

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



PHILOMATH FIRE AND RESCUE
Benton County, Oregon

DISTRICT OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

Ruth Jacobs, Chair
7115 SW Deerhaven Drive
Corvallis, Oregon 97333

Joe Brier, Vice Chair
35543 Summers Lane
Philomath, Oregon 97370

Tom Ries
3233 Chapel Drive
Corvallis, Oregon 97333

Rick Brand
3000 Southwood Drive
Philomath, Oregon 97370

Kevin Sullivan
232 N. 18th Street
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

TABLE OF CONTENTS

June 30, 2016

Page
Number

INTRODUCTORY SECTION

Title Page
District Officials
Table of Contents

FINANCIAL SECTION

Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Basic Financial Statements	15-39
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability	40
Schedule of Contributions	41
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	42
Other Supplementary Information – Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Building Reserve Fund	45
Vehicle Reserve Fund	46
Equipment Reserve Fund	47

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions	48
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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor’s Report Required by Oregon State Regulations	49-50
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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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information on pages 4 through 8, 40, 41, and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions 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, or schedule of contributions 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 5, 2016 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 5, 2016

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, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Philomath Fire and Rescue amounted to \$2,287,109. Of this amount, \$1,940,250 was invested in capital assets and the remaining balance of \$346,859 was unrestricted.
- The District's total net position decreased by \$233,693 during the current fiscal year.
- Overall expenditures were \$1,384,382, which exceeded total revenues of \$1,150,689 by \$233,693.

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 9 through 10 of this report.

PHILOMATH FIRE AND RESCUE

Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

The District maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Building Reserve Funds, both 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 11 through 14 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 15 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information for the General Fund. This required supplementary information can be found on pages 40 through 42 of this report.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 43 through 47 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, 2016, the District's assets exceeded liabilities by \$2,287,109.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

District's Net Position

The District's net position decreased by \$233,693 during the current fiscal year. The decrease is related to depreciation and deferred pension expenses.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets and deferred outflows of resources		
Current assets	\$ 758,959	\$ 658,071
Net capital assets	1,940,250	1,968,371
Net pension asset	-	145,236
Deferred outflows of resources	<u>55,083</u>	<u>61,809</u>
Total assets and deferred outflows of resources	<u>2,754,292</u>	<u>2,833,487</u>
Liabilities and deferred inflows of resources		
Current liabilities	24,576	7,140
Noncurrent liabilities	358,646	23,812
Deferred inflows of resources	<u>83,961</u>	<u>281,733</u>
Total liabilities and deferred inflows of resources	<u>467,183</u>	<u>312,685</u>
Net position		
Investment in capital assets	1,940,250	1,968,371
Unrestricted	<u>346,859</u>	<u>552,431</u>
Total net position	<u>\$ 2,287,109</u>	<u>\$ 2,520,802</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

District's Changes in Net Position

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

Changes in Net Position

	Governmental Activities	
	2016	2015
Program revenues		
Operating grants and contributions	\$ 120,699	\$ 53,852
General revenues		
Property taxes	978,811	971,215
Investment earnings	6,336	5,644
Miscellaneous	44,843	30,412
Total general revenues	1,029,990	1,007,271
Total revenues	1,150,689	1,061,123
Program expenses		
Fire protection	1,384,382	926,133
Change in net position	(233,693)	134,990
Net position - beginning of year	2,520,802	2,385,812
Net position - end of year	\$ 2,287,109	\$ 2,520,802

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 governmental funds reported combined fund balances of \$670,391, an increase of \$101,061 over the prior year.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$447,522, an increase of \$100,029 over the prior year. Of this amount, \$410,994 represents unassigned fund balance, which is available for spending at the District's discretion.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2016 amounted to \$1,940,250, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The total depreciation expense related to the District's investment in capital assets during the current fiscal year was \$146,353.

