

**SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON**

**FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223







**SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON**

**BOARD OF DIRECTORS**

**TERM EXPIRES**

Rod Watson – Chair	June 30, 2021
Frank Pender Jr. – Vice Chair	June 30, 2019
David Gwinner – Secretary/Treasurer	June 30, 2021
Bob Davis – Director	June 30, 2019
Kenneth Gardner – Director	June 30, 2021

All Directors receive mail at the administration address below:

**ADMINISTRATION**

Fred Hertel, District Fire Chief

Southwestern Polk County  
Rural Fire Protection District  
915 SE Shelton Street  
Dallas, Oregon 97338  
(503) 831-3533  
fred.hertel@dallasor.gov

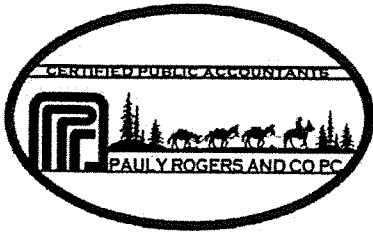
This Page Intentionally Left Blank

**SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON**

**TABLE OF CONTENTS**

	<b><u>PAGE NUMBER</u></b>
Independent Auditors' Report	i
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
Management's Discussion and Analysis	iv
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
Government-wide Statements:	
Statement of Net Position – <i>Modified Cash Basis</i>	1
Statement of Activities – <i>Modified Cash Basis</i>	2
Fund Financial Statements:	
Balance Sheet – <i>Modified Cash Basis</i>	3
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – <i>Modified Cash Basis</i> Government Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	6
Notes to the Basic Financial Statements	7
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
Schedule of the Proportionate Share of Net Pension Liability (PERS)	25
Schedule of Contributions (PERS)	25
Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Modified Cash Basis): General Fund	26
(Modified Cash Basis): Station 130	27
Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Modified Cash Basis): Grant Fund	28
Schedule of Property Tax Transactions and Balances of Tax Uncollected	29
<b><u>REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS</u></b>	
Independent Auditors' Report Required by Oregon State Regulations	30

**This Page Intentionally Left Blank**



PAULY, ROGERS, AND Co., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

November 13, 2017

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southwestern Polk County  
Rural Fire Protection District  
Polk County, Oregon

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis basic financial statements of the governmental activities, each major fund, and the remaining fund information of Southwestern Polk County Rural Fire Protection District, as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the modified cash basis basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the basic financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic 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 modified cash basis basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the remaining fund information of Southwestern Polk County Rural Fire Protection District, as of June 30, 2017, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

## **Emphasis of Matters**

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The basic financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

The District adopted the provisions of GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB 77 – *Tax Abatement Disclosures* for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis has not been subjected to the auditing procedures applied to the audit of the basic financial statements and we do not express an opinion or provide any assurance on it.

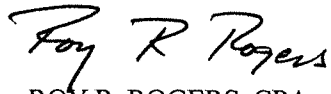
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the modified cash basis basic financial statements. The listing of board members, containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied on 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 November 13, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

This Page Intentionally Left Blank

**SOUTHWESTERN POLK COUNTY FIRE DISTRICT, OREGON**  
**Management's Discussion and Analysis (MD&A)**

This section of the Southwestern Polk County Fire District (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements and notes, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Total Net Position was \$517,945 at June 30, 2017.
- The general fund reported a fund balance this year of \$216,468.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall financial status.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-wide Statements**

The government-wide statements are designed to provide readers with a broad review of the District's finances in a manner similar to a private-sector business. All of the current year's receipts and disbursements are accounted for in the Statement of Activities when cash is received or paid. The two government-wide statements report the Net Position and how it has changed. Net Position - the difference between the assets and liabilities - is one way to measure the financial health or position.

- Over time, increases or decreases to the Net Position are an indicator of whether the financial health is improving or deteriorating.
- To assess the overall health, one needs to consider additional non-financial factors such as changes in tax base.

The government-wide financial statements include the Governmental activities. Basic services are included here. Property taxes and earnings on investments finance most of these activities.



