

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

AUDIT REPORT

JUNE 30, 2015

Prepared by
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Certified Public Accountant
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CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

BOARD OF DIRECTORS

<u>Title</u>	<u>Name</u>
Chairman	Ray Woodruff PO Box 1631 Waldport, OR 97394
Vice-Chairman	Tim Grady PO Box 1066 Waldport, OR 97394
Treasurer (Resigned January 7, 2015)	Ray Stewart 709 NW Highland Circle Tidewater, OR 97390
Boardmember/Treasurer	Dave Brooks PO Box 1945 Waldport, OR 97394
Boardmember	Jerry Phillips PO Box 8 Waldport, OR 97394
Boardmember (Appointed January 16, 2015)	Jiah Quayle PO Box 152 Yachats, OR 97498

ADMINISTRATIVE OFFICE

Fire Chief Dennis Cannon

LEGAL COUNSEL

Jordan Ramis, PC
Two Centerpointe Drive, 6th Floor
Lake Oswego, OR 97035

**CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon**

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GRIMSTAD & ASSOCIATES
Certified Public Accountants

January 22, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Oregon Coast Fire & Rescue
Waldport, Oregon 97394

I have audited the accompanying financial statements of the governmental activities and each major fund of Central Oregon Coast Fire & Rescue (District) 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

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Central Oregon Coast Fire & Rescue 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.

Members:
AICPA OSCP & OAIA

Emphasis of Matters

As discussed in Note 5 A 13, Changes in Plan Provisions Subsequent to Measurement Date to the financial statements, changes in benefit terms of the Oregon Public Employees Retirement System resulting from the April 30, 2015 Oregon Supreme Court decision are not reflected in the December 31, 2012 actuarial valuation used to measure pension amounts as of and for the fiscal year ended June 30, 2015.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and PERS schedules and notes, list in the table of contents, 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. I have applied certain limited procedures to management's discussion and analysis information 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the management's discussion and analysis and PERS schedule and notes because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Central Oregon Coast Fire & Rescue's basic financial statements. The supplemental information, schedule of property tax transactions, is presented for purposes of additional analysis and is not a required part of 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 my opinion, this supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated January 22, 2016 on my consideration of Central Oregon Coast Fire & Rescue's compliance with certain 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 my testing of compliance and the results of that testing and not to provide an opinion on compliance.



SIGNE GRIMSTAD
Certified Public Accountant

Central Oregon Coast Fire & Rescue

Management's Discussion & Analysis (MD&A) For the year ending June 30, 2015

As management of Central Oregon Coast Fire & Rescue (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. This narrative overview is intended to assist readers of our financial statements.

Financial Highlights

In the government-wide financial statements, the assets of the District exceeded its liabilities at June 30, 2015 by \$215,828. Of this amount, \$147,924 represents the District's investment in capital assets, net of related debt. With the adoption of GASB No 68, restricted assets of \$81,322 are now recognized leaving unrestricted at (\$13,418).

The District's total net position decreased by (\$35,009) compared to (\$149,141) in the previous year. This year reflects an increase in come from transport services to the valley, bringing in \$211,071.

At the fund level, the District reported an ending fund balance of \$63,749 a decrease of (\$94,975) in comparison with the prior year. Of this amount, \$12,427 is for Prepaid Expenses, \$13,999 is unassigned, \$15,014 is in a separate Building/Property Reserve account and \$22,309 is in a separate Equipment Reserve account.

At June 30, 2015, unassigned fund balance for the General Fund was \$13,999 or 21.96% percent of the total District fund balances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) *government-wide financial statements*, 2) *fund financial statements* and 3) notes to the 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 and includes the *Statement of Net Position* and the *Statement of Activities*.

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).

In the government-wide financial statements, the District's activities are shown in one category; government activities. The governmental activities of the District include general government and public safety, and are principally supported by property taxes and charges for services.

Fund financial statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one governmental fund; the General Fund.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are reconciled to the government-wide Statement of Net Position and Statement of Activities.

The District maintains three individual governmental fund. Additionally, the District adopts an annual appropriated budget for its funds. A budgetary comparison statements has been provided.to demonstrate compliance with the budget.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees and past employees.

Government-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$215,828 at June 30, 2015.

The largest portion of the District's assets, 68.54 percent reflects its investment in capital assets (e.g. medical and fire apparatus, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining assets consist mainly of cash and cash equivalents, investments and property taxes receivable, which are used to meet the District's ongoing obligations.

STATEMENT OF NET POSITION

	2015	2014	VARIANCE
Current assets	\$ 203,299	\$ 275,584	\$ (72,285)
Capital assets	292,924	374,162	(81,238)
Net pension asset	81,322	-	81,322
Total assets	577,545	649,746	(72,201)
Deferred outflows - pension contributions	22,750	21,993	757
Total assets and deferred outflows	600,295	671,739	(71,444)
Long-term liabilities	130,861	156,538	25,677
Other liabilities	87,545	81,280	6,265
Pension liabilities	-	183,084	(183,084)
Total liabilities	218,406	420,902	(202,496)
Deferred inflows - pension	166,061	-	166,061
Total liabilities and deferred outflows	384,467	420,902	(36,435)
Net investment in capital assets	147,924	194,161	(46,237)
Restricted	81,322	-	81,322
Unrestricted	(13,418)	56,676	(70,094)
Total net position	\$ 215,828	\$ 250,837	\$ (35,009)

During the current fiscal year, the District's net position decreased by (\$35,009), and improvement over the prior year of (\$149,141). The difference is mostly in the increase of charges for services by \$253,241.

Current liabilities of the District consist largely of accounts payable, salaries, benefits payable and compensated absences.

Governmental activities decreased the District's net position in the year by (\$35,009). Charges for services increased by \$253,241. Contract revenue decreased by \$51,370 and operating grants and contributions increased by \$960 from the prior year. Expenditures increased by \$61,508 due largely to an increase in public safety-fire protection expenses.