Additional information on the District's capital assets can be found in Note III-B on pages 24 through 25 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- Recent personnel changes will have an impact on the budget. Due to turnover, the District's personnel costs are projected to be lower than originally budgeted, due to less seniority on the wage schedule and a dramatic decrease in the number of family and married coverage for insurance.
- A \$3,500,000, 10-year bond was passed, the proceeds from which will be used for apparatus replacement, facility improvements, and equipment purchases.

These factors were considered in preparing the District's budget for the 2016-2017 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

June 30, 2016

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 620,522
Accounts receivable	790
Property taxes receivable	70,266
Grants receivable	30,853
Prepaid expenses	<u>36,528</u>
Total current assets	<u>758,959</u>
Capital assets	
Land and construction in progress	138,904
Capital assets, net of accumulated depreciation	<u>1,801,346</u>
Total capital assets	<u>1,940,250</u>
Total assets	2,699,209
Deferred outflows of resources	
Net deferred outflow of pension related resources	<u>55,083</u>
Total assets and deferred outflows of resources	<u>2,754,292</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	7,768
Accrued payroll liabilities	<u>16,808</u>
Total current liabilities	<u>24,576</u>
Noncurrent liabilities	
Compensated absences	15,342
Net pension liability	<u>343,304</u>
Total noncurrent liabilities	<u>358,646</u>
Total liabilities	383,222
Deferred inflows of resources	
Net deferred inflow of pension related resources	<u>83,961</u>
Total liabilities and deferred inflows of resources	<u>467,183</u>
NET POSITION	
Investment in capital assets	1,940,250
Unrestricted	<u>346,859</u>
Total net position	<u>\$ 2,287,109</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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Fire protection	<u>\$ 1,384,382</u>	<u>\$ -</u>	<u>\$ 120,699</u>	<u>\$ -</u>
General revenues				
Property taxes				978,811
Investment earnings				6,336
Miscellaneous				<u>44,843</u>
Total general revenues				<u>1,029,990</u>
Change in net position				(233,693)
Net position - beginning				<u>2,520,802</u>
Net position - ending				<u>\$ 2,287,109</u>

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Building Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 397,653	\$ 176,439	\$ 46,430	\$ 620,522
Accounts receivable	790	-	-	790
Property taxes receivable	70,266	-	-	70,266
Grants receivable	30,853	-	-	30,853
Prepaid expenses	36,528	-	-	36,528
 Total assets	 \$ 536,090	 \$ 176,439	 \$ 46,430	 \$ 758,959
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,768	\$ -	\$ -	\$ 7,768
Accrued payroll liabilities	16,808	-	-	16,808
 Total liabilities	 24,576	 -	 -	 24,576
 Deferred inflows of resources				
Unavailable revenue - property taxes	63,992	-	-	63,992
 Fund balances				
Nonspendable	36,528	-	-	36,528
Committed	-	176,439	46,430	222,869
Unassigned	410,994	-	-	410,994
 Total fund balances	 447,522	 176,439	 46,430	 670,391
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 536,090	 \$ 176,439	 \$ 46,430	 \$ 758,959

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

June 30, 2016

Total fund balances		\$ 670,391
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	4,168,846	
Accumulated depreciation	<u>(2,228,596)</u>	1,940,250
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.		63,992
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences payable		(15,342)
Net pension assets and liabilities are not financial resources and are therefore not reported in the governmental funds.		(343,304)
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		55,083
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		<u>(83,961)</u>
Net position of governmental activities		\$ <u>2,287,109</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, 2016

	General Fund	Building Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 996,420	\$ -	\$ -	\$ 996,420
Grants	120,699	-	-	120,699
Investment earnings	5,304	817	215	6,336
Miscellaneous	44,843	-	-	44,843
Total revenues	1,167,266	817	215	1,168,298
EXPENDITURES				
Current				
Personnel services	588,063	-	-	588,063
Materials and services	462,484	-	-	462,484
Capital outlay	16,690	-	-	16,690
Total expenditures	1,067,237	-	-	1,067,237
Excess (deficiency) of revenues over (under) expenditures	100,029	817	215	101,061
Fund balances - beginning	347,493	175,622	46,215	569,330
Fund balances - ending	\$ 447,522	\$ 176,439	\$ 46,430	\$ 670,391

