385,408</u>

5. Capital Lease

The District entered into a lease agreement as lessee for financing the acquisition of a vehicle on February 6, 2017. The lease agreement qualifies as a capital lease for accounting purposes and has therefore been recorded at the present value of the future minimum lease payments as of the inception date.

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2018
Apparatus	2.68%	<u>\$ 331,830</u>

Leased capital assets and related accumulated amortization is as follows:

Governmental activities		
Vehicle		\$ 702,506
Less: accumulated amortization		<u>(35,125)</u>
Net value		<u>\$ 667,381</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

E. Long-Term Liabilities (Continued)

6. Future Minimum Capital Lease Commitments

For the Year Ended <u>June 30</u>	
2019	\$ 340,723
Less amounts representing interest for capital leases	<u>(8,893)</u>
Present value of minimum capital lease payments	<u>\$ 331,830</u>

F. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	<u>General Fund</u>	<u>General Obligation Bonded Debt Fund</u>	<u>Building Reserve Fund</u>	<u>GO Bond 2016 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:						
Nonspendable - prepaids	\$ 22,484	\$ -	\$ -	\$ -	\$ -	\$ 22,484
Committed to:						
Building improvements	-	-	207,573	345,508	-	553,081
Vehicle expenditures	-	-	-	-	65,572	65,572
Equipment expenditures	-	-	-	-	58,182	58,182
Unassigned	<u>347,562</u>	<u>(7,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,506</u>
Total fund balances	<u>\$ 370,046</u>	<u>\$ (7,056)</u>	<u>\$ 207,573</u>	<u>\$ 345,508</u>	<u>\$ 123,754</u>	<u>\$ 1,039,825</u>

IV. PENSION PLAN

A. Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

B. Benefits Provided

1. Tier One/Tier Two Retirement Benefit (ORS Chapter 238)

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job,
or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

1. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0%.

2. OPSRP Pension Program (Defined Benefit)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

2. OPSRP Pension Program (Defined Benefit) (Continued)

Disability Benefits

A member who has accrued 10 or more years of retirement credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

3. OPSRP Individual Account Program (IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives, in a lump sum, the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

C. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$68,567, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 21.20% for Tier One/Tier Two general service members, 21.20% for Tier One/Tier Two police and fire members, 10.20% for OPSRP Pension Program general service members, 14.97% for OPSRP Pension Program police and fire members, and 6% for OPSRP IAP.

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$255,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan, relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0019%, which decreased from its proportion of 0.0055% measured as of June 30, 2016.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2018, the District recognized pension expense (income) of \$78,127. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,340	\$ -
Changes of assumptions	46,513	-
Net difference between projected and actual earnings on investments	2,629	-
Changes in proportion	-	268,955
Differences between employer contributions and proportionate share of contributions	<u>22,250</u>	<u>13,003</u>
Total (prior to post measurement date contributions)	83,732	281,958
Contributions subsequent to the measurement date	<u>68,567</u>	<u>-</u>
Total	<u>\$ 152,299</u>	<u>\$ 281,958</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2019	\$ 17,292	\$ 68,911
2020	37,991	68,783
2021	27,363	67,111
2022	(843)	59,960
2023	1,929	17,193
	\$ 83,732	\$ 281,958

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2015 through June 30, 2017, and effective July 1, 2017 through June 30, 2019, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

E. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Long-Term Expected Rate of Return	7.50%
Discount Rate	7.50%
Projected Salary Increases	3.50%
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25% / 0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even-numbered years. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, the Public Employees Retirement System Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

The table below displays the OIC approved asset allocation policy for fiscal years beginning in 2014. The previous allocation was amended to reduce debt securities and public equity holdings and to increase private equity, real estate, and alternative equity holdings.

