

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2015



PHILOMATH FIRE AND RESCUE
Benton County, Oregon

DISTRICT OFFICIALS

June 30, 2015

BOARD OF DIRECTORS

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

Tom Ries, Vice Chair
3233 Chapel Drive
Corvallis, Oregon 97333

Richard Robinson, Treasurer
30899 Peterson Road
Philomath, Oregon 97370

ADMINISTRATION

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

Marcia Gilson, Administrative Assistant
P.O. Box 247
Philomath, Oregon 97370

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Philomath Fire and Rescue
Philomath, Oregon 97370

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Philomath Fire and Rescue, Benton County, Oregon, as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information on pages 4 through 8, 40, 41, and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis 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 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 January 15, 2016 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

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

By:  _____

Richard D. Perdue, CPA

Albany, Oregon
January 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

PHILOMATH FIRE AND RESCUE

Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Philomath Fire and Rescue, Benton County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2015, total net position of Philomath Fire and Rescue amounted to \$2,520,802. Of this amount, \$1,968,371 was invested in capital assets and the remaining balance of \$552,431 was unrestricted.
- The District's total net position increased by \$134,990 during the current fiscal year.
- Overall revenues were \$1,061,123, which exceeded total expenditures of \$926,133 by \$134,990.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 9 through 10 of this report.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 39 of this report.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

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

The combining statements referred to earlier, in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 43 through 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2015, the District's assets exceeded liabilities by \$2,520,802.

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

District's Net Position

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. The District's net position increased by \$134,990 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Assets and deferred outflows of resources		
Current assets	\$ 658,071	\$ 617,784
Net capital assets	1,968,371	2,096,669
Net pension asset	145,236	-
Deferred outflows of resources	<u>61,809</u>	<u>57,344</u>
Total assets and deferred outflows of resources	<u>2,833,487</u>	<u>2,771,797</u>
Liabilities and deferred inflows of resources		
Current liabilities	7,140	28,782
Noncurrent liabilities	23,812	357,203
Deferred inflows of resources	<u>281,733</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>312,685</u>	<u>385,985</u>
Net position		
Investment in capital assets	1,968,371	2,096,669
Unrestricted	<u>552,431</u>	<u>289,143</u>
Total net position	<u>\$ 2,520,802</u>	<u>\$ 2,385,812</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

District's Changes in Net Position

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

Changes in Net Position

	Governmental Activities	
	2015	2014
Program revenues		
Operating grants and contributions	\$ 53,852	\$ 190,244
General revenues		
Property taxes	971,215	929,606
Investment earnings	5,644	5,202
Miscellaneous	30,412	59,561
Gain on sale of assets	-	1,139
Total general revenues	1,007,271	995,508
Total revenues	1,061,123	1,185,752
Program expenses		
Fire protection	926,133	1,381,587
Change in net position	134,990	(195,835)
Net position - beginning of year, as restated	2,385,812	2,581,647
Net position - end of year	\$ 2,520,802	\$ 2,385,812

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 \$569,330, an increase of \$45,848 over the prior year.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$347,493, an increase of \$44,539 over the prior year. Of this amount, \$317,695 represents unassigned fund balance, which is available for spending at the District's discretion.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2015 amounted to \$1,968,371, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, and equipment. The total depreciation expense related to the District's investment in capital assets during the current fiscal year was \$150,428.

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

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- Recent personnel changes will have an impact on the budget. Due to turnover, the District's personnel costs for the 2015-16 fiscal year are projected to be approximately 65% lower than originally budget, due to less seniority on the wage schedule and a dramatic decrease in the number of family and married coverage for insurance.

These factors were considered in preparing the District's budget for the 2015-2016 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 530,017
Property taxes receivable	86,993
Grants receivable	11,263
Prepaid expenses	29,798
Total current assets	658,071
Capital assets	
Land	36,763
Capital assets, net of accumulated depreciation	1,931,608
Total capital assets	1,968,371
Net pension asset	145,236
Total assets	2,771,678
Deferred outflows of resources	
Net deferred outflow of pension related resources	61,809
Total assets and deferred outflows of resources	2,833,487
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accrued payroll liabilities	7,140
Noncurrent liabilities	
Compensated absences	23,812
Total liabilities	30,952
Deferred inflows of resources	
Net deferred inflow of pension related resources	281,733
Total liabilities and deferred inflows of resources	312,685
NET POSITION	
Investment in capital assets	1,968,371
Unrestricted	552,431
Total net position	\$ 2,520,802

