

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2017



PHILOMATH FIRE AND RESCUE
Benton County, Oregon

DISTRICT OFFICIALS

June 30, 2017

BOARD OF DIRECTORS

Tom Ries, Chair
3233 Chapel Drive
Corvallis, Oregon 97333

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

Ruth Jacobs
7115 SW Deerhaven 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, 2017

Page
Number

INTRODUCTORY SECTION

Title Page
District Officials
Table of Contents

FINANCIAL SECTION

Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12-13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to Basic Financial Statements	19-46
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability	47
Schedule of Contributions	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	49
Other Supplementary Information – Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Obligation Bonded Debt Fund	52
Building Reserve Fund	53
GO Bond 2016 Capital Projects Fund	54
Vehicle Reserve Fund	55
Equipment Reserve Fund	56

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions	57
---	----

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor’s Report Required by Oregon State Regulations	58-59
---	-------

FINANCIAL SECTION

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information on pages 4 through 11, 47, 48, and 49, 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 26, 2017 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 26, 2017

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, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2017, total net position of Philomath Fire and Rescue amounted to \$2,827,677. Of this amount, \$2,538,284 was invested in capital assets, \$11,398 was restricted for debt service, and the remaining balance of \$277,995 was unrestricted.
- The District's total net position increased by \$540,568 during the current fiscal year.
- Overall revenues were \$1,997,031, which exceeded total expenditures of \$1,456,463 by \$540,568.

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 12 through 14 of this report.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Building Reserve, and GO Bond 2016 Capital Projects Funds, all of which are considered to be major governmental funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 15 through 18 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 19 through 46 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 47 through 49 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 50 through 56 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, 2017, the District's assets exceeded liabilities by \$2,827,677.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt that is still outstanding. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

The District's net position increased by \$540,568 during the current fiscal year. This increase is related to an increase in capital assets.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets and deferred outflows of resources		
Current assets	\$ 825,817	\$ 758,959
Restricted assets	11,398	-
Net capital assets	5,033,284	1,940,250
Deferred outflows of resources	<u>414,586</u>	<u>55,083</u>
Total assets and deferred outflows of resources	<u>6,285,085</u>	<u>2,754,292</u>
Liabilities and deferred inflows of resources		
Current liabilities	542,154	24,576
Noncurrent liabilities	2,868,153	358,646
Deferred inflows of resources	<u>47,101</u>	<u>83,961</u>
Total liabilities and deferred inflows of resources	<u>3,457,408</u>	<u>467,183</u>
Net position		
Net investment in capital assets	2,538,284	1,940,250
Restricted for debt service	11,398	-
Unrestricted	<u>277,995</u>	<u>346,859</u>
Total net position	<u>\$ 2,827,677</u>	<u>\$ 2,287,109</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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Program revenues		
Operating grants and contributions	\$ 708,777	\$ 120,699
General revenues		
Property taxes	1,251,471	978,811
Investment earnings	10,922	6,336
Miscellaneous	<u>25,861</u>	<u>44,843</u>
Total general revenues	<u>1,288,254</u>	<u>1,029,990</u>
Total revenues	<u>1,997,031</u>	<u>1,150,689</u>
Program expenses		
Fire protection	1,449,984	1,384,382
Interest on long-term debt	<u>6,479</u>	<u>-</u>
Total program expenses	<u>1,456,463</u>	<u>1,384,382</u>
Change in net position	540,568	(233,693)
Net position - beginning of year	<u>2,287,109</u>	<u>2,520,802</u>
Net position - end of year	<u>\$ 2,827,677</u>	<u>\$ 2,287,109</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$713,632, an increase of \$43,241 over the prior year.

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 \$394,264, a decrease of \$53,258 from the prior year. Of this amount, \$357,736 represents unassigned fund balance, which is available for spending at the District's discretion.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A comparison of current year and prior year revenues, expenditures, and other financing sources (uses) is shown below.