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00 %
Debt Securities	20.00 %
Public Equity	37.50 %
Private Equity	17.50 %
Real Estate	12.50 %
Alternative Equity	12.50 %
Opportunity Portfolio	<u>0.00</u> %
Total	<u>100.00</u> %

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return (Continued)

The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target allocation. The OIC’s description of each asset class was used to map the target asset allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment of the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compound Annual (Geometric) Return</u>
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00 %	3.61 %
Bank/Leveraged Loans	3.00 %	5.42 %
High Yield Bonds	1.00 %	6.20 %
Large/Mid Cap US Equities	15.75 %	6.70 %
Small Cap US Equities	1.31 %	6.99 %
Micro Cap US Equities	1.31 %	7.01 %
Developed Foreign Equities	13.13 %	6.73 %
Emerging Market Equities	4.12 %	7.25 %
Non-US Small Cap Equities	1.87 %	7.22 %
Private Equity	17.50 %	7.97 %
Real Estate (Property)	10.00 %	5.84 %
Real Estate (REITS)	2.50 %	6.69 %
Hedge Fund of Funds - Diversified	2.50 %	4.64 %
Hedge Fund - Event-driven	0.63 %	6.72 %
Timber	1.87 %	5.85 %
Farmland	1.88 %	6.37 %
Infrastructure	3.75 %	7.13 %
Commodities	<u>1.88 %</u>	4.58 %
 Total	 <u>100.00 %</u>	
 Assumed Inflation - Mean		 2.50 %

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

G. Depletion Date Projection

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation for sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the net position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

I. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 434,862	\$ 255,173	\$ 104,920

J. Pension Plan Net Position

Detailed information about the pension plan's net position is available in the separately issued OPERS financial report.

K. Changes in Plan Provisions Subsequent to Measurement Date

The Public Employees Retirement System board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017, effective January 1, 2018.

L. 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 Districts Association of Oregon. A volunteer who meets all of the requirements is entitled to participate under the plan. Participation is voluntary. The District contributes to the plan on behalf of the volunteer using the contribution formula, which is based on activity participation. 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 \$11,000 per year for the years ended June 30, 2016, 2017, and 2018.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Benefit Plans

The other postemployment benefits (OPEB) for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance continuation premiums, and a contribution to the State of Oregon's PERS cost-sharing, multiple-employer, defined health insurance benefit plan.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

B. Financial Statement Presentation

The amounts on the financial statements relate to the plans as follows:

	<u>Implicit Rate Subsidy Plan</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB</u>
Net OPEB asset	\$ -	\$ (1,341)	\$ (1,341)
Deferred outflows of resources			
Change in proportionate share	-	180	180
Contributions after measurement date	38	2,026	2,064
Total OPEB liability	19,079	-	19,079
Deferred inflows of resources			
Change in assumptions	(1,033)	-	(1,033)
Difference in earnings	-	(621)	(621)
OPEB expense	5,426	73	5,499
(Included in fire protection expense on statement of activities)			

C. Implicit Rate Subsidy

1. Plan Description

The District's healthcare plan is administered by Special Districts Insurance. The District has a health insurance continuation option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires that the District provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer plan is not a standalone plan and therefore does not issue its own financial statements.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Implicit Rate Subsidy (Continued)

2. Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Active employees	7	
Inactive employees or beneficiaries receiving benefits	-	-
Total	7	7

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources

The District's total OPEB liability of \$19,079 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the District recognized OPEB expense from this plan of \$5,426. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumption	\$ -	\$ 1,033
Contributions subsequent to the measurement date	38	-
Total	\$ 38	\$ 1,033

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Implicit Rate Subsidy (Continued)

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources (Continued)

Deferred outflows of resources related to OPEB of \$38 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Period Ending June 30	Deferred Inflows
2019	\$ 96
2020	96
2021	96
2022	96
2022	96
Thereafter	553
	\$ 1,033

4. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Salary Increases	3.50%
Healthy Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount Rate	3.58%
Healthcare Cost Trend Rate	Medical and vision: 7.50% per year, decreasing to 5.0% Dental: 4.50% per year

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Implicit Rate Subsidy (Continued)

4. Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

5. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	\$ 14,648
Changes for the year:	
Service cost	5,011
Interest on total OPEB liability	560
Effect of assumption changes or inputs	(1,129)
Benefit payments	(11)
Balance as of June 30, 2018	\$ 19,079

Changes in assumptions is the result of the change in the discount rate from 2.85% to 3.58%.

6. Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	Discount Rate		
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 20,445	\$ 19,079	\$ 17,768

	Healthcare Cost Trend		
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 17,111	\$ 19,079	\$ 21,306

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

D. PERS Retirement Health Insurance Account (RHIA)

1. Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. 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 hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

2. Benefits Provided

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 RHIA 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.

3. Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The Entity's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The District's total contributions for the year ended June 30, 2018 amounted to \$2,026.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

D. PERS Retirement Health Insurance Account (RHIA) (Continued)

4. OPEB Assets, Liabilities, and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported an asset of \$1,341 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the District's proportionate share was 0.0032%, which is an increase from its proportion of 0.0023% as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense from this plan of \$73. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings	\$ -	\$ 621
Changes of proportionate share	180	-
Contributions subsequent to the measurement date	2,026	-
Total	\$ 2,206	\$ 621

Deferred outflows of resources related to OPEB of \$2,026 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2019	\$ 66	\$ 155
2020	66	155
2021	48	155
2022	-	156
	\$ 180	\$ 621

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

D. PERS Retirement Health Insurance Account (RHIA) (Continued)

5. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Healthcare cost trend rate Ranging from 6.3% in 2016 to 4.4% in 2094

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS pension plan. See Notes IV-E, IV-F, and IV-H for additional information on actuarial assumptions and methods, the long-term expected rate of return, and the discount rate.

6. Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability (asset)	\$ 187	\$ (1,341)	\$ (2,641)

7. OPEB Plan Fiduciary Net Position

Detailed information about the other postemployment benefit plan's fiduciary net position is available in the separately issued OPERS financial report.

8. Changes in Plan Provisions Subsequent to Measurement Date

The Public Employees Retirement System Board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

VI. 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

VI. OTHER INFORMATION (Continued)

B. Restatement

In implementing GASB Statement No. 75, the District has restated beginning net position in order to recognize the correct total OPEB liability for the District's implicit rate subsidy and RHIA plans. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2016 measurement date.

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 2,827,677
Cumulative effect of change in accounting principle	<u>(12,680)</u>
Net position - beginning, as restated	<u>\$ 2,814,997</u>

C. Tax Abatements

During the year, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The District did not have tax abatements for the year ended June 30, 2018.

D. New Pronouncements

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its fiscal year ending June 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the District beginning with its fiscal year ending June 30, 2019. The objective of this statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its fiscal year ending June 30, 2020. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

VI. OTHER INFORMATION (Continued)

D. New Pronouncements (Continued)

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting of leases by governments.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to simplify accounting for interest cost incurred before the end of a construction period, and enhance the relevance and comparability of capital asset information.

E. Subsequent Events

Management has evaluated subsequent events through December 14, 2018, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00189297%	\$ 255,173	\$ 400,118	63.77%	83.10%
2017	0.00553175%	830,444	412,685	201.23%	80.50%
2016	0.00597939%	343,304	410,742	83.58%	91.90%
2015	0.00640733%	(145,236)	400,581	(36.26)%	103.60%
2014	0.00640733%	326,975	420,128	77.83%	91.97%

Changes in Benefit Terms

The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation to 2.50%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 68,567	\$ 68,567	-	\$ 544,473	12.59%
2017	45,936	45,936	-	400,118	11.48%
2016	36,570	36,570	-	412,685	8.86%
2015	61,809	61,809	-	410,742	15.05%
2014	57,344	57,344	-	400,581	14.32%

Changes in Benefit Terms

The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation to 2.50%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

<u>RHIA</u>	<u>2018</u>	<u>2017</u>
Proportion of the OPEB pension liability (asset)	0.00321430%	0.00230988%
Proportionate share of the net OPEB liability (asset)	\$ (1,341)	\$ 627
Covered payroll	\$ 400,118	\$ 412,685
Proportionate share of the OPEB liability (asset) as a percentage of covered employee payroll	-0.34%	0.15%
Plan net position as a percentage of the total OPEB liability	108.9%	94.2%