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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental activities</u>				<u>Governmental Activities</u>
Fire protection	<u>\$ 926,133</u>	<u>\$ -</u>	<u>\$ 53,852</u>	<u>\$ (872,281)</u>
General revenues				
Property taxes				971,215
Investment earnings				5,644
Miscellaneous				<u>30,412</u>
Total general revenues				<u>1,007,271</u>
Change in net position				134,990
Net position - beginning, as restated				<u>2,385,812</u>
Net position - ending				<u>\$ 2,520,802</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, 2015

	General Fund	Building Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 308,180	\$ 175,622	\$ 46,215	\$ 530,017
Property taxes receivable	86,993	-	-	86,993
Grants receivable	11,263	-	-	11,263
Prepaid expenses	29,798	-	-	29,798
 Total assets	 \$ 436,234	 \$ 175,622	 \$ 46,215	 \$ 658,071
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accrued payroll liabilities	\$ 7,140	\$ -	\$ -	\$ 7,140
Deferred inflows of resources				
Unavailable revenue - property taxes	81,601	-	-	81,601
Fund balances				
Nonspendable	29,798	-	-	29,798
Committed	-	175,622	46,215	221,837
Unassigned	317,695	-	-	317,695
 Total fund balances	 347,493	 175,622	 46,215	 569,330
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 436,234	 \$ 175,622	 \$ 46,215	 \$ 658,071

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

June 30, 2015

Total fund balances		\$ 569,330
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	4,055,714	
Accumulated depreciation	<u>(2,087,343)</u>	1,968,371
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.		81,601
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences payable		(23,812)
Net pension assets are not a financial resource and are therefore not reported in the governmental funds.		145,236
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		61,809
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		<u>(281,733)</u>
Net position of governmental activities		\$ <u>2,520,802</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, 2015

	General Fund	Building Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Property taxes	\$ 955,134	\$ -	\$ -	\$ 955,134
Grants	53,852	-	-	53,852
Investment earnings	4,335	1,036	273	5,644
Miscellaneous	<u>30,412</u>	<u>-</u>	<u>-</u>	<u>30,412</u>
Total revenues	<u>1,043,733</u>	<u>1,036</u>	<u>273</u>	<u>1,045,042</u>
EXPENDITURES				
Current				
Personnel services	667,686	-	-	667,686
Materials and services	292,326	-	-	292,326
Capital outlay	<u>39,182</u>	<u>-</u>	<u>-</u>	<u>39,182</u>
Total expenditures	<u>999,194</u>	<u>-</u>	<u>-</u>	<u>999,194</u>
Excess (deficiency) of revenues over (under) expenditures	44,539	1,036	273	45,848
Fund balances - beginning	<u>302,954</u>	<u>174,586</u>	<u>45,942</u>	<u>523,482</u>
Fund balances - ending	<u>\$ 347,493</u>	<u>\$ 175,622</u>	<u>\$ 46,215</u>	<u>\$ 569,330</u>

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

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

For the Year Ended June 30, 2015

Net change in fund balances		\$	45,848
<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	25,303		
Loss on capital asset disposition	(3,173)		
Less current year depreciation	(150,428)		(128,298)
<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>			
			16,081
<p>Changes in long term liabilities are not due or payable in the current period and therefore are not reported in the governmental fund statements. These liabilities consist of:</p>			
Compensated absences payable			6,416
<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>			
			194,943
Change in net position		\$	<u>134,990</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, 2015

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, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund

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

Additionally, the District reports the following nonmajor governmental funds:

Capital Projects Funds

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

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

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. Deposits and Investments

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

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

2. Property Taxes

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

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

3. Prepaids

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets

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

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

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

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

5. Compensated Absences

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

6. Retirement Plans

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred Outflows and Inflows of Resources

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

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 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.

Under a modified accrual basis of accounting, unavailable revenue is reported on the balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Fund Equity

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity (Continued)

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

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

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

E. Use of Estimates

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

F. Reclassifications

Certain accounts, as reported in comparative statements in the management's discussion and analysis, have been reclassified for comparative purposes in order to conform to the presentation in the current year financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there was one supplemental budget adopted. 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 one supplemental budget.