Changes in Net Position

	2015	2014	VARIANCE
PROGRAM REVENUE			
Charges for services	\$ 513,843	\$ 260,602	\$ 253,241
Contract revenue	4,670	56,040	(51,370)
Operating grants and contributions	3,010	2,050	960
Total program revenue	<u>521,523</u>	<u>318,692</u>	<u>202,831</u>
GENERAL REVENUE			
Property taxes	366,598	364,991	1,607
Investment earnings	92	181	(89)
Miscellaneous	18,222	47,970	(29,748)
Total revenue	<u>906,435</u>	<u>731,834</u>	<u>174,601</u>
EXPENDITURES			
Public safety	915,976	854,185	(61,791)
Capital outlay	25,468	20,653	(4,815)
Debt service		5,098	5,098
Total program expenditures	<u>941,444</u>	<u>879,936</u>	<u>(61,508)</u>
Excess revenue over expenditures	(35,009)	(148,102)	113,093
Net Position - Beginning of year - restated	<u>250,837</u>	<u>398,939</u>	<u>(148,102)</u>
Net Position - End of year	<u>\$ 215,828</u>	<u>\$ 250,837</u>	<u>\$ (35,009)</u>

Financial Analysis of the Government's Funds

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

Fund balance for the General Fund decreased from \$129,128 to \$26,426 due to a combination of expenditures \$79,670 in excess of revenues in 2015 and a (\$23,032) prior period adjustment. The personal services line item increased by \$148,156 over the previous year due to the hiring of additional firefighters and had expenditures in excess of budgeted appropriations of \$43,104.

Capital Asset and Debt Administration

The District's investment in capital assets includes water rescue, medical and fire apparatus and vehicles, furniture, fixtures and equipment and work in progress. As of June 30, 2015 the District had invested \$292,924 in capital assets, net of depreciation.

During the year, the District's investment in capital assets decreased by (\$81,238).

Additional information on the District's capital assets can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

The population in the District's service area has currently leveled off for the time being but continued investment in the area is expected to grow again in the near future. As a result, the District has maintained its long term assessed value growth rates for forecasting and future budget purposes, and we still anticipate continuing to increase property tax revenues in future years based upon continued assessed value increases.

The state's pension system for its public employees, PERS, has been under significant legislative and public scrutiny as the costs of the benefits have grown and are projected to continue to significantly increase. This pension system has been subject to significant legislative reform as well as changes mandated from court rulings. These reforms have served to slow down the rate of increase in PERS Contribution rates for employers for now, but the majority are being contested through the court system creating additional uncertainty for PERS costs in the future. The current budget and future forecasts reflect these significant factors.

Requests for Information

This financial report is designed to provide a general overview of Central Oregon Coast Fire & Rescue's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief, Central Oregon Coast Fire & Rescue, PO Box 505, Waldport, OR 97394, Tel. 541-563-3121 Fax 541-563-3190.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

COMBINED GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS-
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND
BALANCE SHEET as of June 30, 2015

	General Fund	Equipment Reserve	Bldg/Property Reserve Fund	Total	Adjustments (Note 2)	Statement of Net Position
ASSETS						
Cash and cash equivalents	\$ 19,323	\$ 22,309	\$ 15,014	\$ 56,646	\$ 0	\$ 56,646
Accounts receivable	98,439	0	0	98,439	0	98,439
Taxes receivable	35,787	0	0	35,787	0	35,787
Prepaid expenses	12,427	0	0	12,427	0	12,427
Capital assets, net of accum. depreciation	0	0	0	0	292,924	292,924
Net Pension Asset	0	0	0	0	81,322	81,322
Total assets	<u>165,976</u>	<u>22,309</u>	<u>15,014</u>	<u>203,299</u>	<u>374,246</u>	<u>577,545</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources from pensions	0	0	0	0	22,750	22,750
Total assets and deferred outflows of resources	<u>165,976</u>	<u>22,309</u>	<u>15,014</u>	<u>203,299</u>	<u>396,996</u>	<u>600,295</u>
LIABILITIES						
Accounts payable	24,994	0	0	24,994	0	24,994
Payroll taxes and benefits payable	27,551	0	0	27,551	0	27,551
Long-term liabilities						
Due within one year	0	0	0	0	35,000	35,000
Due after one year	0	0	0	0	130,861	130,861
Total liabilities	<u>52,545</u>	<u>0</u>	<u>0</u>	<u>52,545</u>	<u>165,861</u>	<u>218,406</u>
DEFERRED INFLOWS OF RESOURCES						
Ambulance run fees	55,650	0	0	55,650	(55,650)	0
Property taxes	31,355	0	0	31,355	(31,355)	0
Pension	0	0	0	0	166,061	166,061
Total deferred inflows of resources	<u>87,005</u>	<u>0</u>	<u>0</u>	<u>87,005</u>	<u>79,056</u>	<u>166,061</u>
Total liabilities and deferred inflows of resource	<u>139,550</u>	<u>0</u>	<u>0</u>	<u>139,550</u>	<u>244,917</u>	<u>384,467</u>
FUND BALANCE/NET POSITION						
Fund balances						
Unspendable - prepaid expenses	12,427	0	0	12,427	(12,427)	0
Committed reserve - equipment	0	22,309	0	22,309	(22,309)	0
- building	0	0	15,014	15,014	(15,014)	0
Unassigned	13,999	0	0	13,999	(13,999)	0
Total fund balances	<u>\$ 26,426</u>	<u>\$ 22,309</u>	<u>\$ 15,014</u>	<u>\$ 63,749</u>	<u>(63,749)</u>	<u>0</u>
NET POSITION						
Net investment in capital assets					147,924	147,924
Restricted-net pension asset					81,322	81,322
Unrestricted					(13,418)	(13,418)
Total net position					<u>\$ 215,828</u>	<u>\$ 215,828</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

COMBINED GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES for the Year Ended June 30, 2015