## Fund Financial Statements

The fund financial statements provide more detailed information about the most significant funds - not the Fire District as a whole. Funds are accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

The following funds exist in the financial statements:

- Governmental funds - The basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Investments	\$ 236,126	\$ 191,405
Capital Assets, net of depreciation	<u>281,819</u>	<u>249,886</u>
Total Assets	<u>\$ 517,945</u>	<u>\$ 441,291</u>
<b>LIABILITIES</b>		
Payroll Liabilities	\$ -	\$ 2,024
Notes Payable	<u>-</u>	<u>4,960</u>
Total Liabilities	<u>-</u>	<u>6,984</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 281,819	\$ 249,886
Restricted	-	300
Unrestricted	<u>236,126</u>	<u>184,121</u>
Total Modified Cash Basis Net Position	<u>\$ 517,945</u>	<u>\$ 434,307</u>

**CHANGES IN NET POSITION**

	<u>2017</u>	<u>2016</u>
Net Program Expense:		
Fire Protection	\$ (445,055)	\$ (482,251)
General Receipts:		
Taxes	478,746	470,666
Earnings on Investments	2,618	874
Miscellaneous	47,329	26,808
	<u>528,693</u>	<u>498,348</u>
Total Receipts		
Change in Modified Cash Basis Net Position	83,638	16,097
Modified Cash Basis Net Position - Beginning	<u>434,307</u>	<u>418,210</u>
Modified Cash Basis Net Position - Ending	<u>\$ 517,945</u>	<u>\$ 434,307</u>

The modified cash basis net position of the District increased through operations for the year.

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

Revenues from governmental fund types totaled \$548,662 in 2017. Governmental fund balances totaled \$236,126 at June 30, 2017. A summary of changes in governmental fund balances follows:

**CHANGES IN GOVERNMENTAL FUND BALANCES**

	<u>June 30,</u> <u>2017</u>	<u>July 1,</u> <u>2016</u>	<u>Change</u>
General Fund	\$ 216,468	\$ 182,637	\$ 33,831
Station 130 Fund	19,658	6,744	12,914
Total	<u>\$ 236,126</u>	<u>\$ 189,381</u>	<u>\$ 46,745</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There has been positive budget performance, as outlined in the Governmental Funds Statement of Receipts, Disbursements and Changes in Fund Balance (Modified Cash Basis). Overall receipts were higher and disbursements were lower than budgeted.

## **CAPITAL ASSETS**

At June 30, 2017, the District had \$281,819 invested in capital assets. More detailed information about the capital assets is presented in Note 3 within the notes to the basic financial statements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact the Southwestern Polk County Rural Fire Protection District. Our address is: 915 SE Shelton Street, Dallas, Oregon 97338.



BASIC FINANCIAL STATEMENTS

**This Page Intentionally Left Blank**

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT**  
**POLK COUNTY, OREGON**

**STATEMENT OF NET POSITION (MODIFIED CASH BASIS)**  
**June 30, 2017**

---

**ASSETS**

Cash and Investments	\$ 236,126
Capital Assets, net of depreciation	<u>281,819</u>
Total Assets	<u>517,945</u>

**NET POSITION**

Net Investment in Capital Assets	281,819
Unrestricted	<u>236,126</u>
Total Modified Cash Basis Net Position	<u>\$ 517,945</u>

See accompanying notes to the basic financial statements.



SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS)  
For the Year Ended June 30, 2017

FUNCTIONS	PROGRAM RECEIPTS			NET RECEIPTS (DISBURSEMENTS)
	DISBURSEMENTS	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities:				
Fire Protection	\$ 446,605	\$ 1,550	\$ -	\$ (445,055)
Total	<u>\$ 446,605</u>	<u>\$ 1,550</u>	<u>\$ -</u>	<u>(445,055)</u>
Pay General Receipts:				
Taxes				478,746
Earnings on Investments				2,618
Miscellaneous				<u>47,329</u>
Total General Receipts				<u>528,693</u>
Change in Net Position				83,638
Net Position – Beginning				<u>434,307</u>
Net Position – Ending				<u>\$ 517,945</u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON**

**BALANCE SHEET (MODIFIED CASH BASIS)  
June 30, 2017**

	<u>GOVERNMENTAL FUNDS</u>		
	<u>GENERAL FUND</u>	<u>STATION 130 FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Investments	\$ 216,468	\$ 19,658	\$ 236,126
Total Assets	<u>\$ 216,468</u>	<u>\$ 19,658</u>	<u>\$ 236,126</u>
<b>FUND BALANCE</b>			
Fund Balance			
Assigned	-	19,658	19,658
Unassigned	<u>216,468</u>	<u>-</u>	<u>216,468</u>
Total Fund Balance	<u>216,468</u>	<u>19,658</u>	<u>236,126</u>
Total Liabilities and Fund Balance	<u>\$ 216,468</u>	<u>\$ 19,658</u>	<u>\$ 236,126</u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT**  
**POLK COUNTY, OREGON**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

**June 30, 2017**

---

Total Fund Balances – Governmental Funds	\$	236,126
--	----	---------

Capital assets are not financial resources and therefore are not reported in the governmental funds.