B. Excess of Expenditures over Appropriations

The District expended funds in excess of the amount appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2015:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Personnel services	\$ 674,144	\$ 688,767	\$ 14,623

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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

A. Deposits and Investments (Continued)

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

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

Credit Risk

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

Investments

As of June 30, 2015, the District had the following investments:

	<u>Credit Quality</u> <u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 493,575</u>

Interest Rate Risk

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

Concentration of Credit Risk

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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

A. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

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

The District holds an account at Citizens Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. In addition, the District holds an account at OSU Federal Credit Union, for which deposits are insured by the National Credit Union Administration (NCUA) up to \$250,000. At June 30, 2015, the District's total deposits of \$96,866 were fully insured by the FDIC and NCUA.

Deposits

The District's deposits and investments at June 30, 2015 are as follows:

Petty cash	\$ 50
Checking and savings accounts	36,392
Total investments	<u>493,575</u>
Total deposits and investments	<u>\$ 530,017</u>

Cash and investments by fund:

Governmental activities	
General Fund	\$ 308,180
Building Reserve Fund	175,622
Nonmajor governmental funds	<u>46,215</u>
Total cash and investments	<u>\$ 530,017</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 36,763	\$ -	\$ -	\$ 36,763
Capital assets being depreciated				
Buildings	1,196,048	4,524	-	1,200,572
Vehicles	1,948,734	-	11,453	1,937,281
Equipment	<u>893,949</u>	<u>20,779</u>	<u>33,630</u>	<u>881,098</u>
Total capital assets being depreciated	<u>4,038,731</u>	<u>25,303</u>	<u>45,083</u>	<u>4,018,951</u>
Less accumulated depreciation for				
Buildings	(475,571)	(26,970)	-	(502,541)
Vehicles	(873,478)	(76,923)	(8,281)	(942,120)
Equipment	<u>(629,776)</u>	<u>(46,535)</u>	<u>(33,629)</u>	<u>(642,682)</u>
Total accumulated depreciation	<u>(1,978,825)</u>	<u>(150,428)</u>	<u>(41,910)</u>	<u>(2,087,343)</u>
Total capital assets being depreciated, net	<u>2,059,906</u>	<u>(125,125)</u>	<u>3,173</u>	<u>1,931,608</u>
Governmental activities capital assets, net	<u>\$ 2,096,669</u>	<u>\$ (125,125)</u>	<u>\$ 3,173</u>	<u>\$ 1,968,371</u>

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
Buildings	1,200,572	(502,541)	698,031
Vehicles	1,937,281	(942,120)	995,161
Equipment	<u>881,098</u>	<u>(642,682)</u>	<u>238,416</u>
Total capital assets	<u>\$ 4,055,714</u>	<u>\$ (2,087,343)</u>	<u>\$ 1,968,371</u>

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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

B. Capital Assets (Continued)

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

Governmental activities	
Fire protection	<u>\$ 150,428</u>

C. Compensated Absences

The following schedule summarizes the changes in compensated absences liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Compensated absences	<u>\$ 30,228</u>	<u>\$ -</u>	<u>\$ 6,416</u>	<u>\$ 23,812</u>

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

D. Constraints on Fund Balances

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

	<u>General Fund</u>	<u>Building Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable	\$ 29,798	\$ -	\$ -	\$ 29,798
Committed to:				
Building improvements	-	175,622	-	175,622
Vehicle expenditures	-	-	9,828	9,828
Equipment expenditures	-	-	36,387	36,387
Unassigned	<u>317,695</u>	<u>-</u>	<u>-</u>	<u>317,695</u>
Total fund balances	<u>\$ 347,493</u>	<u>\$ 175,622</u>	<u>\$ 46,215</u>	<u>\$ 569,330</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, 2015

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 Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

2. Benefits Provided

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

Pension Benefits

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

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

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

Death Benefits

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

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

Disability Benefits

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

Benefit Changes after Retirement

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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, 2015

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

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

Benefit Changes after Retirement

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

c. OPSRP Individual Account Program (IAP)

Pension Benefits

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

3. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$61,809, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 18.91% for Tier One/Tier Two general service members, 18.91% for Tier One/Tier Two police and fire members, 10.00% for OPSRP Pension Program general service members, 12.73% for OPSRP Pension Program police and fire members, and 6% for OPSRP IAP.