	General Fund	Equipment Reserve Fund	Bldg/Property Reserve Fund	Total	Adjustments (Note 2)	Statement of Activities
Expenditures/Expenses						
Fire protection and EMS operations	\$ 924,518	\$ 0	\$ 0	\$ 924,518	\$ (8,542)	\$ 915,976
Capital outlay	25,468	0	0	25,468	0	25,468
Debt service	35,000	0	0	35,000	(35,000)	0
Total expenditures/expenses	<u>984,986</u>	<u>0</u>	<u>0</u>	<u>984,986</u>	<u>(43,542)</u>	<u>941,444</u>
Program revenues						
Charges for services	527,176	0	0	527,176	(8,663)	518,513
Operating grants	3,010	0	0	3,010	0	3,010
Total program revenues	<u>530,186</u>	<u>0</u>	<u>0</u>	<u>530,186</u>	<u>(8,663)</u>	<u>521,523</u>
Net program loss						<u>(419,921)</u>
General revenues						
Property taxes	364,542	0	0	364,542	2,056	366,598
Investment earnings	66	18	8	92	0	92
Miscellaneous	16,746	0	0	16,746	0	16,746
Donations and memorials	1,476	0	0	1,476	0	1,476
Total general revenues	<u>382,830</u>	<u>18</u>	<u>8</u>	<u>382,856</u>	<u>2,056</u>	<u>384,912</u>
Excess of revenues over expenditures	(71,970)	18	8	(71,944)	36,935	
Other financing sources (uses)						
Transfers	(7,700)	7,700	0	0	0	
Excess of revenues over expenditures	(79,670)	7,718	8	(71,944)	36,935	
Changes in net position	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,009)</u>
FUND BALANCES/NET POSITION - Beg. of year	129,128	14,591	15,006	158,725	276,235	434,960
PRIOR PERIOD ADJUSTMENT	(23,032)	0	0	(23,032)	(161,091)	(184,123)
FUND BALANCES/NET POSTION - restated	<u>106,096</u>	<u>14,591</u>	<u>15,006</u>	<u>135,693</u>	<u>115,144</u>	<u>250,837</u>
FUND BALANCES/NET POSTION - End of year	<u>\$ 26,426</u>	<u>\$ 22,309</u>	<u>\$ 15,014</u>	<u>\$ 63,749</u>	<u>\$ 152,079</u>	<u>\$ 215,828</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GOVERNMENTAL FUND TYPE for the Year Ended June 30, 2015**

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$ 379,250	\$ 379,250	\$ 364,542	\$ (14,708)
Service revenue	381,000	553,407	527,176	(26,231)
Contract revenue	24,000	24,000	-	(24,000)
Interest	200	200	66	(134)
Grants	20,000	20,000	3,010	(16,990)
Donations and memorials	0	0	1,476	1,476
Miscellaneous	15,500	15,500	16,746	1,246
Total revenues	<u>819,950</u>	<u>992,357</u>	<u>913,016</u>	<u>(79,341)</u>
EXPENDITURES				
Personal services	499,902	604,954	648,058	(43,104)
Materials and services	289,178	381,533	276,460	105,073
Capital outlay	84,960	84,960	25,468	59,492
Debt Service				
Principal	35,000	35,000	35,000	0
Contingency	10,000	10,000	0	10,000
Total expenditures	<u>919,040</u>	<u>1,116,447</u>	<u>984,986</u>	<u>131,461</u>
Excess (def) of revenues over expenditures	<u>(99,090)</u>	<u>(124,090)</u>	<u>(71,970)</u>	<u>52,120</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Reserve Funds	0	25,000	12,300	12,700
Transfers to Reserve Funds	(25,000)	(25,000)	(20,000)	5,000
Total other financing sources (uses)	<u>(25,000)</u>	<u>0</u>	<u>(7,700)</u>	<u>7,700</u>
Excess (def) of revenues over expenditures	<u>(124,090)</u>	<u>(124,090)</u>	<u>(79,670)</u>	<u>44,420</u>
Reserved for future expenditures	(910)	(910)	0	910
FUND BALANCE - Beginning of year	125,000	125,000	129,128	4,128
PRIOR PERIOD ADJUSTMENT	0	0	(23,032)	23,032
FUND BALANCE - Beginning, restated	0	0	106,096	(106,096)
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,426</u>	<u>\$ (26,426)</u>

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GOVERNMENTAL FUND TYPE for the Year Ended June 30, 2015**

EQUIPMENT RESERVE FUND

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Interest	\$ 15	\$ 18	\$ 3
EXPENDITURES			
Capital outlay	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Excess (def) of revenues over expenditures	<u>(19,985)</u>	<u>18</u>	<u>20,003</u>
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	20,000	20,000	0
Transfer to General Fund	<u>0</u>	<u>(12,300)</u>	<u>(12,300)</u>
Excess (def) of revenues over expenditures	15	7,718	7,703
Reserved for future expenditures	(14,599)	0	14,599
FUND BALANCE - Beginning of year	<u>14,584</u>	<u>14,591</u>	<u>7</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 22,309</u>	<u>\$ 22,309</u>

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GOVERNMENTAL FUND TYPE for the Year Ended June 30, 2015**

BUILDING/PROPERTY RESERVE FUND

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Interest	\$ 15	\$ 8	\$ (7)
EXPENDITURES	0	0	0
Excess (def) of revenues over expenditures	15	8	(7)
OTHER FINANCING SOURCES (USES)			
Transfers from General Fund	5,000	0	(5,000)
Excess (def) of revenues over expenditures	5,015	8	(5,007)
Reserved for future expenditures	(20,019)	0	20,019
FUND BALANCE - Beginning of year	15,004	15,006	2
FUND BALANCE - End of year	\$ 0	\$ 15,014	\$ 15,014

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Central Oregon Coast Fire & Rescue (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 government's accounting policies are described below.

Reporting Entity

The District is an Oregon municipal corporation created in June of 1998, organized to provide fire protection and emergency medical assistance to a portion of Lincoln County and the City of Waldport. The power and authority given to the District is vested in a Board of Directors, each member being elected for a four-year term. The Board of Directors has the authority to adopt the budget, levy taxes, and authorize borrowing. The Board appoints the Fire Chief of the District.

There are several governmental agencies which provide services within the District. These agencies have independent governing boards and the District does not exercise significant influence nor have financial accountability over them. Accordingly, their financial information is not included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary *governmental activities* of the District. *Governmental activities* are financed primarily through property taxes, and charges for services to other governments.