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes	\$ 1,239,385	\$ 996,420
Grants	708,777	120,699
Investment earnings	10,922	6,336
Sale of assets	30,000	-
Miscellaneous	<u>25,861</u>	<u>44,843</u>
Total revenues	<u>2,014,945</u>	<u>1,168,298</u>
Expenditures		
Current		
Personnel services	608,905	588,063
Materials and services	998,390	462,484
Debt service	183,520	-
Capital outlay	<u>2,180,889</u>	<u>16,690</u>
Total expenditures	<u>3,971,704</u>	<u>1,067,237</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,956,759)</u>	<u>\$ 101,061</u>
Other financing sources (uses)		
Bond proceeds	2,000,000	-
Transfers in	87,343	-
Transfers out	<u>(87,343)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 43,241</u>	<u>\$ 101,061</u>

The following denotes explanations for the significant changes in amounts between the current and prior year:

- Grants: Grant revenue increased 487.2% over the prior year due to the District being awarded a seismic grant used for building upgrades.
- Investment earnings: Investment earnings increased 72.4% over the prior year due to tax monies held in the investment account longer than usual while the focus was on managing seismic and bonds funds and projects.
- Miscellaneous: Miscellaneous revenue decreased 42.3% due to less money received from conflagration reimbursements.
- Bond proceeds and capital outlay: Bond proceeds were reported and capital outlay expenditures increased substantially due to the District's voters passing a levy and the District obtaining a general obligation bond, the proceeds of which were used for the purchase of equipment and building improvements.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- Materials and services: Materials and services expenditures increased 115.9% over the prior year due to expenditures for the seismic project.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers.

The table below compares revenues and expenditures of the District to budgeted amounts used by the District to monitor performance during the year. The overall change in fund balances was budgeted at a net decrease of \$30,747. Total actual revenues exceeded total expenditures by \$43,241. The favorable variance of \$73,988 can be attributed to expenditures being less than anticipated.

	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues			
Property taxes	\$ 1,030,525	\$ 1,239,385	\$ 208,860
Operating grants and contributions	856,860	708,777	(148,083)
Investment earnings	5,500	10,922	5,422
Sale of assets	-	30,000	30,000
Bond proceeds	218,253	-	(218,253)
Miscellaneous	<u>13,000</u>	<u>25,861</u>	<u>12,861</u>
Total revenues	<u>2,124,138</u>	<u>2,014,945</u>	<u>(109,193)</u>
Expenditures			
Current			
Personnel services	649,800	608,905	(40,895)
Materials and services	1,070,212	998,390	(71,822)
Debt service	202,975	183,520	(19,455)
Capital outlay	2,185,398	2,180,889	(4,509)
Contingency	<u>46,500</u>	<u>-</u>	<u>(46,500)</u>
Total expenditures	<u>4,154,885</u>	<u>3,971,704</u>	<u>(183,181)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,030,747)</u>	<u>(1,956,759)</u>	<u>73,988</u>
Other financing sources (uses)			
Bond proceeds	2,000,000	2,000,000	-
Transfers in	87,343	87,343	-
Transfers out	<u>(87,343)</u>	<u>(87,343)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (30,747)</u>	<u>\$ 43,241</u>	<u>\$ 73,988</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following denotes explanations for some of the major variances between budgeted and actual amounts above:

- Investment earnings were budgeted for \$5,500. Actual revenue was \$10,922 (49.6% over budget) due to funds held in the investment account while the District focused on the seismic and remodel projects.
- Unbudgeted sale of assets revenue amounted to \$30,000 from unexpected proceeds for the sale of an asset.
- Miscellaneous revenue was budgeted for \$13,000. Actual revenue was \$25,861 (49.7% over budget) due to public education income exceeding anticipated revenue, conflagration reimbursements, and insurance rebates due to vehicle changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2017 amounted to \$5,033,284, net of accumulated depreciation. This investment in capital assets includes land, equipment on order, 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 \$225,684.

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

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$2,495,000. This amount is comprised of a general obligation bond and capital lease. All of the outstanding debt was acquired during the current year.

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

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- A \$3,500,000, 10-year bond was passed, the proceeds from which will be used for apparatus replacement, facility improvements, and equipment purchases.

