

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

**AUDIT REPORT**

**JUNE 30, 2017**

Prepared by  
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Certified Public Accountant  
530 NW 3rd, Suite E  
PO Box 1930  
Newport, Oregon 97365

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

**BOARD OF DIRECTORS**

<u>Title</u>	<u>Name</u>
Chairman	Tim Grady PO Box 1066 Waldport, OR 97394
Vice-Chairman	Eric Stafford PO Box 27 Yachats, OR 97498
Treasurer	Dave Brooks PO Box 1945 Waldport, OR 97498
Boardmember	Kevin Battles PO Box 1032 Waldport, OR 97394
Secretary	Reda Eckerman 2092 E. Alsea Hwy Waldport, OR 97394

**ADMINISTRATIVE OFFICE**

Fire Chief Gary Woodson

**LEGAL COUNSEL**

Jordan Ramis, PC  
Two Centerpointe Drive, 6<sup>th</sup> Floor  
Lake Oswego, OR 97035

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

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

### Management's Responsibility for the Financial Statements

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

Members:  
AICPA OSCP & OAIA

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the General Fund budget and actual schedule, and defined benefit pension plan (PERS) schedules and notes, listed 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 the MD&A and the PERS schedules and notes 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 MD&A and the PERS schedules and notes because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

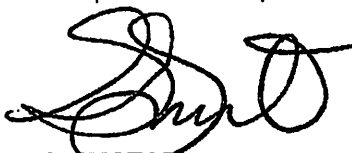
The budgetary schedule of the General Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary schedule of the General Fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### *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, budget and actual schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget schedules are 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 December 21, 2017 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  
Newport, Oregon  
December 21, 2017

## Central Oregon Coast Fire & Rescue

### Management's Discussion & Analysis (MD&A) For the year ended June 30, 2017

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, 2017. 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, 2017 by \$438,177. Of this amount, \$266,725 represents the District's investment in capital assets.

The District's total net position increased by \$432,079 compared to (\$209,730) in the previous year. The increase year reflects a continued decrease in income from transport services that were discontinued to the valley last year, more than offset by an increase in property taxes.

At the fund level, fund balances at year end were the following: General Fund \$359,712, Building/Property Reserve \$75,062, Equipment Reserve \$82,436 and the Equipment Replacement Levy fund (\$49,015).

At June 30, 2017, unassigned fund balance for the General Fund was \$345,897 or 73.8% 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 four governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 four individual governmental funds. Additionally, the District adopts an annual appropriated budget for its funds. Budgetary comparison statements have 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, 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 \$438,177 at June 30, 2017.

The largest portion of the District's assets was cash at 45%, followed by 25% for capital assets (e.g. medical and fire apparatus, and equipment). 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 investments, prepaid expenses and property taxes receivable, which are used to meet the District's ongoing obligations.

### STATEMENT OF NET POSITION

	2017	2016	VARIANCE
CURRENT ASSETS	\$ 537,506	\$ 223,908	\$ 313,598
Capital assets	266,725	194,037	72,688
Total assets	804,231	417,945	386,286
DEFERRED OUTFLOWS - PENSION CONTRIBUTIONS	246,813	42,448	204,365
Total assets and deferred outflows	1,051,044	460,393	590,651
LONG-TERM LIABILITIES	3,846	78,146	(74,300)
Other liabilities	19,018	60,783	(41,765)
Pension liability	521,722	238,907	282,815
Total liabilities	544,586	377,836	166,750
DEFERRED INFLOWS - PENSION	68,281	76,459	(8,178)
Total liabilities and deferred outflows	612,867	454,295	158,572
NET INVESTMENT IN CAPITAL ASSETS	266,725	84,037	182,688
UNRESTRICTED	171,452	(77,939)	249,391
Total net position	\$ 438,177	\$ 6,098	\$ 432,079

During the current fiscal year, the District's net position increased by \$432,079, an increase over the prior year from \$6,090. The difference is due to an increase in property taxes, capital grants of \$156,191, and a decrease in expenses, including the recognition of net pension expense of \$70,272.