The statement of activities presents a comparison between *direct expenses* of the District's public safety program and *program revenues* for its programs. Direct expenses are those that are specifically associated with the public safety function and, therefore, are clearly identifiable to that function. Program revenues include: (1) charges to other governments for fire protection and services provided, (2) charges to users of ambulance services and (3) operating grants and contributions. Property taxes, investment earnings and other items that are not properly classified as program revenues, are presented as *general revenues*.

Government-wide Statements

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 are recognized as revenue as soon as all eligibility requirements have been met.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government Fund Financial Statements

The government fund financial statements use a flow of *current financial resources measurement focus*. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financial uses) in net current assets. The governmental fund types are maintained using the *modified accrual basis of accounting* whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for: (1) interest expenses on long-term debt, which is recorded as due, and (2) insurance premiums benefitting more than one fiscal year are recorded when paid.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The District considers revenues available if they are collected within 60 days of year-end with the exception of investment interest, which is recognized when earned. Significant revenues, which are measurable and available under the modified accrual basis of accounting are property tax revenues and fire protection contract revenues.

Funds

The District reports the following budgetary governmental major funds:

General Fund

The General Fund is the District's operating fund, accounting for all financial resources of the District. The principal revenue source is property taxes and ambulance user charges, and primary expenditures are for public safety.

Equipment Reserve Fund

The Equipment Reserve Fund is used to account for financial resources accumulated and for the purchase of equipment. The principal revenue source is transfers from the General Fund.

Building/Property Reserve Fund

The Building/Property Reserve Fund is used to account for financial resources accumulated and for the purchase of buildings and property. The principal revenue source is transfers from the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

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

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.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments

The District's investment policies are governed by Oregon statutes. The statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 4A.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

Capital Assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair value at the date of donation. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during the construction phase is reflected in the capitalized value of the assets constructed net of interest earned on the invested proceeds over the same period. It is the District's policy to capitalize individual assets with a cost of \$10,000 or more and a useful life of more than the year. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

	<u>Years</u>
Buildings	20
Equipment	5 - 10
Vehicles	5 - 10

Compensated Absences

Accumulated vested compensated absences are recorded in the General fund and are expected to be paid from expendable available resources.

Fund Balance Classifications

In the government-wide statement of net position, fund equity is referred to as net position and is segregated into the following three components: 1) amount invested in capital assets, net of related debt, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance is categorized as follows:

Nonspendable fund balance - represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

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).

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance Classifications

Committed fund balance - represents funds formally set aside by the governing body for a particular purpose. The Board may commit a fund balance by resolution. The Board may also modify or rescind commitments 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. Both the Fire Chief and the Chief Financial Officer have been given this authority by the Board.

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.

The Board of Directors has approved the following order of spending regarding fund balance categories: 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 lastly, unassigned fund balance.

The Board has committed funds for capital replacement.

Pensions

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 fiduciary net position of the Oregon Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Adoption of New GASB Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the District are detailed below.

Net Pension Liability: Previous standards defined the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Deferred inflows of resources and deferred outflows of resources: Statement No. 68 includes recognition of deferred inflows and outflows of resources arising from the difference between projected and actual earnings on pension plan investment.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance Classifications

Committed fund balance - represents funds formally set aside by the governing body for a particular purpose. The Board may commit a fund balance by resolution. The Board may also modify or rescind commitments 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. Both the Fire Chief and the Chief Financial Officer have been given this authority by the Board.

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.

The Board of Directors has approved the following order of spending regarding fund balance categories: 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 lastly, unassigned fund balance.

The Board has committed funds for capital replacement.

Pensions

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 fiduciary net position of the Oregon Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Adoption of New GASB Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the District are detailed below.

Net Pension Liability: Previous standards defined the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adoption of New GASB Pronouncements

Deferred inflows of resources and deferred outflows of resources: Statement No. 68 includes recognition of deferred inflows and outflows of resources arising from the difference between projected and actual earnings on pension plan investment.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. This statement requires that contributions made by participating employers to pension plans after the Measurement Date for the Net Pension Liability but before the end of the financial statement period for the employer be reported as deferred outflows of resources.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014; Statement No. 71 is to be applied concurrently with Statement No. 68. The effects of the accounting changes are to be applied retroactively by restating the financial statements. See Note 5.

Deferred Outflows/Inflows of Resources

In March 2012, GASB issued Statement 65, Items Previously Reported as Assets and Liabilities, clarifying the reporting of deferred outflows and inflows of resources. The statement is effective for periods beginning after December 15, 2012.

Deferred inflows of resources represents an acquisition of net position applying to future periods and so are not recognized as revenue (inflow of resources) until that time. As required by GASB 68, the District reports deferred inflows of \$156,919 for its proportionate share of the difference between projected and actual earnings on pension plan investments, and of \$9,142 for the difference between its contributions. The District also reports \$31,355 of deferred inflows of resources in the governmental funds balance sheet for property taxes and \$55,650 of deferred inflows of resources in the governmental funds balance sheets for charges for services which represent unavailable resources under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Deferred outflows of resources represents a consumption of net position applying to future periods and so will not be recognized as expense/expenditures until then. As required by GASB 68, the District reports deferred outflows of \$22,750 for its contributions to PERS since the measurement date.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 2 - RECONCILIATION

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet and statement of net position includes an adjustment column between *total governmental fund balances* and *net position of governmental activities*. The details of these adjustments are as follows:

	<u>Balance</u>
Capital assets are not reported in the governmental fund balance sheet	\$ 292,924
Current property taxes deferred are revenue in the government-wide statement of net position	31,355
Current charges for services deferred are revenue in the government-wide statement of net position	55,650
General long-term debt is not reported in the governmental fund balance sheet	(165,861)
Deferred inflows and outflows related to pensions are not reported in the governmental fund balance sheet	(143,311)
Net pension asset is not reported in the governmental fund balance sheet	<u>81,322</u>
Net adjustment to reconcile fund balance-total governmental funds to arrive at net position	<u>\$ 152,079</u>

The governmental fund statement of revenue, expenditures, and changes in fund balances includes an adjustment between *changes in governmental fund balances* and *net position of governmental activities* as reported in the government-wide statement of activities. The details of these adjustments are as follows:

	<u>Balance</u>
Depreciation is not treated as a current expenditure of governmental activities	\$ (81,237)
Current debt principal payments received are not treated as current expenses of governmental activities	35,000
Compensated absences are not treated as a current expenditure of government activities	(9,323)
Charges for services rendered, not yet received, are accrued in the government-wide statement of activities	(8,663)
Property taxes levied, not yet received, are accrued in the government-wide statement of activities	2,056
Pension-related adjustments to income/expense are not recognized in the governmental funds	<u>99,102</u>
Net adjustment to reconcile fund balance-governmental funds to arrive at net position	<u>\$ 36,935</u>

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

The District budgets all funds on the modified accrual basis, in accordance with the requirements of state law.