This factor was considered in preparing the District's budget for the 2017-2018 fiscal year.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 681,538
Accounts receivable	380
Property taxes receivable	76,518
Grants receivable	30,853
Prepaid expenses	36,528
Total current assets	825,817
Restricted assets	
Cash and cash equivalents	7,032
Property taxes receivable	4,366
Total restricted assets	11,398
Capital assets	
Land, equipment on order, and construction in progress	2,284,037
Capital assets, net of accumulated depreciation	2,749,247
Total capital assets	5,033,284
Total assets	5,870,499
Deferred outflows of resources	
Net deferred outflow of pension related resources	414,586
Total assets and deferred outflows of resources	6,285,085

(Continued)

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

STATEMENT OF NET POSITION

June 30, 2017

(Continued)

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	\$ 1,998
Accrued interest payable	6,479
Accrued payroll liabilities	45,507
Capital lease payable, current portion	323,170
Bond payable, current portion	<u>165,000</u>
Total current liabilities	<u>542,154</u>
Noncurrent liabilities	
Compensated absences	30,879
Capital lease payable, less current portion	331,830
Bond payable, less current portion	1,675,000
Net pension liability	<u>830,444</u>
Total noncurrent liabilities	<u>2,868,153</u>
Total liabilities	3,410,307
Deferred inflows of resources	
Net deferred inflow of pension related resources	<u>47,101</u>
Total liabilities and deferred inflows of resources	<u>3,457,408</u>
NET POSITION	
Net investment in capital assets	2,538,284
Restricted for debt service	11,398
Unrestricted	<u>277,995</u>
Total net position	<u>\$ 2,827,677</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, 2017

<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>
Governmental activities				
Fire protection	\$ 1,449,984	\$ -	\$ 708,777	\$ -
Interest on long-term debt	<u>6,479</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,456,463</u>	<u>\$ -</u>	<u>\$ 708,777</u>	<u>\$ -</u>
General revenues				
Property taxes - general				1,056,659
Property taxes - debt service				194,812
Investment earnings				10,922
Miscellaneous				<u>25,861</u>
Total general revenues				<u>1,288,254</u>
Change in net position				540,568
Net position - beginning				<u>2,287,109</u>
Net position - ending				<u>\$ 2,827,677</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, 2017

	General Fund	Building Reserve Fund	GO Bond 2016 Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 369,716	\$ 202,714	\$ -
Accounts receivable	380	-	-
Property taxes receivable	76,518	-	-
Grants receivable	30,853	-	-
Prepaid expenses	36,528	-	-
 Total assets	 \$ 513,995	 \$ 202,714	 \$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,998	\$ -	\$ -
Accrued payroll liabilities	45,507	-	-
 Total liabilities	 47,505	 -	 -
Deferred inflows of resources			
Unavailable revenue - property taxes	72,226	-	-
Fund balances			
Nonspendable	36,528	-	-
Restricted	-	-	-
Committed	-	202,714	-
Unassigned	357,736	-	-
 Total fund balances	 394,264	 202,714	 -
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 513,995	 \$ 202,714	 \$ -

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 116,140	\$ 688,570
-	380
4,366	80,884
-	30,853
-	<u>36,528</u>
<u>\$ 120,506</u>	<u>\$ 837,215</u>
\$ -	\$ 1,998
-	<u>45,507</u>
-	<u>47,505</u>
<u>3,852</u>	<u>76,078</u>
-	36,528
7,546	7,546
109,108	311,822
-	<u>357,736</u>
<u>116,654</u>	<u>713,632</u>
<u>\$ 120,506</u>	<u>\$ 837,215</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

June 30, 2017

Total fund balances		\$ 713,632
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	7,104,592	
Accumulated depreciation	<u>(2,071,308)</u>	5,033,284
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.		76,078
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(6,479)	
Compensated absences payable	(30,879)	
Bond payable	(1,840,000)	
Capital lease payable	<u>(655,000)</u>	(2,532,358)
Net pension assets and liabilities are not financial resources and are therefore not reported in the governmental funds.		(830,444)
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		414,586
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		<u>(47,101)</u>
Net position of governmental activities		<u>\$ 2,827,677</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, 2017