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



Charges for services decreased by \$228,191. Contract revenue increased by \$400 and operating grants and contributions increased by \$2,500 from the prior year. Expenditures decreased by \$318,228 due to lower operating costs, and the recognition of less pension expense of \$70,272 compared to \$210,928 in the prior year.

**CENTRAL OREGON COAST FIRE & RESCUE**

**Changes in Net Position**

	2017	2016	VARIANCE
<b>PROGRAM REVENUE</b>			
Charges for services	\$ 7,093	\$ 235,284	\$ (228,191)
Contract revenue	13,000	12,600	400
Operating grants and contributions	2,500	-	2,500
Total program revenue	<u>22,593</u>	<u>247,884</u>	<u>(225,291)</u>
<b>GENERAL REVENUE</b>			
Property taxes	826,406	362,622	463,784
Investment earnings	979	90	889
Capital grants	156,191		156,191
Miscellaneous	6,447	78,471	(72,024)
Total revenue	<u>1,012,616</u>	<u>689,067</u>	<u>323,549</u>
<b>EXPENDITURES</b>			
Public safety	564,055	873,089	309,034
Capital outlay	13,888	19,254	5,366
Debt service	2,594	6,454	3,860
Total program expenditures	<u>580,537</u>	<u>898,797</u>	<u>318,260</u>
Excess revenue over expenditures	432,079	(209,730)	641,809
Net Position - Beginning of year	<u>6,098</u>	<u>215,828</u>	<u>(209,730)</u>
Net Position - End of year	<u>\$ 438,177</u>	<u>\$ 6,098</u>	<u>\$ 432,079</u>

**Financial Analysis of the Government's Funds**

The focus of the District's four 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 increased \$280,341 from \$79,371 to \$359,712. The personnel services line item decreased by \$205,015 over the previous year due to the reduction of firefighters. The District also profited from the sale of assets.

## **Capital Asset and Debt Administration**

The District's investment in capital assets includes water rescue, medical and fire apparatus, vehicles, furniture, fixtures, equipment, and work in progress. As of June 30, 2017 the District had invested \$266,725 in capital assets, net of depreciation.

During the year, the District's investment in capital assets increased by \$72,688.

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 leveled off for the time being, but investment in the service area is expected to grow. As a result, the District maintains its long-term assessed value growth rates for forecasting and budgeting purposes, and anticipates continuing increases in property tax revenues in the future based on current assessed property valuation increases.

The state's pension system for its public employees, PERS, has been under legislative and public scrutiny as the costs of the benefits have grown and are projected to continue to rise significantly. PERS has been subject to 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, but the reforms are being contested through the court system, creating additional uncertainty for future PERS costs. The current budget and future financial forecasts reflect these relevant 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, 2017**