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

At June 30, 2015, the District reported an asset of \$145,236 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset 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, 2014, the District's proportion was 0.0064%, which was unchanged from its proportion measured as of June 30, 2013.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense (income) of \$(133,646). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	280,246	(280,246)
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>-</u>	<u>1,487</u>	<u>(1,487)</u>
	-	281,733	<u>\$ (281,733)</u>
District contributions subsequent to the measurement date	<u>61,809</u>	<u>-</u>	
Total	<u>\$ 61,809</u>	<u>\$ 281,733</u>	

\$61,809 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

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

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

<u>Year Ending June 30</u>	
2016	\$ (70,385)
2017	(70,385)
2018	(70,385)
2019	(70,385)
2020	(193)
Thereafter	<u>-</u>
	<u>\$ (281,733)</u>

D. Actuarial Assumptions

The employer contribution rates effective July 1, 2013 through June 30, 2015 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, 2015

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75%
Investment Rate of Return	7.75%
Projected Salary Increases	3.75% overall payroll growth
Mortality	Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

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 2012 Experience Study, which reviewed experience for the four-year period ended on December 31, 2012.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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 2013, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment of the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 307,557	\$ (145,236)	\$ (528,193)

H. Pension Plan Net Position

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

I. Changes in Plan Provision Subsequent to Measurement Date

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

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

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

J. 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, 2013, 2014, and 2015.

K. 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, 2015

IV. OTHER INFORMATION (Continued)

K. 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, 2013, 2014, and 2015 were \$1,120, \$2,509, and \$2,182, respectively, which equaled the required contributions each year.

L. Restatement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The District implemented GASB Statements Nos. 68 and 71 for the year ended June 30, 2015. Additional information can be found in Note IV-B.

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

L. Restatement (Continued)

Based on implementation of GASB Statements Nos. 68 and 71, the District restated the beginning net position for governmental activities. Net position has been restated as follows:

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 2,655,443
Cumulative effect of change in accounting principle	<u>(269,631)</u>
Net position - beginning, as restated	<u>\$ 2,385,812</u>

M. 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. 72, *Fair Value Measurement and Application* will be effective for the District beginning with its fiscal year ending June 30, 2016. This statement addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective for the District beginning with its fiscal year ending June 30, 2016. This statement improves the usefulness of information about pensions reported in state and local governments' financial statements.

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

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

IV. OTHER INFORMATION (Continued)

M. New Pronouncements (Continued)

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

N. Contingent Liability

The flooring of the fire station owned by Philomath Fire and Rescue has been determined to contain asbestos. The District has not completed an environmental assessment of the impact, nor has an active remediation system been established. The site has, however, been reported to the Department of Environmental Quality. The District's ultimate liability is undetermined at this time.

O. Subsequent Events

Management has evaluated subsequent events through January 15, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net position liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.00640733%	\$ (145,236)	\$ 410,745	(35.36)%	103.60%
2014	0.00640733%	326,975	400,581	81.63%	91.97%

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the OPERS' GASB 68 Disclosure Information, which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Changes of Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the OPERS' GASB 68 Disclosure Information, which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at:

<http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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
2015	\$ 61,809	\$ 61,809	-	\$ 410,742	15.05%
2014	57,344	57,344	-	400,581	14.32%

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the OPERS' GASB 68 Disclosure Information, which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Changes of Assumptions

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<http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Property taxes	\$ 937,099	\$ 937,099	\$ 20,304
Grants	61,843	61,843	(19,254)
Charges for services	1,000	1,000	(1,000)
Investment earnings	4,200	4,200	135
Miscellaneous	<u>8,000</u>	<u>36,640</u>	<u>(6,228)</u>
 Total revenues	 <u>1,012,142</u>	 <u>1,040,782</u>	 <u>(6,043)</u>
EXPENDITURES			
Current			
Personnel services	662,160	674,144	14,623
Materials and services	344,077	360,733	(68,408)
Capital outlay	40,355	40,355	(1,173)
Contingency	<u>15,000</u>	<u>15,000</u>	<u>(15,000)</u>
 Total expenditures	 <u>1,061,592</u>	 <u>1,090,232</u>	 <u>(69,958)</u>
 Excess (deficiency) of revenues over (under) expenditures	 (49,450)	 (49,450)	 63,915
Fund balance - beginning	<u>279,450</u>	<u>279,450</u>	<u>6,247</u>
Fund balance - ending	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 70,162</u>

	Actual		
Budget Basis	Adjustments		GAAP Basis
\$ 957,403	\$ (2,269)	\$	955,134
42,589	11,263		53,852
-	-		-
4,335	-		4,335
<u>30,412</u>	<u>-</u>		<u>30,412</u>
<u>1,034,739</u>	<u>8,994</u>		<u>1,043,733</u>
688,767	(21,081)		667,686
292,325	1		292,326
39,182	-		39,182
<u>-</u>	<u>-</u>		<u>-</u>
<u>1,020,274</u>	<u>(21,080)</u>		<u>999,194</u>
14,465	30,074		44,539
<u>285,697</u>	<u>17,257</u>		<u>302,954</u>
<u>\$ 300,162</u>	<u>\$ 47,331</u>	<u>\$</u>	<u>347,493</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, 2015