	General Fund	Building Reserve Fund	GO Bond 2016 Capital Projects Fund
REVENUES			
Property taxes	\$ 1,048,425	\$ -	\$ -
Grants	708,777	-	-
Investment earnings	9,206	1,275	-
Sale of assets	30,000	-	-
Miscellaneous	25,861	-	-
Total revenues	1,822,269	1,275	-
EXPENDITURES			
Current			
Personnel services	608,905	-	-
Materials and services	998,390	-	-
Debt service	-	-	-
Capital outlay	180,889	-	2,000,000
Total expenditures	1,788,184	-	2,000,000
Excess (deficiency) of revenues over (under) expenditures	34,085	1,275	(2,000,000)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	2,000,000
Transfers in	-	25,000	-
Transfers out	(87,343)	-	-
Total other financing sources (uses)	(87,343)	25,000	2,000,000
Net change in fund balances	(53,258)	26,275	-
Fund balances - beginning	447,522	176,439	-
Fund balances - ending	\$ 394,264	\$ 202,714	\$ -

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 190,960	\$ 1,239,385
-	708,777
441	10,922
-	30,000
-	25,861
191,401	2,014,945
-	608,905
-	998,390
183,520	183,520
-	2,180,889
183,520	3,971,704
7,881	(1,956,759)
-	2,000,000
62,343	87,343
-	(87,343)
62,343	2,000,000
70,224	43,241
46,430	670,391
\$ 116,654	\$ 713,632

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, 2017

Net change in fund balances		\$ 43,241
<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	3,468,038	
Less current year depreciation	(225,684)	
Disposal of capital assets	(532,293)	
Less related accumulated depreciation	<u>382,972</u>	3,093,033
<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>		
		12,086
<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>		
Accrued interest payable	(6,479)	
Compensated absences payable	(15,537)	
Capital lease payable	(655,000)	
Bond payable	(2,000,000)	
Debt principal paid	<u>160,000</u>	(2,517,016)
<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>		
		<u>(90,776)</u>
Change in net position		<u>\$ 540,568</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, 2017

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, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Funds

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

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

Additionally, the District reports the following nonmajor governmental funds:

Debt Service Fund

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

Capital Projects Funds

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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

1. Deposits and Investments

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

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

2. Property Taxes

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Assets

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

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

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

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

4. Compensated Absences

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

5. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amounts of debt issued are reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Retirement Plans

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

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

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The District has 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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 and two approved appropriation transfers.

B. Noncompliance with Oregon Budget Law

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

The District was in violation of ORS 294.426 and 294.438 with regard to its publication of meeting notices. The District did not follow the prescribed schedule for publishing the necessary notices for both the budget committee meeting and the budget hearing.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

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

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 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, 2017, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 535,884

Interest Rate Risk

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

A. Deposits and Investments (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

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

The District holds an account at Citizens Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. In addition, the District holds an account at Oregon State Credit Union, for which deposits are insured by the National Credit Union Share Insurance Fund (NCUSIF) up to \$250,000. At June 30, 2017, the District's total deposits of \$164,516 were fully insured by the FDIC and NCUSIF.

Deposits

The District's deposits and investments at June 30, 2017 are as follows:

Petty cash	\$ 50
Checking and savings accounts	152,636
Total investments	<u>535,884</u>
Total deposits and investments	<u>\$ 688,570</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

A. Deposits and Investments (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 369,716
Building Reserve Fund	202,714
Nonmajor governmental funds	<u>109,108</u>
Total governmental activities - unrestricted	681,538
Governmental activities - restricted	
Nonmajor governmental funds	<u>7,032</u>
Total cash and investments	<u>\$ 688,570</u>