	General Fund	Equipment Reserve Fund	Bldg/Property Reserve Fund	Equipment Replacement Levy Fund	Total	Adjustments (Note 2)	Balance Sheet
<b>ASSETS</b>							
Cash and cash equivalents	\$ 313,447	\$ 82,436	\$ 75,062	\$ 0	\$ 470,945	\$ 0	\$ 470,945
Accounts receivable	2,558	0	0	0	2,558	0	2,558
Taxes receivable	41,952	0	0	8,236	50,188	0	50,188
Prepaid expenses	13,815	0	0	0	13,815	0	13,815
Interfund loan	49,418	0	0	0	49,418	(49,418)	0
Capital assets, net of accum. depreciation	0	0	0	0	0	266,725	266,725
Total assets	<u>421,190</u>	<u>82,436</u>	<u>75,062</u>	<u>8,236</u>	<u>586,924</u>	<u>217,307</u>	<u>804,231</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows of resources from pensions	0	0	0	0	0	246,813	246,813
Total assets and deferred outflows of resources	<u>421,190</u>	<u>82,436</u>	<u>75,062</u>	<u>8,236</u>	<u>586,924</u>	<u>464,120</u>	<u>1,051,044</u>
<b>LIABILITIES</b>							
Accounts payable	16,849	0	0	0	16,849	0	16,849
Payroll liabilities	2,169	0	0	0	2,169	0	2,169
Interfund loan	0	0	0	49,418	49,418	(49,418)	0
Net pension liability	0	0	0	0	0	521,722	521,722
Long-term liabilities							
Due after one year	0	0	0	0	0	3,846	3,846
Total liabilities	<u>19,018</u>	<u>0</u>	<u>0</u>	<u>49,418</u>	<u>68,436</u>	<u>476,150</u>	<u>544,586</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Ambulance run fees	2,558	0	0	0	2,558	(2,558)	0
Property taxes	39,902	0	0	7,833	47,735	(47,735)	0
Pension	0	0	0	0	0	68,281	68,281
Total deferred inflows of resources	<u>42,460</u>	<u>0</u>	<u>0</u>	<u>7,833</u>	<u>50,293</u>	<u>17,988</u>	<u>68,281</u>
Total liabilities and deferred inflows of resources	<u>61,478</u>	<u>0</u>	<u>0</u>	<u>57,251</u>	<u>118,729</u>	<u>494,138</u>	<u>612,867</u>
<b>FUND BALANCE/NET POSITION</b>							
Fund balances							
Unspendable - prepaid expenses	13,815	0	0	0	13,815	(13,815)	0
Committed reserve - equipment	0	82,436	0	(49,015)	33,421	(33,421)	0
- building	0	0	75,062	0	75,062	(75,062)	0
Unassigned	345,897	0	0	0	345,897	(345,897)	0
Total fund balances	<u>\$ 359,712</u>	<u>\$ 82,436</u>	<u>\$ 75,062</u>	<u>\$ (49,015)</u>	<u>\$ 468,195</u>	<u>(468,195)</u>	<u>0</u>
<b>NET POSITION</b>							
Net investment in capital assets						266,725	266,725
Unrestricted						171,452	171,452
Total net position						<u>\$ 438,177</u>	<u>\$ 438,177</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, 2017**

	General Fund	Equipment Reserve Fund	Bldg/Property Reserve Fund	Equipment Replacement Levy Fund	Total	Adjustments (Note 2)	Statement of Activities
<b>Expenditures/Expenses</b>							
<b>Current</b>							
Fire protection and EMS operations	\$ 430,557	\$ 0	\$ 0	\$ 0	\$ 430,557	\$ 133,498	\$ 564,055
Capital outlay	165,231	0	0	49,932	215,163	(201,275)	13,888
<b>Debt service</b>							
Principal	0	0	0	110,000	110,000	(110,000)	0
Interest	0	0	0	2,594	2,594	0	2,594
<b>Total expenditures/expenses</b>	<u>595,788</u>	<u>0</u>	<u>0</u>	<u>162,526</u>	<u>758,314</u>	<u>(177,777)</u>	<u>580,537</u>
<b>Program revenues</b>							
Charges for services	20,748	0	0	0	20,748	(13,655)	7,093
Contract revenue	13,000	0	0	0	13,000	0	13,000
Operating grants	2,500	0	0	0	2,500	0	2,500
<b>Total program revenues</b>	<u>36,248</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,248</u>	<u>(13,655)</u>	<u>22,593</u>
<b>Net program loss</b>							<u>(557,944)</u>
<b>General revenues and transfers</b>							
Property taxes	731,049	0	0	83,697	814,746	11,660	826,406
Investment earnings	833	104	42	0	979	0	979
Miscellaneous	6,280	0	0	0	6,280	0	6,280
Asset sale	65,099	0	0	0	65,099	(65,361)	(262)
Capital grants	156,191	0	0	0	156,191	0	156,191
Donations and memorials	429	0	0	0	429	0	429
Transfers	(120,000)	60,000	60,000	0	0	0	0
<b>Total general revenues and transfers</b>	<u>839,881</u>	<u>60,104</u>	<u>60,042</u>	<u>83,697</u>	<u>1,043,724</u>	<u>(53,701)</u>	<u>990,023</u>
<b>Excess of revenues   over expenditures</b>	280,341	60,104	60,042	(78,829)	321,658	110,421	
<b>Changes in net position</b>	0	0	0	0	0	0	432,079
<b>FUND BALANCES/NET POSITION - Beg. of year</b>	<u>79,371</u>	<u>22,332</u>	<u>15,020</u>	<u>29,814</u>	<u>146,537</u>	<u>(140,439)</u>	<u>6,098</u>
<b>FUND BALANCES/NET POSITION - End of year</b>	<u>\$ 359,712</u>	<u>\$ 82,436</u>	<u>\$ 75,062</u>	<u>\$ (49,015)</u>	<u>\$ 468,195</u>	<u>\$ (30,018)</u>	<u>\$ 438,177</u>