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

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, 2016

Net change in fund balances		\$ 101,061
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Expenditures for capital assets	118,232	
Less current year depreciation	(146,353)	
Disposal of capital assets	5,100	
Less related accumulated depreciation	(5,100)	(28,121)
<p>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.</p>		
		(17,609)
<p>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:</p>		
Compensated absences payable		8,470
<p>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.</p>		
		(297,494)
Change in net position		<u>\$ (233,693)</u>

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, 2016

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, 2016

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, 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.

Capital Projects Fund

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

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.

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

3. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The District has elected to prepay two operating leases related to a construction modular. The value of this prepayment is \$6,730 and is scheduled to end June 30, 2017.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets

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

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.

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

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

5. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net 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.

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

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 one item that qualifies for reporting in this category, which is deferred amounts related to pensions. These amounts are deferred and recognized as outflows of resources when the District recognizes pension expenses/expenditures. Deferred outflows of amounts related to pensions 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 two items that qualify for reporting in this category, which are unavailable revenue from property taxes and deferred amounts related to pensions. Unavailable revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amount becomes available. Unavailable revenue from property taxes is reported in the balance sheet. Deferred amounts related to pensions are deferred and recognized as inflows of resources in the period when the District recognizes pension income. Deferred inflows of amounts related to pensions are included in the government-wide statement of net position.

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.

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity (Continued)

- 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.
- 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 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, 2016

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, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

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

B. Noncompliance with Oregon Budget Law

The District was in violation of Oregon Revised Statute (ORS) 294.11 regarding its budget resolution. The budget resolution was missing the Debt Service Fund appropriations and the General Fund individual appropriations were either missing or did not correctly match the General Fund appropriation total. In addition, the budget resolution and budget document did not agree.

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

A. Deposits and Investments (Continued)

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

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

Credit Risk

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

Investments

As of June 30, 2016, the District had the following investments:

	<u>Credit Quality</u> <u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 520,270</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.

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

A. Deposits and Investments (Continued)

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 Administration (NCUA) up to \$250,000. At June 30, 2016, the District's total deposits of \$121,333 were fully insured by the FDIC and NCUA.

Deposits

The District's deposits and investments at June 30, 2016 are as follows:

Petty cash	\$ 50
Checking and savings accounts	100,202
Total investments	<u>520,270</u>
Total deposits and investments	<u>\$ 620,522</u>

Cash and investments by fund:

Governmental activities	
General Fund	\$ 397,653
Building Reserve Fund	176,439
Nonmajor governmental funds	<u>46,430</u>
Total cash and investments	<u>\$ 620,522</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 36,763	\$ -	\$ -	\$ 36,763
Construction in progress	<u>-</u>	<u>102,141</u>	<u>-</u>	<u>102,141</u>
Total capital assets not being depreciated	<u>36,763</u>	<u>102,141</u>	<u>-</u>	<u>138,904</u>
Capital assets being depreciated				
Buildings	1,200,572	6,296	-	1,206,868
Vehicles	1,937,281	-	-	1,937,281
Equipment	<u>881,098</u>	<u>9,795</u>	<u>5,100</u>	<u>885,793</u>
Total capital assets being depreciated	<u>4,018,951</u>	<u>16,091</u>	<u>5,100</u>	<u>4,029,942</u>
Less accumulated depreciation for				
Buildings	(502,541)	(27,212)	-	(529,753)
Vehicles	(942,120)	(76,520)	-	(1,018,640)
Equipment	<u>(642,682)</u>	<u>(42,621)</u>	<u>(5,100)</u>	<u>(680,203)</u>
Total accumulated depreciation	<u>(2,087,343)</u>	<u>(146,353)</u>	<u>(5,100)</u>	<u>(2,228,596)</u>
Total capital assets being depreciated, net	<u>1,931,608</u>	<u>(130,262)</u>	<u>-</u>	<u>1,801,346</u>
Governmental activities capital assets, net	<u>\$ 1,968,371</u>	<u>\$ (28,121)</u>	<u>\$ -</u>	<u>\$ 1,940,250</u>