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 36,763	\$ -	\$ -	\$ 36,763
Equipment on order	-	687,322	-	687,322
Construction in progress	<u>102,141</u>	<u>1,457,811</u>	<u>-</u>	<u>1,559,952</u>
Total capital assets not being depreciated	<u>138,904</u>	<u>2,145,133</u>	<u>-</u>	<u>2,284,037</u>
Capital assets being depreciated				
Buildings	1,206,868	-	-	1,206,868
Vehicles	1,937,281	1,163,984	482,674	2,618,591
Equipment	<u>885,794</u>	<u>158,921</u>	<u>49,619</u>	<u>995,096</u>
Total capital assets being depreciated	<u>4,029,943</u>	<u>1,322,905</u>	<u>532,293</u>	<u>4,820,555</u>
Less accumulated depreciation for				
Buildings	(529,753)	(27,597)	-	(557,350)
Vehicles	(1,018,640)	(145,956)	(338,818)	(825,778)
Equipment	<u>(680,203)</u>	<u>(52,131)</u>	<u>(44,154)</u>	<u>(688,180)</u>
Total accumulated depreciation	<u>(2,228,596)</u>	<u>(225,684)</u>	<u>(382,972)</u>	<u>(2,071,308)</u>
Total capital assets being depreciated, net	<u>1,801,347</u>	<u>1,097,221</u>	<u>149,321</u>	<u>2,749,247</u>
Governmental activities capital assets, net	<u>\$ 1,940,251</u>	<u>\$ 3,242,354</u>	<u>\$ 149,321</u>	<u>\$ 5,033,284</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

B. Capital Assets (Continued)

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 36,763	\$ -	\$ 36,763
Equipment on order	687,322	-	687,322
Construction in progress	1,559,952	-	1,559,952
Buildings	1,206,868	(557,350)	649,518
Vehicles	2,618,591	(825,778)	1,792,813
Equipment	<u>995,096</u>	<u>(688,180)</u>	<u>306,916</u>
Total capital assets	<u>\$ 7,104,592</u>	<u>\$ (2,071,308)</u>	<u>\$ 5,033,284</u>

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

Governmental activities	
Fire protection	<u>\$ 225,684</u>

C. Interfund Transfers

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

	<u>Transfers in:</u>		
	<u>Building Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfers out:			
Governmental activities			
General Fund	<u>\$ 25,000</u>	<u>\$ 62,343</u>	<u>\$ 87,343</u>

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

D. Compensated Absences

The following schedule summarizes the changes in compensated absences liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 15,342	\$ 15,537	\$ -	\$ 30,879

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

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Bond							
General Obligation Bond, Series 2016	1.89%	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 160,000	\$ 1,840,000	\$ 165,000
Capital lease							
Apparatus purchase	2.68%	655,000	-	655,000	-	655,000	323,170
Total long-term liabilities		\$ 2,655,000	\$ -	\$ 2,655,000	\$ 160,000	\$ 2,495,000	\$ 488,170

2. General Obligation Bond, Series 2016

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

E. Long-Term Liabilities (Continued)

3. Future Maturities of Bonded Debt

Year Ending June 30	Bond		
	Principal	Interest	Total
2018	\$ 165,000	\$ 34,776	\$ 199,776
2019	175,000	31,658	206,658
2020	185,000	28,350	213,350
2021	190,000	24,854	214,854
2022	205,000	21,263	226,263
2022-2026	<u>920,000</u>	<u>44,416</u>	<u>964,416</u>
	<u>\$ 1,840,000</u>	<u>\$ 185,317</u>	<u>\$ 2,025,317</u>

4. Capital Lease

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

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2017
Apparatus	2.680%	<u>\$ 655,000</u>

Equipment under the capital lease is as follows:

Equipment on order	<u>\$ 687,447</u>
--------------------	-------------------

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

E. Long-Term Liabilities (Continued)

5. Future Minimum Capital Lease Commitments

For the Year Ended June 30	
2018	\$ 340,724
2019	<u>340,723</u>
Total minimum payments	681,447
Less amounts representing interest for capital leases	<u>(26,447)</u>
Present value of minimum capital lease payments	<u>\$ 655,000</u>

F. Constraints on Fund Balances

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

	General Fund	Building Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable	\$ 36,528	\$ -	\$ -	\$ 36,528
Restricted for:				
Debt service	-	-	7,546	7,546
Committed to:				
Building improvements	-	202,714	-	202,714
Vehicle expenditures	-	-	52,288	52,288
Equipment expenditures	-	-	56,820	56,820
Unassigned	<u>357,736</u>	<u>-</u>	<u>-</u>	<u>357,736</u>
Total fund balances	<u>\$ 394,264</u>	<u>\$ 202,714</u>	<u>\$ 116,654</u>	<u>\$ 713,632</u>

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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/Financials/Actuarial-Financial-Information.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 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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 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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

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.