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

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017**

**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 governmental fund balance sheet) 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, 2017

**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**

This is the District's operating fund, accounting for all financial resources of the District. The principal revenue source are property taxes. 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 are 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.

**Equipment Replacement Levy Fund**

This fund is to account for property taxes and other resources for equipment replacement expenditures.

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Funds**

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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).

*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.



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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has one item that qualifies for reporting in this category; deferred amounts relating to pensions, which consist of employer contributions to the Oregon Public Employees Retirement System (OPERS) after the measurement date, experience differences, and changes in proportion. This amount is deferred and recognized as an outflow of resources in the period when the District recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, if applicable.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue from property taxes and ambulance fees are reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The District also reports deferred amounts related to pensions which consist of differences between projected and actual investment earnings, changes in employer proportion, and differences between employer contributions and the District's proportionate share of contributions. This amount is deferred and recognized as an inflow of resources in the period when the District recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position, when applicable.

**Pensions**

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27*, the District's net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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, 2017

**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	\$ 266,725
Current property taxes deferred are revenue in the government-wide statement of net position	47,735
Current charges for services deferred are revenue in the government-wide statement of net position	2,558
General long-term debt is not reported in the governmental fund balance sheet	(3,846)
Deferred inflows and outflows related to pensions are not reported in the governmental fund balance sheet	178,532
Net pension liability is not reported in the governmental fund balance sheet	<u>(521,722)</u>
Net adjustment to reconcile fund balance-total governmental funds to arrive at net position	<u>\$ (30,018)</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	\$ (63,226)
Basis of assets sold not reported in governmental	(65,361)
Current debt principal payments received are not treated as current expenses of governmental activities	110,000
Charges for services rendered, not yet received, are accrued in the government-wide statement of activities	(13,655)
Property taxes levied, not yet received, are accrued in the government-wide statement of activities	11,660
Pension-related adjustments to income/expense are not recognized in the governmental funds	(70,272)
Current expenditures for capital assets are not treated as expense in the government-wide statement of activities	<u>201,275</u>
Net adjustment to reconcile fund balance-govern-mental funds to arrive at net position	<u>\$ 110,421</u>

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017**

**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 personnel 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.

**Over Expenditures**

Expenditures in excess of appropriations as follows:

Equipment Replacement Levy Fund	
Debt service	<u>\$ 75,000</u>

**Deficit Fund Balance**

The Equipment Replacement Levy Fund over expended in the current year to create a fund deficit of \$49,015.

**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>\$ 470,945</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>470,545</u>
Total cash and investments	<u>\$ 470,945</u>

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017

**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 \$508,634.

*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 \$2,558 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.

**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	194,103	0	0	194,103
Vehicles	<u>496,132</u>	<u>201,275</u>	<u>94,070</u>	<u>603,337</u>
Total depreciable at historical cost	<u>723,598</u>	<u>201,275</u>	<u>94,070</u>	<u>830,803</u>

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017

**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>
Accumulated depreciation				
Building	(18,350)	(1,668)	0	(20,018)
Equipment	(179,134)	(10,434)	0	(189,568)
Vehicles	(332,077)	(51,124)	28,709	(354,492)
Total accumulated depreciation	<u>(529,561)</u>	<u>(63,226)</u>	<u>28,709</u>	<u>(564,078)</u>
Capital assets, net	<u>\$ 194,037</u>	<u>\$ 138,049</u>	<u>\$ 65,361</u>	<u>\$ 266,725</u>

Current year depreciation is \$63,226.