	Capital Projects Funds		Total
	Vehicle Reserve Fund	Equipment Reserve Fund	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,828	\$ 36,387	\$ 46,215
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund balances			
Committed to:			
Vehicle expenditures	9,828	-	9,828
Equipment expenditures	-	36,387	36,387
Total fund balances	9,828	36,387	46,215
Total liabilities and fund balances	\$ 9,828	\$ 36,387	\$ 46,215

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, 2015

	Capital Projects Funds		Total
	Vehicle Reserve Fund	Equipment Reserve Fund	Nonmajor Governmental Funds
REVENUES			
Investment earnings	\$ 58	\$ 215	\$ 273
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	58	215	273
Fund balances - beginning	9,770	36,172	45,942
Fund balances - ending	\$ 9,828	\$ 36,387	\$ 46,215

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ 950	\$ 86	\$ 1,036	\$ -	\$ 1,036
EXPENDITURES					
Capital outlay	<u>175,765</u>	<u>(175,765)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(174,815)	175,851	1,036	-	1,036
Fund balance - beginning	<u>174,815</u>	<u>(229)</u>	<u>174,586</u>	-	<u>174,586</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 175,622</u>	<u>\$ 175,622</u>	<u>\$ -</u>	<u>\$ 175,622</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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Investment earnings	\$ 60	\$ (2)	\$ 58	\$ -	\$ 58
EXPENDITURES					
Capital outlay	<u>9,675</u>	<u>(9,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(9,615)	9,673	58	-	58
Fund balance - beginning	<u>9,615</u>	<u>155</u>	<u>9,770</u>	<u>-</u>	<u>9,770</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 9,828</u>	<u>\$ 9,828</u>	<u>\$ -</u>	<u>\$ 9,828</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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		GAAP Basis
	<u>Budget</u>	<u>Over (Under)</u>	<u>Budget Basis</u>	<u>Adjustments</u>	<u>Basis</u>
REVENUES					
Investment earnings	\$ 180	\$ 35	\$ 215	\$ -	\$ 215
EXPENDITURES					
Capital outlay	<u>36,395</u>	<u>(36,395)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(36,215)	36,430	215	-	215
Fund balance - beginning	<u>36,215</u>	<u>(43)</u>	<u>36,172</u>	-	<u>36,172</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 36,387</u>	<u>\$ 36,387</u>	<u>\$ -</u>	<u>\$ 36,387</u>

OTHER FINANCIAL SCHEDULES

PHILOMATH FIRE AND RESCUE
Benton County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2015

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2014</u>	<u>2014-2015 Levy</u>	<u>Adjustments and Discounts</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2015</u>
2014-2015	\$ -	\$ 1,018,357	\$ (27,561)	\$ 956,570	\$ 34,226
2013-2014	31,410	-	(96)	11,451	19,863
2012-2013	21,789	-	(80)	4,267	17,442
2011-2012	8,789	-	(54)	2,847	5,888
2010-2011	1,540	-	(75)	1,098	367
2009-2010	8,821	-	(65)	138	8,618
2008-2009	(42)	-	(10)	64	(116)
Prior	<u>874</u>	<u>-</u>	<u>(26)</u>	<u>143</u>	<u>705</u>
Subtotal - Prior	<u>73,181</u>	<u>-</u>	<u>(406)</u>	<u>20,008</u>	<u>52,767</u>
Total	<u>\$ 73,181</u>	<u>\$ 1,018,357</u>	<u>\$ (27,967)</u>	976,578	<u>\$ 86,993</u>

Adjustment:

HP appeal tax repayment (19,039)

Add:

Other taxes and interest (136)

Undistributed taxes with county, July 1, 2014 -

Total available for distribution 957,403

Less: Turnovers to District (957,403)

Undistributed taxes with county, June 30, 2015 \$ -

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Philomath Fire and Rescue
Philomath, Oregon 97370

We have audited the basic financial statements of Philomath Fire and Rescue as of and for the year ended June 30, 2015, and have issued our report thereon dated January 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Philomath Fire and Rescue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Accounting records

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

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

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

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

1. The District expended funds in excess of the amount appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2015:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Personnel services	\$ 674,144	\$ 688,767	\$ 14,623

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 January 15, 2016.

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

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

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January 15, 2016