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, which became effective July 1, 2015. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$45,936, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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

At June 30, 2017, the District reported a liability of \$830,444 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.0055%, which decreased from its proportion of 0.0060% measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense (income) of \$90,777. At June 30, 2017, 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	\$ 27,475	\$ -
Changes of assumptions	177,114	-
Net difference between projected and actual earnings on investments	164,061	-
Changes in proportion	-	29,776
Differences between employer contributions and proportionate share of contributions	-	17,325
Total (prior to post measurement date contributions)	368,650	47,101
Contributions subsequent to the measurement date	45,936	-
Total	\$ 414,586	\$ 47,101

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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

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

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2018	\$ 112,281	\$ 11,596
2019	66,345	11,596
2020	126,833	11,468
2021	95,776	9,796
2022	13,351	2,645
	\$ 414,586	\$ 47,101

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.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Assumptions:	
Inflation Rate	2.50% (reduced from 2.75%)
Long-Term Expected Rate of Return ¹	7.50% (reduced from 7.75%)
Discount Rate	7.50% (reduced from 7.75%)
Projected Salary Increases	3.50% (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25% / 0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

¹ At its September 25, 2015 meeting, the Public Employees Retirement System Board reduced the assumed rate of return on investments from 7.75% to 7.50%.

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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 2015, the Public Employees Retirement System Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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 (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate 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 7.50% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District’s proportionate share of the net pension liability (asset)	\$ 1,340,890	\$ 830,444	\$ 403,800

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

The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861.

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

K. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2016 measurement date.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

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, 2015, 2016, and 2017.

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/>.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

M. Other Post-Employment Benefits (Continued)

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

Plan Description (Continued)

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, 2015, 2016, and 2017 were \$2,182, \$1,181, and \$1,509, respectively, which equaled the required contributions each year.

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. 85, *Omnibus 2017*, will be effective for the District beginning with its fiscal year ending June 30, 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

N. New Pronouncements (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the District beginning with its fiscal year ending June 30, 2018. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

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

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

O. Subsequent Events

Management has evaluated subsequent events through December 26, 2017, 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
2017	0.00553175%	\$ 830,444	\$ 412,685	201.23%	80.50%
2016	0.00597939%	343,304	410,742	83.58%	91.90%
2015	0.00640733%	(145,236)	400,581	(36.26)%	103.60%
2014	0.00640733%	326,975	420,128	77.83%	91.97%

Changes in Benefit Terms

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

Changes of Assumptions

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

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
2017	\$ 45,936	\$ 45,936	-	\$ 400,118	11.48%
2016	36,570	36,570	-	412,685	8.86%
2015	61,809	61,809	-	410,742	15.05%
2014	57,344	57,344	-	400,581	14.32%

Changes in Benefit Terms

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

Changes of Assumptions

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

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, 2017

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Property taxes	\$ 1,030,525	\$ 1,030,525	\$ 19,882
Grants	848,362	856,860	(148,083)
Investment earnings	5,500	5,500	3,706
Sale of assets	-	-	30,000
Miscellaneous	13,000	13,000	12,862
Total revenues	1,897,387	1,905,885	(81,633)
EXPENDITURES			
Current			
Personnel services	649,800	649,800	(48,223)
Materials and services	1,070,212	1,070,212	(71,820)
Capital outlay	176,900	185,398	(4,508)
Contingency	46,500	46,500	(46,500)
Total expenditures	1,943,412	1,951,910	(171,051)
Excess (deficiency) of revenues over (under) expenditures	(46,025)	(46,025)	89,418
OTHER FINANCING SOURCES (USES)			
Transfers out	(87,343)	(87,343)	-
Net change in fund balance	(133,368)	(133,368)	89,418
Fund balance - beginning	433,368	433,368	14,154
Fund balance - ending	\$ 300,000	\$ 300,000	\$ 103,572