**D. INTERFUND LOAN**

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ (49,418)	\$ 0
Equipment Reserve Fund	0	49,418
Total	<u>\$ (49,418)</u>	<u>\$ 49,418</u>

The purpose of the transfer is to support capital expenditures.

**E. INTERFUND TRANSFERS**

	<u>Transfer In</u>		
	<u>Equipment Reserve Fund</u>	<u>Building/Prop. Reserve Fund</u>	<u>Total Out</u>
Transfer out			
General Fund	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 120,000</u>

The purpose of inter-fund transfers is to build reserves for future capital expenditures.

**F. 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		\$ 3,146	\$ 700	\$ 0	\$ 3,846	\$ 0
FlexLease (2 - 3.05%)	\$ 215,000	110,000	0	110,000	0	0
Total long-term liabilities		<u>\$ 113,146</u>	<u>\$ 700</u>	<u>\$ 110,000</u>	<u>\$ 3,846</u>	<u>\$ 0</u>

Interest expense for the year was \$2,594. No interest was capitalized.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017**

**NOTE 4 - DETAILED NOTES - Continued**

**F. 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. The FlexLease Program obligation was paid in full during the year.

**G. OPERATING LEASES**

In 1999 the District entered into a twenty year cancelable 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 \$943.

In 2008 the District renewed an eight year cancelable 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 cancelable 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 \$0.

In November 2016, the District entered into a five year non-cancelable lease for copier equipment. Terms of the lease personal property taxes, processing fees, and excess per image charges. Rent expense for this year was \$959.

**NOTE 5 - RETIREMENT BENEFITS**

**A. PENSION PLAN - Defined Benefit**

**Oregon Public Employees Retirement System (PERS)**

***Plan Description***

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report (CAFR) and Actuarial Valuation that can be obtained by writing to: Oregon PERS, PO Box 23700, Tigard OR 97281-3700 or at: <http://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

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

*Pension Benefits* - The OPERS 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 final average salary. A percentage (2.0 and 1.67 percent for police/fire members and general service members respectively) 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 contribution 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 had reached at least 50 years of age before ceasing employment with a participating employer (ages 45 and 55 for police/fire members and general service members respectively). Participants are eligible for retirement after reaching ages 50 and 55 for police/fire members and general service members respectively. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

*Disability Benefits* - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job 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 ages 55 and 58 for fire members and general service members respectively when determining the monthly benefit.

*Benefit Changes After Retirement* - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0 percent.

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

**2. OPSRP Defined Benefit Pension Program (238A)**

*Pension Benefits* - The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. To be classified as a fire member the individual must be continuously employed as a fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 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.

*Death Benefits* - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*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 percent of the member's salary determined as of the last full month of employment before the disability occurred.

*Benefit Changes After Retirement* - Under ORS 238A.210, monthly benefits are adjusted annually through COLAs. The COLA is capped at 2.0 percent.

**3. OPSRP Individual Account Program (238A)**

*Pension Benefits* - An OPSRP Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement a member of the OPSRP IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan 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, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

**3. OPSRP Individual Account Program (238A)**

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

*Recordkeeping* - PERS contracts with Voya Financial to maintain IAP participant records.

***Contributions:***

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPERS 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 OPERS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the District for the year ending June 30, 2017 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2015. District contributions for the year ending June 30, 2017 were \$7,603, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2017 were 16.42 percent for Tier One/Tier Two General Service and Fire Members, 8.59 percent of OPSRP General Service Members, 13.36 percent for OPSRP Fire Members, and 6 percent for OPSRP Individual Account Members.