Net Capital Assets		281,819
--------------------	--	---------

Net Position	<u>\$</u>	<u>517,945</u>
--------------	-----------	----------------

See accompanying notes to basic financial statements.



**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES (MODIFIED CASH BASIS)  
For the Year Ended June 30, 2017**

	<u>GOVERNMENTAL FUNDS</u>		TOTAL GOVERNMENTAL FUNDS
	<u>GENERAL FUND</u>	<u>STATION 130 FUND</u>	
<b>RECEIPTS</b>			
Taxes	\$ 478,746	\$ -	\$ 478,746
Earnings on Investments	2,618	-	2,618
Grant Income	18,419	-	18,419
Miscellaneous	20,591	28,288	48,879
<b>Total Receipts</b>	<u>520,374</u>	<u>28,288</u>	<u>548,662</u>
<b>DISBURSEMENTS</b>			
Current:			
Personal Services	52,975	-	52,975
Materials and Services	390,139	35,114	425,253
Capital Outlay	18,419	-	18,419
Debt Service	5,270	-	5,270
<b>Total Disbursements</b>	<u>466,803</u>	<u>35,114</u>	<u>501,917</u>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	53,571	(6,826)	46,745
<b>OTHER FINANCING SOURCES/USES</b>			
Transfers In	-	19,740	19,740
Transfers Out	(19,740)	-	(19,740)
<b>Total other Financing Sources/Uses</b>	<u>(19,740)</u>	<u>19,740</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	33,831	12,914	46,745
<b>MODIFIED CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<u>182,637</u>	<u>6,744</u>	<u>189,381</u>
<b>MODIFIED CASH BASIS FUND BALANCE - END OF YEAR</b>	<u>\$ 216,468</u>	<u>\$ 19,658</u>	<u>\$ 236,126</u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT**  
**POLK COUNTY, OREGON**

**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

---

Net Changes in Fund Balances - Governmental Funds	\$	46,745
---	----	--------

In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental fund financial statements, depreciation is not an expenditure and is not recorded.

Capital Additions	\$	45,654	
Depreciation Expense		<u>(13,721)</u>	31,933

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. While repayment of loan principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Principal Payments	<u>4,960</u>
--------------------	--------------

Change in Net Position of Governmental Activities	\$	<u><u>83,638</u></u>
---	----	----------------------

See accompanying notes to basic financial statements.

NOTES TO THE  
BASIC FINANCIAL STATEMENTS

**This Page Intentionally Left Blank**

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The District was organized under provisions of Oregon Statutes Chapter 478, in 1947, for the purpose of providing fire protection and other emergency services. The District is a municipal corporation governed by an elected Board. As required by accounting principles generally accepted in the United States of America, these financial statements present Southwestern Polk County Rural Fire Protection District (the primary government) and any component units. Component units, as established by GASB Statement 61, are separate organizations that are included in the District's reporting because of the significance of their operational or financial relationships with the District. There are no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The Modified Cash Basis of accounting is followed except for Payroll Liabilities and Capital Assets. Under the Modified Cash Basis of accounting, receipts are recorded when received and disbursements are recorded as paid. This basis of accounting is applied to both the government-wide financial statements and the governmental fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the Modified Cash Basis of accounting is preferable due to the District's small size and the necessity of assessing available cash resources. The Modified Cash Basis of accounting is allowed under Oregon Local Budget Law.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The principles of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) have been adopted, as they are applicable to Modified Cash Basis financial statements. The Statement requires that the government-wide and fund financial statements be presented and reconciled between the two types of statements, if necessary.

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using the funds. In total, the results presented using both of these methods are substantially the same, except for the elimination of interfund activity. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

General receipts are property and related taxes and interest. All disbursements are categorized as program disbursements.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form.

Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The Fire Chief and Administrative Assistant have been granted the authority to assign fund balances.

Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There are no nonspendable, restricted or committed fund balances at year end.

The Board has not established a policy on the order in which resources are to be spent. As a result of this, the default approach assumes that restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Special Revenue Funds rolled into the General Fund for GASB 54 Purposes – Financial statements must report as Special Revenue Funds only those funds that have a substantial portion of revenue inflows from restricted or committed revenue sources. The Grant fund is combined into the General Fund because there are no substantial revenues from sources other than the General Fund.



SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND ACCOUNTING

Financial Operations are accounted for in the following major funds:

GENERAL FUND

This fund accounts for all financial receipts and disbursements, except those required to be accounted for in another fund. The principal source of receipts is property taxes.

STATION 130 FUND

This fund accounts for all financial receipts and disbursements for Rickreall Station 130.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Under guidance of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions special revenue funds that are permitted under Oregon Local Budget law, which do not meet the requirements of GASB No. 54 to be reported for financial statement purposes as special revenue funds are consolidated into the General Fund.

The following funds have been consolidated into the General Fund:

The Grant Fund was established as a special revenue fund under Oregon Local Budget Law to account for receipts from grants and related disbursements.

D. BUDGET

A budget is prepared and legally adopted for each governmental fund type on the Modified Cash Basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except the property taxes received after year-end are not considered budgetary resources in the funds, debt is a revenue when received and an expense when paid, pension costs are expensed when paid rather than when incurred, and capital assets are expensed when purchased and the related depreciation expense is not reported.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption. However, budgeted disbursements for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Disbursements budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Debt Service, Interfund Transactions, and Operating Contingency.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGET (CONTINUED)

Disbursements cannot legally exceed the adopted appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to unforeseen circumstances which could not be determined at the time the budget was adopted.

Budget amounts shown in the budgetary financial statements reflect the original appropriations and an appropriation transfer. Disbursements in the various funds were within authorized appropriations for the year ended June 30, 2017.

E. PROPERTY TAXES RECEIVABLE

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Since the District reports information on the modified cash basis method of accounting, no accrual for property tax receivables has been recorded in the basic financial statements.

F. CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash truncations are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The District capitalizes assets purchased or constructed with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. The range of estimated useful lives by type of asset is as follow:

Buildings	50 years
Vehicles	10 years
Equipment	5 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. RETIREMENT PLANS

There is only one employee eligible to participate in Public Employees' Retirement System (PERS) due to most employees being volunteers.

H. USE OF ESTIMATES

The preparation of the basic financial statements in conformity with the Modified Cash Basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

I. NET POSITION

Net position is comprised of the various net earnings from operations, non-operating receipts, disbursements and contributions of capital. Net position is classified in the following three categories.

Government-Wide Statements

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position at June 30, 2017.

Unrestricted – consists of all other assets that are not included in the restricted category previously mentioned.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FAIR VALUE INPUTS AND METHODOLOGIES AND HEIRARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

**Level 1** – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

**Level 2** – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

**Level 3** – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorize investing in banker’s acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Cash and Investments at June 30, 2017 consisted of:

Checking	\$ 38,467
Investments	<u>197,659</u>
Total Cash and Investments	<u><u>\$ 236,126</u></u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. As of June 30, 2017, all of the bank balance of \$55,157 was insured by FDIC.

INVESTMENTS

The investments at June 30, 2017, are amounts with the State Treasurer’s Local Government Investment Pool. Investments in the State Treasurer’s Local Government Investment Pool cannot be classified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 2017, the investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 197,659	\$ 197,659	\$ -	\$ -
Total	<u>\$ 197,659</u>	<u>\$ 197,659</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund’s compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund’s audited financial report. Amounts in the State Treasurer’s Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Interest Rate Risk – Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk - Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration of Credit Risk

At June 30, 2017 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2017, the District appeared to be in compliance with all percentage restrictions.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017 are as follows:

	Balance at 7/1/2016	Adjustments	Additions	(Deletions)	Balance at 6/30/2017
<b>Non-Depreciable Assets:</b>					
Land & Land Improvements	\$ 224,000	\$ -	\$ -	\$ -	\$ 224,000
<b>Depreciable Assets:</b>					
Buildings & Improvements	\$ 64,205	\$ 17,000	\$ -	\$ -	\$ 81,205
Vehicles	1,399,496	-	27,235	(88,904)	1,337,827
Equipment	122,146	(17,000)	18,419	(23,466)	100,099
Total	\$ 1,585,847	\$ -	\$ 45,654	\$ (112,370)	\$ 1,519,131
<b>Accumulated Depreciation</b>					
Buildings & Improvements	\$ 55,865	\$ 17,000	\$ 230	\$ -	73,095
Vehicles	1,384,365	-	7,392	(88,904)	1,302,853
Equipment	119,731	(17,000)	6,099	(23,466)	85,364
Total	\$ 1,559,961	\$ -	\$ 13,721	\$ (112,370)	\$ 1,461,312
Total Net Capital Assets	\$ 249,886				\$ 281,819

There was a reclassification of \$17,000 from Equipment to Building Improvements. Additionally, items disposed during the year were fully depreciated.



SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

4. DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

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

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **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 percent for police and fire employees, and 1.67 percent 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 benefits results.
- ii. **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 on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
  - member died within 120 days after termination of PERS covered employment,
  - member died as a result of injury sustained while employed in a PERS-covered job, or
  - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **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.
- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

4. DEFINED BENEFIT PENSION PLAN(CONTINUED)

PLAN DESCRIPTION(CONTINUED)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** 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 percent 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 percent 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 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.
- ii. **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 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were \$4,407, excluding amounts to fund employer specific liabilities.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN(CONTINUED)

PENSION ASSET OR LIABILITY

Since the District's financial statements are reported on the modified cash basis, no amounts are reported on the Statement of Net Position for pension related assets, deferred outflows, liabilities or deferred inflows. Had the District's financial statements been reported in accordance with GAAP, it would have reported, at June 30, 2017, a net pension liability of \$18,016 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was .0001 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 596	\$ -
Changes in assumptions	3,842	-
Net difference between projected and actual earnings on pension plan investments	3,559	-
Net changes in proportionate share and differences between District contributions and proportionate share of contributions	1,245	(659)
Subtotal - Amortized Deferrals (below)	9,242	(659)
District contributions subsequent to measuring date	4,407	-
Net Deferred outflow (inflow) of resources	\$ 13,649	\$ (659)

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

FUNDING POLICY

Subtotal amounts related to pension as deferred outflows of resources, \$9,242, and deferred inflows of resources, (\$659) net to \$8,583 and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 1,516
2019	1,516
2020	2,860
2021	2,313
2022	379
Thereafter	-
Total	<u>\$ 8,583</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 8, 2017. Oregon PERS produces an independently audited CAFR which can be found at:

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

ACTUARIAL VALUATIONS

The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal 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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) 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.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN(CONTINUED)

ACTUARIAL VALUATIONS(CONTINUED)

**Actuarial Methods and Assumptions:**

Valuation date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, Published September 2015
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
Inflation rate	2.50 percent (reduced from 2.75%)
Investment rate of return	7.50 percent (reduced from 7.75%)
Projected salary increase	3.50 percent overall payroll growth; salaries for individuals are assumed to grow at 3.50 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.75%). For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB (changed from Scale AA), with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females; changed from 65% for males and 90% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table (changed from static combined disabled mortality sex-distinct table).

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the 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 fiduciary 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.

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**4. DEFINED BENEFIT PENSION PLAN(CONTINUED)**

**ACTUARIAL VALUATIONS(CONTINUED)**

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
<b>Total</b>			<b>100%</b>

*Source: June 30, 2014 PERS CAFR; p. 54 – 55*

**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 asset 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 for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.



SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN(CONTINUED)

ACTUARIAL VALUATIONS(CONTINUED)

Asset Class	Target	Compound Annual Return (Geometric)
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 Equity	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	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

*Source: June 30, 2014 PERS CAFR; p. 54 – 55)*

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, 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 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
District's proportionate share of the net pension liability (asset)	\$ 29,090	\$ 18,016	\$ 8,760

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

4. DEFINED BENEFIT PENSION PLAN(CONTINUED)

ACTUARIAL VALUATIONS(CONTINUED)

**Changes Subsequent to the Measurement Date:**

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The actuarial effect of this change on the net pension liability has not yet been determined.

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.50%.