The Board of Directors adopts the original budget by resolution prior to the beginning of the District's fiscal year (July 1 through June 30). The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay and other expenditures for the 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 above mentioned 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 the fund's original budget may be adopted by the Board of Directors at a regular board meeting. A supplemental budget greater than 10% of the 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. Appropriations lapse at year-end.

Overexpenditures

Expenditures for the following funds exceeded budget appropriations as follows:

	<u>Balance</u>
General Fund	
Personal services	\$ 43,104
Equipment Reserve Fund	
Transfer to other fund	12,300

NOTE 4 - DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>
Cash and cash equivalents	<u>\$ 56,646</u>

Cash, cash equivalents and investments as of June 30 consist of the following:

	<u>Balance</u>
Cash on hand	\$ 400
Deposits with financial institutions	<u>56,246</u>
Total cash and investments	<u>\$ 56,646</u>

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 4 - DETAILED NOTES - Continued

A. DEPOSITS AND INVESTMENTS

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$46,910, all covered under FDIC.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. For the current year, the District's deposits were deposited in state recognized qualified depositories. The District does not have a formally adopted deposit policy for custodial credit risk.

B. RECEIVABLES

Property Taxes

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue, and the remaining balance of property taxes receivable is recorded as deferred revenue as it is not considered available to finance operations of the current period.

Accounts Receivable

The receivables for Ambulance Services at year end of \$98,439 are net of applicable insurance write-downs. Those accounts deemed uncollectible are sent to a collection agency and written off. Billing services are provided by the City of Springfield.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 4 - DETAILED NOTES - Continued

C. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Buildings	\$ 33,363	\$ 0	\$ 0	\$ 33,363
Equipment	203,251	0	0	203,251
Vehicles	<u>793,249</u>	<u>0</u>	<u>0</u>	<u>793,249</u>
Total depreciable at historical cost	<u>1,029,863</u>	<u>0</u>	<u>0</u>	<u>1,029,863</u>
Accumulated depreciation				
Building	(15,012)	(1,669)	0	(16,681)
Equipment	(167,004)	(10,974)	0	(177,978)
Vehicles	<u>(473,685)</u>	<u>(68,595)</u>	<u>0</u>	<u>(542,280)</u>
Total accumulated depreciation	<u>(655,701)</u>	<u>(81,238)</u>	<u>0</u>	<u>(736,939)</u>
Capital assets, net	<u>\$ 374,162</u>	<u>\$ (81,238)</u>	<u>\$ 0</u>	<u>\$ 292,924</u>

Current year depreciation is \$81,237.

D. INTERFUND TRANSFERS

	<u>Total</u>	<u>Transfer In</u>	
		<u>Equipment Reserve Fund</u>	<u>General Fund</u>
Transfer Out			
General Fund	\$ (20,000)	\$ 20,000	\$ 0
Equipment Reserve Fund	<u>(12,300)</u>	<u>0</u>	<u>12,300</u>
Total	<u>\$ (32,300)</u>	<u>\$ 20,000</u>	<u>\$ 12,300</u>

The purpose of the transfer is to support capital expenditures.

E. LONG-TERM DEBT

During the year ended June 30, the following changes occurred in long-term liabilities:

	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences		\$ 11,538	\$ 9,323	\$ 0	\$ 20,861	\$ 0
FlexLease (2 - 3.05%)	\$ 215,000	<u>180,000</u>	<u>0</u>	<u>35,000</u>	<u>145,000</u>	<u>35,000</u>
Total long-term liabilities		<u>\$ 191,538</u>	<u>\$ 9,323</u>	<u>\$ 35,000</u>	<u>\$ 165,861</u>	<u>\$ 35,000</u>

Interest expense for the year was \$4,576. No interest was capitalized.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 4 - DETAILED NOTES - Continued

E. LONG-TERM DEBT

FlexLease Program

The District is financing \$215,000 of equipment by using Certificates of Participation called the "FlexLease Program." Under this program Certificates of Participation are sold backed by lease purchases of specified underlying equipment. The underlying debt bears interest rates from 2% to 3.05% with the last payment due January 1, 2019. These are not technically general obligations of the District, but they are intended to be repaid through tax revenues of the District.

Future maturities are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
2016	\$ 35,000	\$ 3,775	\$ 38,775
2017	35,000	3,023	38,023
2018	35,000	2,164	37,164
2019	40,000	1,220	41,220
Total	<u>\$ 145,000</u>	<u>\$ 10,182</u>	<u>\$ 155,182</u>

F. OPERATING LEASES

In 1999 the District entered into a twenty year cancellable lease with the City of Waldport for a building facility. Terms of the lease consist of a prorated share of the City's fire, casualty and liability insurance for each fiscal year plus \$1. Rent for this year was \$699.

In 2008 the District renewed an eight year cancellable lease for a building facility. Terms of the lease consist of a share of real property taxes. Rent for this year was \$150.

In 2012, the District entered into a fifty year cancellable land lease. Loan expense consists of property taxes on the portion of the land in timber tax deferral status. Rent expense for this year was \$131.

NOTE 5 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

The District is a participating employer in the Oregon Public Employee Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan established by the Oregon legislature pursuant to Oregon Revised Statutes (ORS) 238 and 238A. Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Oregon Public Employees Retirement System, PO Box 23700, Tigard 97281-3700 or on the PERS web site at http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: (1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and (2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

1. PERS Tier One/Tier Two Pension (Chapter 238)

Public employees who became members of PERS prior to January 1, 1996 received a guarantee that their accounts would be credited with at least the amount that would have been received had the plan assets earned the rate of return assumed in the most recent actuarial valuation for the period, even if the actual rate of return on the plan assets for the period was less than the assumed rate. The 1995 Legislature created a second tier of benefits for those who became members after 1995. The second tier does not have the Tier One assumed earnings rate guarantee.