Changes of Assumptions

There were a number of changes in the demographic and economic actuarial assumptions. Some of these assumption changes have significantly affected the liability of the plan but in an offsetting manner. Key items to note regarding actuarial assumptions include:

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- Assumed healthcare reform excise tax increased from the prior projection to reflect recent plan experience and up-to-date legislation. The increase in assumed excise tax has the effect of increasing the liability.
- Where applicable, demographic assumptions are based on the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2016. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 40% to 45% to better reflect actual experience and anticipated future experience.

No assets have been accumulated in a trust to pay for the related benefits.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF CONTRIBUTIONS

OTHER POSTEMPLOYMENT BENEFITS

<u>RHIA</u>	2018	2017
Contractually required contributions	\$ 2,026	\$ 1,509
Contributions in relation to the contractually required contribution	2,026	1,509
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 544,473	\$ 400,118
Contributions as a percentage of covered employee payroll	0.37%	0.38%

Changes of Assumptions

There were a number of changes in the demographic and economic actuarial assumptions. Some of these assumption changes have significantly affected the liability of the plan but in an offsetting manner. Key items to note regarding actuarial assumptions include:

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- Assumed healthcare reform excise tax increased from the prior projection to reflect recent plan experience and up-to-date legislation. The increase in assumed excise tax has the effect of increasing the liability.
- Where applicable, demographic assumptions are based on the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2016. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 40% to 45% to better reflect actual experience and anticipated future experience.

No assets have been accumulated in a trust to pay for the related benefits.

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PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

<u>Implicit Rate Subsidy</u>	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 5,011
Interest	560
Changes of assumptions	(1,129)
Benefit payments	<u>(11)</u>
Net change in total OPEB liability	4,431
Total OPEB liability - beginning	<u>14,648</u>
Total OPEB liability - ending	<u>\$ 19,079</u>
Covered employee payroll	\$ 563,708
Total OPEB liability as a percentage of covered employee payroll	3.38%

Changes of Assumptions

There were a number of changes in the demographic and economic actuarial assumptions. Some of these assumption changes have significantly affected the liability of the plan but in an offsetting manner. Key items to note regarding actuarial assumptions include:

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- Assumed healthcare reform excise tax increased from the prior projection to reflect recent plan experience and up-to-date legislation. The increase in assumed excise tax has the effect of increasing the liability.
- Where applicable, demographic assumptions are based on the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2016. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 40% to 45% to better reflect actual experience and anticipated future experience.

No assets have been accumulated in a trust to pay for the related benefits.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

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, 2018

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Property taxes	\$ 1,036,716	\$ 1,098,500	\$ 44,287
Grants	76,562	132,372	(21,107)
Investment earnings	4,000	4,000	11,442
Public education	17,000	17,000	(14,415)
Miscellaneous	3,000	157,283	6,811
Total revenues	1,137,278	1,409,155	27,018
EXPENDITURES			
Current			
Personnel services	670,100	809,400	9,753
Materials and services	492,439	492,439	(48,737)
Capital outlay	39,350	171,927	35,410
Total expenditures	1,201,889	1,473,766	(3,574)
Excess (deficiency) of revenues over (under) expenditures	(64,611)	(64,611)	30,592
OTHER FINANCING SOURCES (USES)			
Proceeds on sale of assets	30,000	30,000	1,000
Transfers out	(11,889)	(11,889)	-
Net change in fund balance	(46,500)	(46,500)	31,592
Fund balance - beginning	346,500	346,500	(4,319)
Fund balance - ending	\$ 300,000	\$ 300,000	\$ 27,273