**Individual Account Program** - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Documents/GASB/2014/GASB-Disclosure-Information.pdf>

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

5. FUND DEFICITS

The Grant fund had a deficit balance of \$9,868. This deficit balance is expected to be eliminated next year with transfers from the General Fund.

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

7. PROPERTY TAX LIMITATIONS

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The state voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of tax cuts.

8. INTERFUND TRANSACTIONS

The internal transfers are budgeted and recoded to show legal and operation commitments between funds, such as cost sharing.

Transfers In and Out were as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 19,740	\$ -
Station 130	-	19,740
Total	<u>\$ 19,740</u>	<u>\$ 19,740</u>

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**9. LONG-TERM DEBT**

***Salt Creek Land Loan***

In December 2006, the District borrowed \$100,000 from Santiam Escrow to purchase land for future construction of a fire station. The note was payable over 10 years with monthly installments of \$1,110 which included interest at a rate of 6 percent. The note was paid off during 2016-17.

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt arising from cash transactions or events for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long Term Debt					
Salt Creek and Loan	\$ 4,960	\$ -	\$ 4,960	\$ -	\$ -

Long-term debt obligations are recorded in the basic financial statements.

**10. COMPENSATED ABSENCES**

Since the District's financial statements are reported on the modified cash basis, no amounts are reported on the Statement of Net Position for compensated absences. Had the District's financial statements been reported in accordance with GAAP, it would have reported, at June 30, 2017, a liability of \$673 for accrued compensated absences.

**11. TAX ABATEMENTS**

As of June 30, 2017, Southwestern Polk County Rural Fire District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these modified cash basis basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2017 for any program covered under GASB 77.

**SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON**

**SUPPLEMENTARY INFORMATION**

**This Page Intentionally Left Blank**

SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
POLK COUNTY, OREGON

SUPPLEMENTARY INFORMATION  
For the fiscal year ended June 30, 2017

**PERS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00012 %	\$ 18,016	\$ 39,768	45.3 %	80.5 %
2016	0.00011	6,052	39,180	15.4	91.9
2015	0.00012	2,619	38,040	6.9	103.6
2014	0.00012	2,317	36,252	6.4	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**SCHEDULE OF CONTRIBUTIONS**

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2017	\$ 4,407	\$ 4,407	\$ -	\$ 40,961	10.8 %
2016	4,279	4,279	-	39,768	10.8
2015	3,134	3,134	-	39,180	8.0
2014	3,123	3,123	-	38,040	8.2

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL FUND (CASH BASIS)  
For the Year Ended June 30, 2017**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
<b>RECEIPTS</b>				
District Taxes:				
Current Year's Levy	\$ 443,763	\$ 443,763	\$ 465,874	\$ 22,111
Prior Years' Levies	20,000	20,000	12,872	(7,128)
Earnings on Investments	1,000	1,000	2,618	1,618
Insurance Recoveries	3,700	3,700	1,550	(2,150)
Miscellaneous	4,000	4,000	19,041	15,041
<b>Total Receipts</b>	<u>472,463</u>	<u>472,463</u>	<u>501,955</u>	<u>29,492</u>
<b>DISBURSEMENTS</b>				
Personal Services	63,061	63,061 (1)	52,975	10,086
Materials and Services	393,439	393,439 (1)	390,139	3,300
Debt Service	6,630	6,630 (1)	5,270	1,360
Contingency	20,000	20,000 (1)	-	20,000
<b>Total Disbursements</b>	<u>483,130</u>	<u>483,130</u>	<u>448,384</u>	<u>34,746</u>
Excess of Receipts Over (Under) Disbursements	(10,667)	(10,667)	53,571	64,238
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(19,740)	(19,740) (1)	(19,740)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(19,740)</u>	<u>(19,740)</u>	<u>(19,740)</u>	<u>-</u>
Net Change In Fund Balance	(30,407)	(30,407)	33,831	64,238
Fund Balance – Beginning of Year	105,141	105,141	192,505	87,364
Fund Balance – End of Year	<u>\$ 74,734</u>	<u>\$ 74,734</u>	226,336	<u>\$ 151,602</u>
Reconciliation to Governmental Fund Balance as required by GASB 54				
Ending Fund Balance:				
Grant Fund			(9,868)	
			<u>\$ 216,468</u>	