**Net Pension Liability**

At June 30, 2017, the District reported a net pension liability of \$521,722 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2016, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The District's proportionate share of the system-wide net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the District were 0.0034753 and 0.0041611 for the years ending June 30, 2016 and 2015 respectively. For the year ended June 30, 2017, the District recognized pension expense (income) of \$70,272. At June 30, 2017, the District reported deferred outflows and 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, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

**3. OPSRP Individual Account Program (238A)**

**Net Pension Liability**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,261	\$ 0
Changes of assumptions	111,271	0
Net difference between projected and actual earnings on investments	103,070	0
Changes in proportionate share	7,608	36,919
Contributions made subsequent to measurement date	7,603	0
Differences between employer contributions and employer's proportionate share of system contributions	0	31,362
Total	<u>\$ 246,813</u>	<u>\$ 68,281</u>

Deferred outflows of resources of \$7,603 relates to pensions resulting from District contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)</u>
2018	\$ 26,339
2019	26,339
2020	65,133
2021	48,097
2022	5,021
Thereafter	0
Total	<u>\$ 170,929</u>

**Actuarial Valuations**

The employer contribution rates effective July 1, 2015, through June 30, 2017 and July 1, 2017, through June 30, 2019, 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 OPERS 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. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017**

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

***Actuarial Valuations***

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

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 2015 experience study, which reviewed experience for the four-year period ended December 31, 2015.

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

***Long-Term Expected Rate of Return***

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
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	13.5	21.5	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
Opportunity portfolio	0	3.0	0
Total			100.0%

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.30%	6.99%
Micro Cap US Equities	1.30%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Even-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	<u>1.88%</u>	4.58%
Total	<u><u>100.00%</u></u>	
Assumed Inflation - Mean		2.50%

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**A. PENSION PLAN - DEFINED BENEFIT**

**Oregon Public Employees Retirement System (OPERS)**

***Discount Rate***

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

***Sensitivity to Discount Rate***

The following presents the District's net pension liability calculated using the discount rate of 7.50 percent, 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 (6.50 percent) and one percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50)%</u>	<u>Current Disc. Rate (7.50)%</u>	<u>1% Increase (8.50)%</u>
Net Pension Liability (Asset)	\$ <u>253,685</u>	\$ <u>521,722</u>	\$ <u>842,407</u>

***Changes in Plan Provisions from Prior Measurement Date***

We are aware of no changes in plan provisions from the June 30, 2015 measurement date.

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

We are aware of no changes in plan provisions subsequent to the June 30, 2016 measurement date.

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2017

**NOTE 5 - RETIREMENT BENEFITS - Continued**

**B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)**

*Plan Description*

As a member of OPERS, the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other post-employment benefit plan (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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS 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 OPERS 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 0.53 and 0.45 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board 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, 2017, 2016, and 2015 were paid and equaled the required contributions for each year.

**NOTE 6 - 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 the investing function. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 6 - OTHER INFORMATION - Continued**

**Deferred Compensation Plan**

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.

**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, 2017, the net book value of the asset was \$13,345.

**Evaluation of Subsequent Events**

Management has evaluated subsequent events through December 21, 2017, 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 DISTRICT**  
**Lincoln County, Oregon**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY (ASSET) as of June 30, 2017

**OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
Last Four Fiscal Years

Fiscal Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00359%	\$183,084	\$ 278,116	65.83%	90.7%
2015	0.00359%	(81,322)	308,813	(26.33)	103.6
2016	0.00416%	238,907	425,391	56.16	91.9
2017	0.00348%	521,722	232,934	223.98	80.5

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

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

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

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**as of June 30, 2017**

**OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
**Last Four Fiscal Years**

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency /(Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$21,710	\$22,750	\$(104)	\$308,813	7.37%
2015	22,750	23,147	(397)	425,391	5.44
2016	19,720	19,989	(269)	232,934	8.58
2017	7,603	7,603	0	95,889	7.93

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

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

**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, 2017**

***Changes in Benefit Terms***

We are aware of no changes in plan provisions from the June 30, 2015 measurement date.