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

a. Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options, including survivorship benefits and lump sum refunds. The basic benefit is based on years of service and the final average salary. A percentage (2.0% for 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 fire members). General service employees may retire after reaching age 55. Fire members may retire after reaching age 50. Tier one general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. 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.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

1. PERS Tier One/Tier Two Pension (Chapter 238)

b. 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 that one or more of the following conditions is met:

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

c. Disability Benefits

A member with ten 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 related 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-related disability, service time is computed to age 58 (55 for fire members) when determining the monthly benefit.

d. Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360, monthly benefits are adjusted annually through cost of living adjustments (COLAs). 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 over \$60,000.

The ORS Chapter 238A Defined Benefit Pension Program provided benefits to members hired on or after August 29, 2003.

2. OPSRP Pension Program (OPSRP Defined Benefit)

a. 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. For fire employees, 1.8% is multiplied by the number of years of service and the average final salary. For general service employees, 1.5% is multiplied by the number of years of service and the final average salary.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

2. OPSRP Pension Program (OPSRP Defined Benefit)

a. Pension Benefits

Normal retirement age for fire members is age 60, or age 53 with twenty-five years of retirement credit. To be classified as a fire member, the individual must have been employed continuously as a fire member for at least five years immediately preceding retirement. 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 at least 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.

b. 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.

c. 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.

d. Benefit Changes After Retirement

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. 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 .15% on annual benefits over \$60,000.

3. Contributions

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. 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 Post-Employment 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, expressed as a percentage of payroll, first became effective July 1, 2013. The District's contribution rate for the year ended June 30, 2015 was 15.80% of covered OPSRP Fire payroll. The District's contributions were \$60,057, excluding amounts due to amortization of transition liability/surplus from joining the rate pools.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

3. Contributions

The District participates in the State and Local Government Rate Pool (SLGRP). The SLGRP was created by legislative act of the State of Oregon and provided local governments the option to pool their PERS Tier One/Tier Two-related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. OPSRP-related assets and liabilities are mandatorily pooled.

PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. The amortization method used is a 22 year closed group, fixed term. PERS is reducing the amortization on new liabilities each year until it gets to the 20 year amortization standard it has set in policy.

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate.

The contribution rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period and expressing the result as a percentage of combined Tier One/Tier Two and OPSRP payroll. For employers that joined the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the employer joined the SLGRP. For the year ended June 30, 2015, the adjustment to the District's contribution rate was (8.22%) on covered payroll, which reduced the District's required contributions by \$37,307.

Amounts Payable to PERS

At June 30, 2015, the District had a payable of \$4,750 to Oregon PERS for defined benefit pension. This amount represented regular required contributions due on wages/salaries paid during the year.

4. Net Pension Liability (Asset) and Deferred Inflows/Outflows

At June 30, 2015, the District reported a net pension liability (asset) of \$(81,322). The Net Pension Liability (Asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2012, and rolled forward to June 30, 2014. The District's proportionate share of the total net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.00358766%, which was unchanged from its proportion at June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense (income) of \$(76,352). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

4. Net Pension Liability (Asset) and Deferred Inflows/Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 156,919
Changes in proportions and differences between District contributions and proportionate share of contributions	0	9,142
District contributions subsequent to the measurement date	22,750	0
Total	\$ 22,750	\$ 166,061

Deferred outflows of resources of \$22,750 relates 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. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of resources (prior to post-measurement date contributions)
2016	\$ (41,217)
2017	(41,217)
2018	(41,217)
2019	(41,217)
2020	(1,193)
Thereafter	0
Total	\$ (166,061)

5. Actuarial Valuations

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 employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial 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 (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

5. Actuarial Valuations

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; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service
Mortality	Healthy 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 healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

5. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities 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 future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2012 experience study, which reviewed experience for the four year period ending on December 31, 2012.

6. Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	Oregon Investment Council Target
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
Total			100.0%

7. Long-Term Expected Rate of Return

In order to develop an analytical basis for the selection of the long-term expected rate of return assumption, in July of 2013 the PERS Board reviewed long-term assumptions developed by both the capital market assumptions team of the actuary firm (Milliman) engaged to perform the system-wide actuarial valuation of PERS and the investment advisors of the Oregon Investment Council (OIC) which, pursuant to ORS 293.706, has responsibility for oversight and management of investment of all State of Oregon investments, including those of the Public Employees Retirement System. Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term asset allocation was combined with the OIC's long-term asset allocation targets. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the assumed rate of inflation. The assumptions are based on a forward-looking capital market economic model, rather than on historical returns. The target allocation and estimated geometric real rates of return for each asset class are summarized in the following table:

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

8. Target Allocation

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	1.25	6.07
Assumed Inflation - Mean		2.75%

9. 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 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 was applied to all periods of projected benefit payments to determine the total pension liability. For future years, PERS has reduced the discount rate from 7.75% to 7.5%, effective January 1, 2016.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

10. Sensitivity to Discount Rate

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

	Year ended June 30, 2015		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability(Asset)	<u>\$ 172,211</u>	<u>\$ (81,322)</u>	<u>\$ (295,751)</u>

11. Changes in Plan Provisions

Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for benefit recipients who are not subject to Oregon income tax, because they do not reside in Oregon, and limited the 2013 post-retirement COLA to 1.5% of annual benefit.

Senate Bill 861, signed into law in October 2013, limited post-retirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. The decrease in the Total Pension Liability resulting from Senate Bill 861, measured as of June 30, 2014, created a (\$2,423.6) million reduction in Plan pension liabilities.

Senate Bill 862, signed into law in October 2013, made targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

12. Changes in Assumptions

The Actuarial Cost Method was changed from the Projected Unit Credit cost method to the Entry Age Normal Cost method. This change will allow PERS to use the same cost method contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

In combination with the change in cost method, the PERS Board chose to re-amortize the outstanding Tier One/ Tier Two UAL as of December 31, 2013. Reamortization is now over a closed period of 20 years as a level percentage of projected payroll gains and losses between subsequent rate-setting valuations to be amortized over a closed 20 year period from the valuation in which they were first recognized.