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 1,050,407	\$ (1,982)	\$ 1,048,425
708,777	-	708,777
9,206	-	9,206
30,000	-	30,000
<u>25,862</u>	<u>(1)</u>	<u>25,861</u>
<u>1,824,252</u>	<u>(1,983)</u>	<u>1,822,269</u>
601,577	7,328	608,905
998,392	(2)	998,390
180,890	(1)	180,889
<u>-</u>	<u>-</u>	<u>-</u>
<u>1,780,859</u>	<u>7,325</u>	<u>1,788,184</u>
43,393	(9,308)	34,085
<u>(87,343)</u>	<u>-</u>	<u>(87,343)</u>
(43,950)	(9,308)	(53,258)
<u>447,522</u>	<u>-</u>	<u>447,522</u>
<u>\$ 403,572</u>	<u>\$ (9,308)</u>	<u>\$ 394,264</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, 2017

	Debt Service Fund General Obligation Bonded Debt	Capital Projects Funds		Total Nonmajor Governmental Funds
		Vehicle Reserve	Equipment Reserve	
ASSETS				
Cash and cash equivalents	\$ 7,032	\$ 52,288	\$ 56,820	\$ 116,140
Property taxes receivable	<u>4,366</u>	<u>-</u>	<u>-</u>	<u>4,366</u>
 Total assets	 <u>\$ 11,398</u>	 <u>\$ 52,288</u>	 <u>\$ 56,820</u>	 <u>\$ 120,506</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
 Deferred inflows of resources				
Unavailable revenue - property taxes	<u>3,852</u>	<u>-</u>	<u>-</u>	<u>3,852</u>
 Fund balances				
Restricted to:				
Debt service	7,546	-	-	7,546
Committed to:				
Vehicle expenditures	-	52,288	-	52,288
Equipment expenditures	<u>-</u>	<u>-</u>	<u>56,820</u>	<u>56,820</u>
 Total fund balances	 <u>7,546</u>	 <u>52,288</u>	 <u>56,820</u>	 <u>116,654</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 11,398</u>	 <u>\$ 52,288</u>	 <u>\$ 56,820</u>	 <u>\$ 120,506</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	General Obligation Bonded Debt	Vehicle Reserve	Equipment Reserve	
REVENUES				
Property taxes	\$ 190,960	\$ -	\$ -	\$ 190,960
Investment earnings	106	71	264	441
Total revenues	191,066	71	264	191,401
EXPENDITURES				
Debt service	183,520	-	-	183,520
Excess (deficiency) of revenues over (under) expenditures	7,546	71	264	7,881
OTHER FINANCING SOURCES (USES)				
Transfers in	-	42,343	20,000	62,343
Net change in fund balances	7,546	42,414	20,264	70,224
Fund balances - beginning	-	9,874	36,556	46,430
Fund balances - ending	\$ 7,546	\$ 52,288	\$ 56,820	\$ 116,654

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

GENERAL OBLIGATION BONDED DEBT

For the Year Ended June 30, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ -	\$ 190,446	\$ 190,446	\$ 514	\$ 190,960
Investment earnings	-	106	106	-	106
Bond proceeds	<u>218,253</u>	<u>(218,253)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	218,253	(27,701)	190,552	514	191,066
EXPENDITURES					
Debt service	<u>202,975</u>	<u>(19,455)</u>	<u>183,520</u>	<u>-</u>	<u>183,520</u>
Excess (deficiency) of revenues over (under) expenditures	15,278	(8,246)	7,032	514	7,546
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 15,278</u>	<u>\$ (8,246)</u>	<u>\$ 7,032</u>	<u>\$ 514</u>	<u>\$ 7,546</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