(1) Appropriation Level

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – STATION 130 FUND (CASH BASIS)  
For the Year Ended June 30, 2017**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
<b>RECEIPTS</b>				
Miscellaneous	\$ 8,200	\$ 8,200	\$ 28,288	\$ 20,088
Total Receipts	<u>8,200</u>	<u>8,200</u>	<u>28,288</u>	<u>20,088</u>
<b>DISBURSEMENTS</b>				
Miscellaneous	<u>39,940</u>	<u>39,940</u> (1)	<u>35,114</u>	<u>4,826</u>
Total Disbursements	<u>39,940</u>	<u>39,940</u>	<u>35,114</u>	<u>4,826</u>
Excess of Receipts Over (Under) Disbursements	(31,740)	(31,740)	(6,826)	24,914
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>19,740</u>	<u>19,740</u>	<u>19,740</u>	<u>-</u>
Net Change In Fund Balance	(12,000)	(12,000)	12,914	24,914
Fund Balance – Beginning of Year	<u>12,000</u>	<u>12,000</u>	<u>6,744</u>	<u>(5,256)</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,658</u>	<u>\$ 19,658</u>

(1) Appropriation Level

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GRANT (CASH BASIS)  
For the Year Ended June 30, 2017**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
<b>RECEIPTS</b>				
Grants	\$ 25,000	\$ 25,000	\$ 18,419	\$ (6,581)
Total Receipts	<u>25,000</u>	<u>25,000</u>	<u>18,419</u>	<u>(6,581)</u>
<b>DISBURSEMENTS</b>				
Materials and Services	5,000	5,000 (1)	-	5,000
Capital Outlay	20,000	20,000 (1)	18,419	1,581
Contingency	300	300 (1)	-	300
Total Disbursements	<u>25,300</u>	<u>25,300</u>	<u>18,419</u>	<u>6,881</u>
Net Change In Fund Balance	(300)	(300)	-	300
Fund Balance – Beginning of Year	<u>300</u>	<u>300</u>	<u>(9,868)</u>	<u>(10,168)</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,868)</u>	<u>\$ (9,868)</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 because there are no substantial restricted or committed revenue inflows.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT  
POLK COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS - GENERAL FUND  
For the Year Ended June 30, 2017**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2016	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2017
Current:						
2016-17	\$ 495,082	\$ 13,114	\$ (399)	\$ 140	\$ 467,306	\$ 14,403
Prior Years:						
2015-16	12,696	-	(37)	310	6,350	6,619
2014-15	6,447	-	(34)	286	2,371	4,328
2013-14	3,807	-	(29)	289	1,636	2,431
2012-13	2,381	-	(30)	275	1,309	1,317
2011-12	1,324	-	(36)	60	206	1,142
Prior	2,381	-	(52)	44	123	2,250
Total Prior	29,036	-	(218)	1,264	11,995	18,087
Total	<u>\$ 524,118</u>	<u>\$ 13,114</u>	<u>\$ (617)</u>	<u>\$ 1,404</u>	<u>\$ 479,301</u>	<u>\$ 32,490</u>

RECONCILIATION TO RECEIPTS:

	Total
Cash Collections by County Treasurers Above	\$ 479,301
Other Taxes	(555)
Total Receipts	<u>\$ 478,746</u>

**This Page Intentionally Left Blank**

**SOUTHWESTERN POLK COUNTY  
RURAL FIRE PROTECTION DISTRICT  
DALLAS, OREGON**

**INDEPENDENT AUDITORS' REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

**This Page Intentionally Left Blank**



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

November 13, 2017

### Independent Auditors' Report Required by Oregon State Regulations

We have audited the modified cash basis basic financial statements of the Southwestern Polk County Rural Fire Protection District (the District), as of and for the year ended June 30, 2017, and have issued our report thereon dated November 13, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### Compliance

As part of obtaining reasonable assurance about whether the modified cash basis basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the modified cash basis basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Programs funded from outside sources.**

In connection with our testing nothing came to our attention that caused us to believe the Southwestern Polk County Rural Fire Protection District (the District) was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

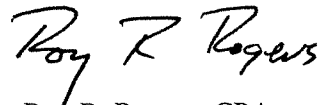


**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the modified cash basis basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Accountants, which is noted in our management letter dated November 13, 2017.

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



Roy R. Rogers, CPA  
PAULY, ROGERS AND CO., P.C.