Also in combination with the change in cost method, the "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges were from 80% to 70% and from 120% to 130%.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

12. *Changes in Assumptions*

For purposes of allocating Tier One/Tier Two members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match and Full Formula methodologies used by PERS when the member retires, with weights determined by the prevalence of each formula among the current tier One/Tier Two population. The Money Match weights were adjusted from 40% for General Service members and 10% for Fire members in the 2010 and 2011 valuations to 30% for General Service members and 5% for Fire members in the 2012 and 2013 valuations, based on projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the interest crediting to variable account balances was 8.25%.

Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Mortality assumptions for healthy members, based on RP-2000 generational mortality tables with group-specific class and setback adjustments, were updated to more closely match the results of the 2012 experience study. Mortality assumptions for disabled members were changed from the RP-2000 healthy tables to the RP-2000 disabled tables, with gender-specific adjustments updated to more closely match the results of the 2012 experience study. Rates for disability, retirement, and termination were also adjusted, and termination rates were changed from being indexed upon age to being indexed upon duration from hire.

Salary increase assumptions were also adjusted. Assumed merit increases for school district members were lowered, and unused sick leave and vacation pay rates were adjusted.

13. *Changes in Plan Provisions Subsequent to Measurement Date*

On April 30, 2015, the Oregon Supreme Court ruled in *Moro vs. State of Oregon* that the provisions of Senate Bill 861, signed into law in October of 2013, limiting 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. PERS members who accrued benefits both before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The System will be required to make payments to those members who received benefits between the date of enactment of the legislation and the Oregon Supreme Court decision to restore the amounts that should have been paid. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and is not included in the proportionate shares of the Net Pension Liability (Asset) provided to employers at June 30, 2015.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

13. *Changes in Plan Provisions Subsequent to Measurement Date*

The actuary for the Oregon Public Employee Retirement System has estimated the effect of the *Moro* decision on the Net Pension Liability (Asset) as of the valuation date of June 30, 2014. For purposes of this estimate, it was assumed that the blended COLA for affected PERS members would be determined based on creditable service before and after the effective date. The actuary estimated that the Net Pension Liability (Asset) would change from an asset of \$(2,266,714,685) to a liability of approximately \$2,650,000,000. Based on its proportionate share of the Net Pension Liability of 0.00358766%, the Districts proportionate share of the Net Pension Liability (Asset) would change from an asset of \$(81,322) to a liability of approximately \$95,073.

B. OPSRP IAP (INDIVIDUAL ACCOUNT PROGRAM) DESCRIPTION

The OPSRP IAP program is a defined contribution plan established by the Oregon legislature pursuant to ORS 238A. Employees who participate in the Plan contribute 6% of their wages to IAP. PERS employers may make optional contributions for members. The District elected to pay the 6% IAP contribution on behalf of its covered workforce. Contributions for the IAP program were \$20,077 for the year ended June 30, 2015.

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP, not into the member's PERS account.

Amounts Payable to PERS

At June 30, 2015, the District had a payable of \$3,081 to Oregon PERS for defined contribution pensions. This amount represented regular required contributions due on wages/salaries paid during the year.

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 Individual Account Program (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.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 5 - RETIREMENT BENEFITS - Continued

B. OPSRP IAP (INDIVIDUAL ACCOUNT PROGRAM) DESCRIPTION

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 payments on choose a lump-sum payment.

Record Keeping

PERS contracts with VOYA Financial to maintain IAP participant records.

C. 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 postemployment benefit plan (OPEB) 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. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

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

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently .49% for OPSRP of annual covered payroll, respectively. 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 with 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 thirty years. The District's contributions to RHIA for the years ended June 30, 2015, 2014, and 2013 were paid and equaled the required contributions for each year.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 6 - PRIOR PERIOD ADJUSTMENT

As described in Note 1, the District adopted GASB Statements 68 and 71 in the current year. In addition, the District discovered certain errors in accruals of payroll-related liabilities and prepaid expenses. Accordingly, the District has restated the amounts of affected balances within the financial statements for the year ended June 30, 2014:

	<u>As originally Reported</u>	<u>As restated</u>	<u>Effect of Change</u>
Statement of net position			
Prepaid expenses	\$ 36,542	\$ 27,097	\$ (9,445)
Payroll liabilities	0	13,587	(13,587)
Deferred outflow of resources			
Payments made to PERS after the measurement date	0	21,993	21,993
Non-current liabilities			
Net pension liability	0	183,084	(183,084)
 Net position	 \$ 434,960	 \$ 250,837	 \$(184,123)

NOTE 7 - OTHER INFORMATION

Deferred Compensation Plan

The District offers its employees a deferred compensation plan, permitting them to defer a portion of their salary into future years. It is administered by independent plan administrators through service agreements. The District's involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing function. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The District works with separate investment providers who also provide third-party administration for all deferred compensation program funds. There is little involvement required by the District and it does not have any liability for losses under the plan, but does have the duty to administer the plan in a prudent manner. In accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the plan's assets are not included in the accompanying combined government-wide and fund financial statements.

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 it carries commercial insurance. Annual premiums are paid for its property, liability, automobile physical damage, employee bond and workers' compensation coverage. Any settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2015

NOTE 7 - OTHER INFORMATION - Continued

Contingency

The District has three stations, only one of which was manned during the year ended June 30. The two unmanned stations were used for equipment storage. The District is in the process of evaluating whether it remains economically feasible to maintain the stations or the stations will need to be permanently closed. In the event of closure, the District would lose a building constructed as a leasehold improvement at one of the sites. At June 30, 2015, the net book value of the asset was \$16,682.