BUILDING RESERVE FUND

For the Year Ended June 30, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Investment earnings	\$ -	\$ 1,275	\$ 1,275	\$ -	\$ 1,275
EXPENDITURES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	1,275	1,275	-	1,275
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>25,000</u>	-	<u>25,000</u>	-	<u>25,000</u>
Net change in fund balance	25,000	1,275	26,275	-	26,275
Fund balance - beginning	-	<u>176,439</u>	<u>176,439</u>	-	<u>176,439</u>
Fund balance - ending	<u>\$ 25,000</u>	<u>\$ 177,714</u>	<u>\$ 202,714</u>	<u>\$ -</u>	<u>\$ 202,714</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

GO BOND 2016 CAPITAL PROJECTS FUND

For the Year Ended June 30, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	<u>2,000,000</u>	-	<u>2,000,000</u>	<u>2,000,000</u>
Excess (deficiency) of revenues over (under) expenditures	(2,000,000)	-	(2,000,000)	(2,000,000)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	<u>2,000,000</u>	-	<u>2,000,000</u>	<u>2,000,000</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
	<u>Budget</u>	<u>Over (Under)</u>	Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ -	\$ 71	\$ 71	\$ -	\$ 71
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	71	71	-	71
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>42,343</u>	<u>-</u>	<u>42,343</u>	<u>-</u>	<u>42,343</u>
Net change in fund balance	42,343	71	42,414	-	42,414
Fund balance - beginning	<u>-</u>	<u>9,874</u>	<u>9,874</u>	<u>-</u>	<u>9,874</u>
Fund balance - ending	<u>\$ 42,343</u>	<u>\$ 9,945</u>	<u>\$ 52,288</u>	<u>\$ -</u>	<u>\$ 52,288</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ -	\$ 264	\$ 264	\$ -	\$ 264
EXPENDITURES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	264	264	-	264
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>20,000</u>	-	<u>20,000</u>	-	<u>20,000</u>
Net change in fund balance	20,000	264	20,264	-	20,264
Fund balance - beginning	<u>-</u>	<u>36,556</u>	<u>36,556</u>	<u>-</u>	<u>36,556</u>
Fund balance - ending	<u>\$ 20,000</u>	<u>\$ 36,820</u>	<u>\$ 56,820</u>	<u>\$ -</u>	<u>\$ 56,820</u>

OTHER FINANCIAL SCHEDULES

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2017

Tax Year	Taxes Receivable July 1, 2016	2016-2017 Levy	Adjustments and Discounts	Collections	Taxes Receivable June 30, 2017
2016-2017	\$ -	\$ 1,291,080	\$ (35,705)	\$ 1,227,687	\$ 27,688
2015-2016	27,523	-	(268)	9,757	17,498
2014-2015	18,104	-	(145)	3,306	14,653
2013-2014	12,619	-	(142)	1,964	10,513
2012-2013	6,607	-	(121)	1,029	5,457
2011-2012	4,743	-	(26)	138	4,579
2010-2011	158	-	(17)	40	101
Prior	512	-	(42)	75	395
Subtotal - Prior	70,266	-	(761)	16,309	53,196
Total	\$ 70,266	\$ 1,291,080	\$ (36,466)	1,243,996	\$ 80,884
Add:					
Other taxes and interest				(3,143)	
Undistributed taxes with county, July 1, 2016				-	
Total available for distribution				1,240,853	
Less: Turnovers to District				(1,240,853)	
Undistributed taxes with county, June 30, 2017				\$ -	

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



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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Philomath Fire and Rescue
Philomath, Oregon 97370

We have audited the basic financial statements of Philomath Fire and Rescue as of and for the year ended June 30, 2017, and have issued our report thereon dated December 26, 2017. 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) 294.388 regarding its budget resolution. The budget resolution misclassified capital outlay and debt service appropriations as materials and services appropriations in the GO Bond 2016 Capital Projects Fund.
2. The District was in violation of ORS 294.426 and 294.438 with regard to its publication of meeting notices. The District did not follow the prescribed schedule for publishing the necessary notices for both the budget committee meeting and the budget hearing.

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 26, 2017.

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 26, 2017