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
Construction in progress	102,141	-	102,141
Buildings	1,206,868	(529,753)	677,115
Vehicles	1,937,281	(1,018,640)	918,641
Equipment	<u>885,793</u>	<u>(680,203)</u>	<u>205,590</u>
Total capital assets	<u>\$ 4,168,846</u>	<u>\$ (2,228,596)</u>	<u>\$ 1,940,250</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

B. Capital Assets (Continued)

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

Governmental activities	
Fire protection	<u>\$ 146,353</u>

C. Operating Leases

The District leases an office modular and related equipment under non-cancelable operating leases. For the year ended June 30, 2016, lease payment amounts and related setup costs totaled \$1,229. The District has elected to prepay the leases and has no future minimum payments.

The District has the option to extend the two leases on a month-to-month basis starting June 20, 2017 and July 1, 2017 for monthly payments of \$390 and \$205, respectively.

D. Compensated Absences

The following schedule summarizes the changes in compensated absences liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Compensated absences	<u>\$ 23,812</u>	<u>\$ -</u>	<u>\$ 8,470</u>	<u>\$ 15,342</u>

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

E. Constraints on Fund Balances

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

	<u>General Fund</u>	<u>Building Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable	\$ 36,528	\$ -	\$ -	\$ 36,528
Committed to:				
Building improvements	-	176,439	-	176,439
Vehicle expenditures	-	-	9,874	9,874
Equipment expenditures	-	-	36,556	36,556
Unassigned	<u>410,994</u>	<u>-</u>	<u>-</u>	<u>410,994</u>
Total fund balances	<u>\$ 447,522</u>	<u>\$ 176,439</u>	<u>\$ 46,430</u>	<u>\$ 670,391</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION

A. Risk Management

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

B. Pension Plan

1. 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/section/financial_reports/financials.aspx.

2. Benefits Provided

a. 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 60. 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

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

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 (including PERS judge members) 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.

Benefit Changes after Retirement

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). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

b. 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.

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

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

Benefit Changes after Retirement

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

c. 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, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

3. 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, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$36,570, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 19.03% for Tier One/Tier Two general service members, 19.03% for Tier One/Tier Two police and fire members, 9.54% for OPSRP Pension Program general service members, 13.65% for OPSRP Pension Program police and fire members, and 6% for OPSRP IAP.

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

At June 30, 2016, the District reported a liability of \$343,304 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.0060%, which decreased from its proportion of 0.0064% measured as of June 30, 2014.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

C. 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, 2016, the District recognized pension expense (income) of \$297,494. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,513	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	71,964
Changes in proportion	-	7,347
Differences between employer contributions and proportionate share of contributions	-	4,650
Total (prior to post measurement date contributions)	18,513	83,961
Contributions subsequent to the measurement date	36,570	-
Total	\$ 55,083	\$ 83,961

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
2017	\$ 40,778	\$ 37,122
2018	4,208	37,122
2019	4,208	37,122
2020	4,208	(28,390)
2021	1,681	985
	\$ 55,083	\$ 83,961

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions

The employer contribution rates effective July 1, 2013 through June 30, 2015, and effective July 1, 2015 through June 30, 2017, 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), (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), (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.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75%
Long-Term Expected Rate of Return	7.75%
Discount Rate	7.75%
Projected Salary Increases	3.75% overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions (Continued)

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.