Evaluation of Subsequent Events

Management has evaluated subsequent events through January 22, 2016, the date on which the financial statements were available to be issued.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

REQUIRED SUPPLEMENTAL SECTION

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY as of June 30, 2015**

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00358766%	0.00358766%
District's proportionate share of the net pension liability (asset)	(81,322)	183,084
District's covered employee payroll	425,391	308,813
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(19.1)%	59.3%
Plan's net fiduciary position as a percentage of the total pension liability	103.6%	92.0%

**CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
as of June 30, 2015**

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 29,905	\$ 21,710
Contributions in relation to the contractually required contribution	<u>29,499</u>	<u>21,993</u>
Contribution deficiency (excess)	<u>\$ 406</u>	<u>\$ (283)</u>
District's covered-employee payroll	\$ 425,391	\$ 308,813
Contributions as a percentage of covered-employee payroll	6.93%	7.12%

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

**NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED
CONTRIBUTIONS for the Year Ended June 30, 2015**

Changes in Plan Provisions Subsequent to Measurement Date

On April 30, 2015, the Oregon Supreme Court ruled in *Moro vs. State of Oregon* that the provisions of Senate Bill 861, signed into law in October of 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. PERS members who accrued benefits both before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The System will be required to make payments to those members who received benefits between the date of enactment of the legislation and the Oregon Supreme Court decision to restore the amounts that should have been paid. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and is not included in the proportionate shares of the Net Pension Liability (Asset) provided to employers at June 30, 2015.

The actuary for the Oregon Public Employee Retirement System has estimated the effect of the *Moro* decision on the Net Pension Liability (Asset) as of the valuation date of June 30, 2014. For purposes of this estimate, it was assumed that the blended COLA for affected PERS members would be determined based on creditable service before and after the effective date. The actuary estimated that the Net Pension Liability (Asset) would change from an asset of \$(2,266,714,685) to a liability of approximately \$2,650,000,000. Based on its proportionate share of the Net Pension Liability of 0.00358766%, the District's proportionate share of the Net Pension Liability (Asset) would change from an asset of \$(81,322) to a liability of approximately \$95,073.

Changes in Assumptions

The Actuarial Cost Method was changed from the Projected Unit Credit cost method to the Entry Age Normal Cost method. This change will allow PERS to use the same cost method contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

In combination with the change in cost method, the PERS Board chose to re-amortize the outstanding Tier One/ Tier Two UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll gains and losses between subsequent rate-setting valuations to be amortized over a closed 20 year period from the valuation in which they were first recognized.

Also in combination with the change in cost method, the "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges were from 80% to 70 % and from 120% to 130%.

For purposes of allocating Tier One/Tier Two members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match and Full Formula methodologies used by PERS when the member retires, with weights determined by the prevalence of each formula among the current tier One/Tier Two population. The Money Match weights were adjusted from 40% for General Service members and 10% for Fire members in the 2010 and 2011 valuations to 30% for General Service members and 5% for Fire members in the 2012 and 2013 valuations, based on projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

**NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED
CONTRIBUTIONS for the Year Ended June 30, 2015**

Changes in Assumptions

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the interest crediting to variable account balances was 8.25%.

Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Mortality assumptions for healthy members, based on RP-2000 generational mortality tables with group-specific class and setback adjustments, were updated to more closely match the results of the 2012 experience study. Mortality assumptions for disabled members were changed from the RP-2000 healthy tables to the RP-2000 disabled tables, with gender-specific adjustments updated to more closely match the results of the 2012 experience study. Rates for disability, retirement, and termination were also adjusted, and termination rates were changed from being indexed upon age to being indexed upon duration from hire.

Salary increase assumptions were also adjusted. Assumed merit increases for school district members were lowered, and unused sick leave and vacation pay rates were adjusted.

Years Covered in Required Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions:

GASB Statement No. 68 generally requires that the required supplementary information schedules providing information about the employer's proportionate share of the Net Pension Liability (Asset) and contractually required contribution contain 10 years of data. However, the Statement also provides that, should the information required for the schedules not be available initially or be measured in a manner inconsistent with the provisions of the statement, information should only be presented for those periods for which it is available and is measured in a manner consistent with the provisions of the statement. For this reason, only information for the current and preceding year is presented in the schedules. Prospectively, an additional year of data will be added to the schedules each year until the 10 years required by the standard is reached.

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

SUPPLEMENTAL SECTION

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS
for the Year Ended June 30, 2015

Levy Year	Balance 7/1	Current Levy	Interest & Tax Roll Adjustments	Interest & Tax Collection	Balance 6/30
2014-15	\$ 0	\$ 370,232	\$ (9,672)	\$ 344,885	\$ 15,675
2013-14	15,689	0	(113)	6,900	8,676
2012-13	9,008	0	(126)	2,652	6,230
2011-12	5,895	0	(36)	2,746	3,113
2010-11	2,255	0	(36)	1,067	1,152
2009-10	870	0	(55)	154	661
2008-09	177	0	(36)	54	87
2007-08	69	0	(11)	9	49
2006-07	44	0	(8)	0	36
Prior Years	154	0	(43)	3	108
Totals	<u>\$ 34,161</u>	<u>\$ 370,232</u>	<u>\$ (10,136)</u>	<u>\$ 358,470</u>	<u>\$ 35,787</u>

CENTRAL OREGON COAST FIRE & RESCUE
Lincoln County, Oregon

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES

Certified Public Accountants

January 22, 2016

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To Board of Directors
Central Oregon Coast Fire & Rescue
Waldport, Oregon

I have audited the basic financial statements of the Central Oregon Coast Fire & Rescue as of and for the year ended June 30, 2015, and have issued my report thereon dated January 22, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Central Oregon Coast Fire & Rescue financial statements are free of material misstatement, I 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 162-10-000 through 162-10-330 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 my audit, and accordingly, I do not express such an opinion.

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

- Accounting records and related internal control structure.
- 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.
- 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 my testing nothing came to my attention that caused me to believe the Central Oregon Coast Fire & Rescue 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 except as follows:

Local Budget Law

As discussed in Note 3 to the financial statements, expenditures for the following funds exceeded budget appropriation:

	<u>Balance</u>
General Fund	
Personal services	\$ 43,104
Equipment Reserve Fund	
Transfer to other fund	12,300

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Central Oregon Coast Fire & Rescue's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Oregon Coast Fire & Rescue's internal control. Accordingly, I do not express an opinion on the effectiveness of the Central Oregon Coast Fire & Rescue's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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



SIGNE GRIMSTAD
Certified Public Accountant