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 1,142,787	\$ (1,982)	\$ 1,140,805
111,265	-	111,265
15,442	-	15,442
2,585	-	2,585
<u>164,094</u>	<u>-</u>	<u>164,094</u>
<u>1,436,173</u>	<u>(1,982)</u>	<u>1,434,191</u>
819,153	7,328	826,481
443,702	-	443,702
<u>207,337</u>	<u>-</u>	<u>207,337</u>
<u>1,470,192</u>	<u>7,328</u>	<u>1,477,520</u>
(34,019)	(9,310)	(43,329)
31,000	-	31,000
<u>(11,889)</u>	<u>-</u>	<u>(11,889)</u>
(14,908)	(9,310)	(24,218)
<u>342,181</u>	<u>52,083</u>	<u>394,264</u>
<u>\$ 327,273</u>	<u>\$ 42,773</u>	<u>\$ 370,046</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	Capital Projects Funds		Total
	Vehicle Reserve	Equipment Reserve	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ <u>65,572</u>	\$ <u>58,182</u>	\$ <u>123,754</u>
LIABILITIES AND FUND BALANCES			
Liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund balances			
Committed to:			
Vehicle expenditures	65,572	-	65,572
Equipment expenditures	<u>-</u>	<u>58,182</u>	<u>58,182</u>
Total fund balances	<u>65,572</u>	<u>58,182</u>	<u>123,754</u>
Total liabilities and fund balances	<u>\$ 65,572</u>	<u>\$ 58,182</u>	<u>\$ 123,754</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	Capital Projects Funds		Total
	Vehicle Reserve	Equipment Reserve	Nonmajor Governmental Funds
REVENUES			
Investment earnings	\$ 1,395	\$ 1,362	\$ 2,757
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,395	1,362	2,757
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>11,889</u>	-	<u>11,889</u>
Net change in fund balances	13,284	1,362	14,646
Fund balances - beginning	<u>52,288</u>	<u>56,820</u>	<u>109,108</u>
Fund balances - ending	<u>\$ 65,572</u>	<u>\$ 58,182</u>	<u>\$ 123,754</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

GENERAL OBLIGATION BONDED DEBT FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 371,445	\$ (36,196)	\$ 335,249	\$ -	\$ 335,249
EXPENDITURES					
Debt service	<u>349,495</u>	<u>356</u>	<u>349,851</u>	<u>-</u>	<u>349,851</u>
Excess (deficiency) of revenues over (under) expenditures	21,950	(36,552)	(14,602)	-	(14,602)
Fund balance - beginning	<u>2,515</u>	<u>4,517</u>	<u>7,032</u>	<u>514</u>	<u>7,546</u>
Fund balance (deficit) - ending	<u>\$ 24,465</u>	<u>\$ (32,035)</u>	<u>\$ (7,570)</u>	<u>\$ 514</u>	<u>\$ (7,056)</u>

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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		GAAP Basis
	<u>Budget</u>	<u>Over (Under)</u>	<u>Budget Basis</u>	<u>Adjustments</u>	<u>Basis</u>
REVENUES					
Investment earnings	\$ 1,000	\$ 3,859	\$ 4,859	\$ -	\$ 4,859
EXPENDITURES					
	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,000	3,859	4,859	-	4,859
Fund balance - beginning	<u>202,714</u>	<u>-</u>	<u>202,714</u>	<u>-</u>	<u>202,714</u>
Fund balance - ending	<u>\$ 203,714</u>	<u>\$ 3,859</u>	<u>\$ 207,573</u>	<u>\$ -</u>	<u>\$ 207,573</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