E. 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 2013, 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 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 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/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	32.50 %	42.50 %	37.50 %
Private Equity	16.00 %	24.00 %	20.00 %
Real Estate	9.50 %	15.50 %	12.50 %
Alternative Equity	0.00 %	10.00 %	10.00 %
Opportunity Portfolio	0.00 %	3.00 %	<u>0.00 %</u>
Total			<u>100.00 %</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00 %	3.70 %
Intermediate-Term Bonds	3.00 %	4.10 %
High Yield Bonds	1.80 %	6.66 %
Large Cap US Equities	11.65 %	7.20 %
Mid Cap US Equities	3.88 %	7.30 %
Small Cap US Equities	2.27 %	7.45 %
Developed Foreign Equities	14.21 %	6.90 %
Emerging Foreign Equities	5.49 %	7.40 %
Private Equities	20.00 %	8.26 %
Opportunity Funds / Absolute Return	5.00 %	6.01 %
Real Estate (Property)	13.75 %	6.51 %
Real Estate (REITS)	2.50 %	6.76 %
Commodities	<u>1.25 %</u>	6.07 %
 Total	 <u>100.00 %</u>	
 Assumed Inflation - Mean		 2.75 %

F. 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 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

F. Depletion Date Projection (Continued)

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

- PERS 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 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.

G. Discount Rate

The discount rate used to measure the total pension liability was 7.75% 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.

H. 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 7.75%, 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 (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 828,552	\$ 343,304	\$ (65,632)

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

I. Pension Plan Net Position

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

J. Changes in Plan Provisions During the Measurement Period

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was reflected in the current valuation.

K. Changes in Plan Provision Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

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 \$10,000 per year for the years ended June 30, 2014, 2015, and 2016.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

M. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

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

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.59% of covered payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The District's contributions to RHIA for the years ended June 30, 2014, 2015, and 2016 were \$2,509, \$2,182, and \$1,181, respectively, which equaled the required contributions each year.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

N. 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves the usefulness of information about postemployment benefits other than pensions (OPEB) reported in state and local governments' financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement amends the scope and applicability of GASB Statement No. 68 and establishes requirements for recognition and measurement of pension expenses, expenditures, liabilities, note disclosures, and required supplementary information.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement Nos. 67, 68, and 73*, will be effective for the District beginning with its fiscal year ending June 30, 2017. The requirements of this statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

O. Contingent Liability

The flooring of the fire station owned by Philomath Fire and Rescue was determined to contain asbestos. The District did not complete an environmental assessment of the impact, but did report the site to the Department of Environmental Quality. The floor was remediated during the year ended June 30, 2016 as part of the seismic retrofit work being performed.

P. Subsequent Events

Management has evaluated subsequent events through December 5, 2016, 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 position liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
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

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was reflected in the current valuation, but not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ended June 30, 2015 and 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercer_reports.aspx

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
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

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

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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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Property taxes	\$ 972,704	\$ 22,834	\$ 995,538	\$ 882	\$ 996,420
Grants	1,000,604	(879,905)	120,699	-	120,699
Investment earnings	4,250	1,054	5,304	-	5,304
Miscellaneous	<u>13,000</u>	<u>31,844</u>	<u>44,844</u>	<u>(1)</u>	<u>44,843</u>
Total revenues	<u>1,990,558</u>	<u>(824,173)</u>	<u>1,166,385</u>	<u>881</u>	<u>1,167,266</u>
EXPENDITURES					
Current					
Personnel services	748,732	(162,799)	585,933	2,130	588,063
Materials and services	1,080,784	(602,991)	477,793	(15,309)	462,484
Capital outlay	226,420	(209,730)	16,690	-	16,690
Contingency	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,070,936</u>	<u>(990,520)</u>	<u>1,080,416</u>	<u>(13,179)</u>	<u>1,067,237</u>
Excess (deficiency) of revenues over (under) expenditures	(80,378)	166,347	85,969	14,060	100,029
Fund balance - beginning	<u>330,378</u>	<u>(30,216)</u>	<u>300,162</u>	<u>47,331</u>	<u>347,493</u>
Fund balance - ending	<u>\$ 250,000</u>	<u>\$ 136,131</u>	<u>\$ 386,131</u>	<u>\$ 61,391</u>	<u>\$ 447,522</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Capital Projects Funds		Total
	Vehicle Reserve Fund	Equipment Reserve Fund	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,874	\$ 36,556	\$ 46,430
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund balances			
Committed to:			
Vehicle expenditures	9,874	-	9,874
Equipment expenditures	-	36,556	36,556
Total fund balances	9,874	36,556	46,430
Total liabilities and fund balances	\$ 9,874	\$ 36,556	\$ 46,430