***Changes in Assumptions***

Details and a comprehensive list of changes and methods and assumptions can be found in the 2012, 2014, and 2016 Experience Studies for the System, which were published on September 18, 2013, September 23, 2015, and July 26, 2017 respectively. These reports can be found at:

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

**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, 2017**

**GENERAL FUND**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Property taxes	\$ 712,388	\$ 731,049	\$ 18,661
Service revenue	16,500	20,748	4,248
Interest	100	833	733
Grants	165,000	158,691	(6,309)
Donations and memorials	0	429	429
Miscellaneous	97,300	84,379	(12,921)
<b>Total revenues</b>	<b>991,288</b>	<b>996,129</b>	<b>4,842</b>
<b>EXPENDITURES</b>			
Personnel services	374,978	222,609	152,369
Materials and services	396,087	373,179	22,908
Contingency	89,457	0	89,457
<b>Total expenditures</b>	<b>860,522</b>	<b>595,788</b>	<b>264,734</b>
Excess (def) of revenues over expenditures	130,766	400,341	269,575
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to reserve funds	(120,000)	(120,000)	0
Excess (def) of revenues over expenditures and other financing sources (uses)	10,766	280,341	269,575
Reserved for future expenditures	(123,926)	0	123,926
FUND BALANCE - Beginning of year	113,160	79,371	(33,789)
FUND BALANCE - End of year	\$ 0	\$ 359,712	\$ 359,712

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

**SUPPLEMENTAL SECTION**

**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, 2017**

**EQUIPMENT RESERVE FUND**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Interest	\$ 11	\$ 104	\$ 93
<b>EXPENDITURES</b>			
Capital outlay	52,000	0	52,000
Excess (def) of revenues over expenditures	(51,989)	104	52,093
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from General Fund	60,000	60,000	0
Excess (def) of revenues over expenditures and other financing sources (uses)	8,011	60,104	52,093
Reserved for future expenditures	(30,351)	0	30,351
FUND BALANCE - Beginning of year	22,340	22,332	(8)
FUND BALANCE - End of year	\$ 0	\$ 82,436	\$ 82,436

**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, 2017**

**BUILDING/PROPERTY RESERVE FUND**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Interest	\$ 10	\$ 42	\$ 32
<b>EXPENDITURES</b>	0	0	0
Excess (def) of revenues over expenditures	10	42	32
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from General Fund	60,000	60,000	0
Excess (def) of revenues over expenditures and other financing sources (uses)	60,010	60,042	32
Reserved for future expenditures	(61,030)	0	61,030
FUND BALANCE - Beginning of year	1,020	15,020	14,000
FUND BALANCE - End of year	\$ 0	\$ 75,062	\$ 75,062



**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, 2017**

**EQUIPMENT REPLACEMENT LEVY FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Property taxes	<u>\$ 83,742</u>	<u>\$ 83,697</u>	<u>\$ (45)</u>
<b>EXPENDITURES</b>			
Debt service	35,000	110,000	(75,000)
Capital outlay	<u>70,967</u>	<u>52,526</u>	<u>18,441</u>
Total expenditures	<u>105,967</u>	<u>162,526</u>	<u>(56,559)</u>
Excess (def) of revenues over expenditures	(22,225)	(78,829)	(56,604)
FUND BALANCE - Beginning of year	<u>22,225</u>	<u>29,814</u>	<u>7,589</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ (49,015)</u>	<u>\$ (49,015)</u>

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

**COMPLIANCE SECTION**

# GRIMSTAD & ASSOCIATES

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Newport Office:  
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Lincoln City Office:  
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Lincoln City, OR 97367  
(541) 994-5252  
Fax (541) 994-2105

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, 2017, and have issued my report thereon dated December 21, 2017. 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 grant agreements, 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 grant agreements, 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:

### Budget 2016-17

For the fiscal year 2016-17 the District did not budget for the interfund loan. Authorized by Resolution 15-60, it was unpaid by June 30, 2017 therefore should have been budgeted for repayment in the following year.

The resolution adopting the budget for 2016-17 did not specify the funds receiving appropriation authority.

The Equipment Replacement Levy Fund over expended by \$75,000.

## 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  
Newport, Oregon  
December 21, 2017