GO BOND 2016 CAPITAL PROJECTS FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Investment earnings	\$ -	\$ 4,051	\$ 4,051	\$ -	\$ 4,051
EXPENDITURES					
Debt service	340,724	-	340,724	-	340,724
Capital outlay	<u>832,915</u>	<u>(96)</u>	<u>832,819</u>	<u>-</u>	<u>832,819</u>
Total expenditures	<u>1,173,639</u>	<u>(96)</u>	<u>1,173,543</u>	<u>-</u>	<u>1,173,543</u>
Excess (deficiency) of revenues over (under) expenditures	(1,173,639)	4,147	(1,169,492)	-	(1,169,492)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	<u>1,515,000</u>	<u>-</u>	<u>1,515,000</u>	<u>-</u>	<u>1,515,000</u>
Net change in fund balances	341,361	4,147	345,508	-	345,508
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 341,361</u>	<u>\$ 4,147</u>	<u>\$ 345,508</u>	<u>\$ -</u>	<u>\$ 345,508</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		GAAP Basis
	<u>Budget</u>	<u>Over (Under)</u>	Budget Basis	Adjustments	<u>Basis</u>
REVENUES					
Investment earnings	\$ 70	\$ 1,325	\$ 1,395	\$ -	\$ 1,395
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	70	1,325	1,395	-	1,395
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>11,889</u>	<u>-</u>	<u>11,889</u>	<u>-</u>	<u>11,889</u>
Net change in fund balance	11,959	1,325	13,284	-	13,284
Fund balance - beginning	<u>52,288</u>	<u>-</u>	<u>52,288</u>	<u>-</u>	<u>52,288</u>
Fund balance - ending	<u>\$ 64,247</u>	<u>\$ 1,325</u>	<u>\$ 65,572</u>	<u>\$ -</u>	<u>\$ 65,572</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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Investment earnings	\$ 200	\$ 1,162	\$ 1,362	\$ -	\$ 1,362
EXPENDITURES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	200	1,162	1,362	-	1,362
Fund balance - beginning	<u>56,820</u>	<u>-</u>	<u>56,820</u>	<u>-</u>	<u>56,820</u>
Fund balance - ending	<u>\$ 57,020</u>	<u>\$ 1,162</u>	<u>\$ 58,182</u>	<u>\$ -</u>	<u>\$ 58,182</u>

OTHER FINANCIAL SCHEDULES

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2018

Tax Year	Taxes Receivable July 1, 2017	2018-2017 Levy	Adjustments and Discounts	Collections	Taxes Receivable June 30, 2018
2018-2017	\$ -	\$ 1,501,048	\$ (48,725)	\$ 1,432,082	\$ 20,241
2017-2016	27,688	-	(6,291)	8,837	12,560
2016-2015	17,498	-	(4,193)	2,657	10,648
2015-2014	14,653	-	(1,345)	2,056	11,252
2014-2013	10,513	-	(734)	949	8,830
2013-2012	5,457	-	(368)	92	4,997
2012-2011	4,579	-	(430)	(33)	4,182
Prior	496	-	(118)	46	332
Subtotal - Prior	80,884	-	(13,479)	14,604	52,801
Total	\$ 80,884	\$ 1,501,048	\$ (62,204)	1,446,686	\$ 73,042
Add:					
Other taxes and interest				31,350	
Undistributed taxes with county, July 1, 2017				-	
Total available for distribution				1,478,036	
Less: Turnovers to District				(1,478,036)	
Undistributed taxes with county, June 30, 2018				\$ -	

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

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, 2018, and have issued our report thereon dated December 14, 2018. 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:

Accounting records

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

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)

Accountability for collecting or receiving money by elected officials

In connection with our testing, 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, except as follows:

1. The District was in violation of Oregon Revised Statute (ORS) 294.388 regarding its budget resolution. The budget resolution misclassified debt service appropriations as materials and services appropriations in the General Obligation Bonded Debt Fund and the GO Bond 2016 Capital Projects Fund.
2. The District expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2018:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Personnel services	\$ 809,400	\$ 819,153	\$ 9,753
General	Capital outlay	171,927	207,337	35,410
General Obligation Bonded Debt	Debt service	349,495	349,851	356

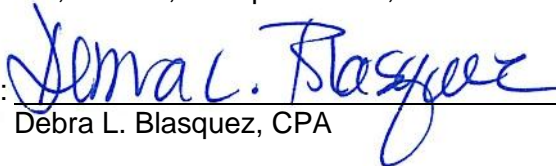
The District does not have any elected officials collecting or receiving money.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Philomath Fire and Rescue’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Philomath Fire and Rescue’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Philomath Fire and Rescue’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 14, 2018.

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, Blasquez & Co., P.C.

By: 
 Debra L. Blasquez, CPA

Albany, Oregon
 December 14, 2018