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, 2016

	Capital Projects Funds		Total
	Vehicle Reserve Fund	Equipment Reserve Fund	Nonmajor Governmental Funds
REVENUES			
Investment earnings	\$ 46	\$ 169	\$ 215
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	46	169	215
Fund balances - beginning	9,828	36,387	46,215
Fund balances - ending	\$ 9,874	\$ 36,556	\$ 46,430

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, 2016

	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	\$ 936	\$ (119)	\$ 817	\$ -	\$ 817
EXPENDITURES					
Capital outlay	<u>176,705</u>	<u>(176,705)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(175,769)	176,586	817	-	817
Fund balance - beginning	<u>175,769</u>	<u>(147)</u>	<u>175,622</u>	-	<u>175,622</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 176,439</u>	<u>\$ 176,439</u>	<u>\$ -</u>	<u>\$ 176,439</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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		<u>GAAP</u> <u>Basis</u>
	<u>Budget</u>	<u>Over (Under)</u>	<u>Budget</u> <u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
REVENUES					
Investment earnings	\$ 60	\$ (14)	\$ 46	\$ -	\$ 46
EXPENDITURES					
Capital outlay	<u>9,725</u>	<u>(9,725)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(9,665)	9,711	46	-	46
Fund balance - beginning	<u>9,665</u>	<u>163</u>	<u>9,828</u>	-	<u>9,828</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 9,874</u>	<u>\$ 9,874</u>	<u>\$ -</u>	<u>\$ 9,874</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, 2016

	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	\$ 192	\$ (23)	\$ 169	\$ -	\$ 169
EXPENDITURES					
Capital outlay	<u>36,606</u>	<u>(36,606)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(36,414)	36,583	169	-	169
Fund balance - beginning	<u>36,414</u>	<u>(27)</u>	<u>36,387</u>	-	<u>36,387</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 36,556</u>	<u>\$ 36,556</u>	<u>\$ -</u>	<u>\$ 36,556</u>

OTHER FINANCIAL SCHEDULES

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2016

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2015</u>	<u>2015-2016 Levy</u>	<u>Adjustments and Discounts</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2016</u>
2015-2016	\$ -	\$ 1,054,871	\$ (29,122)	\$ 998,226	\$ 27,523
2014-2015	34,226	-	(7,227)	8,895	18,104
2013-2014	19,863	-	(3,309)	3,935	12,619
2012-2013	17,442	-	(23,041)	(12,206)	6,607
2011-2012	5,888	-	(18,890)	(17,745)	4,743
2010-2011	367	-	(18,527)	(18,318)	158
2009-2010	8,618	-	(11,512)	(2,993)	99
Prior	<u>589</u>	<u>-</u>	<u>(5,832)</u>	<u>(5,656)</u>	<u>413</u>
Subtotal - Prior	<u>86,993</u>	<u>-</u>	<u>(88,338)</u>	<u>(44,088)</u>	<u>42,743</u>
Total	<u>\$ 86,993</u>	<u>\$ 1,054,871</u>	<u>\$ (117,460)</u>	954,138	<u>\$ 70,266</u>

Add:

Other taxes and interest	-
Undistributed taxes with county, July 1, 2015	-
Adjustment for HP county tax appeal	<u>41,400</u>

Total available for distribution 995,538

Less: Turnovers to District (995,538)

Undistributed taxes with county, June 30, 2016 \$ -

**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, 2016, and have issued our report thereon dated December 5, 2016. 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)

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) 294.311 regarding its budget resolution. The budget resolution was missing the Debt Service Fund appropriations and the General Fund individual appropriations either were missing or did not correctly match the General Fund appropriation total. In addition, the budget resolution and budget document did not agree.

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 5, 2016.

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.

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

December 5, 2016