

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

**AUDIT REPORT**

**as of**

**JUNE 30, 2011**

Prepared by  
**SIGNE GRIMSTAD**  
Certified Public Accountant  
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Newport, Oregon 97365



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

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December 29, 2011

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## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying financial statements of the governmental activities and its major fund of Central Oregon Coast Fire & Rescue, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Oregon Coast Fire & Rescue's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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 its major fund of the Central Oregon Coast Fire & Rescue, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 to 7) and budgetary comparison information and reconciliation of the General Fund (pages 21 to 23) are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information and reconciliation of the General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Members:  
AICPA, OSCP & OAIA

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 as a whole. The supplemental information, schedule of property tax transactions (page 24), is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**SIGNE GRIMSTAD**  
Certified Public Accountant

# Central Oregon Coast Fire & Rescue

## Management's Discussion & Analysis (MD&A) For the year ending June 30, 2011

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, 2011. 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, 2011 by \$601,924. Of this amount, \$262,315 represents the District's investment in capital assets, net of related debt, and the balance of \$339,609 will be used to meet the District's ongoing obligations to citizens and creditors.

The District's total net assets increased by \$102,499. A reduction in deferred revenues as of June 30, 2011 and the paying down of the FlexLease debt that the district acquired in 2004 and 2007 to buy equipment are the main reasons for the increase in total net assets as of June 30, 2011.

As of June 30, 2011 the District reported an ending fund balance of \$231,363, an increase of \$92,401 in comparison with the prior year. Of this amount, \$24,929 is for Prepaid Expenses, \$151,211 is unreserved and \$55,223 is in a separate Equipment Reserve account.

At June 30, 2011, unreserved fund balance for the general fund was \$151,211, or 24.03 percent of total general fund expenditures and other financing uses.

### 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 Assets* and the *Statement of Activities*.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 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 Assets and Statement of Activities.

The District maintains one individual governmental fund. Additionally, the District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$601,924 at June 30, 2011.

The largest portion of the District's assets, 43.6 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 to its citizens.

	Governmental Activities 2011	Governmental Activities 2010	Increase (Decrease) from Fiscal 2010
<b>Net Assets at June 30, 2011</b>			
Current and other assets	333,058	231,574	101,484
Equipment Reserve Current and other assets	55,223	44,971	10,252
Capital assets	<u>322,315</u>	<u>397,901</u>	<u>(75,586)</u>
Total assets	<u>710,596</u>	<u>674,446</u>	<u>36,150</u>
Current liabilities	32,302	46,005	(13,703)
Long-term debt	<u>76,318</u>	<u>129,016</u>	<u>(52,698)</u>
Total liabilities	<u>108,620</u>	<u>175,021</u>	<u>(66,401)</u>
Net assets:			
Invested in capital assets, net of related debt	262,315	282,901	(20,586)
Restricted for capital projects	-	-	-
Restricted for debt service	-	-	-
Unrestricted	<u>339,609</u>	<u>216,524</u>	<u>123,085</u>
Total net assets	<u>601,924</u>	<u>499,425</u>	<u>102,499</u>

During the current fiscal year, the District's net assets increased by \$102,499. Unrestricted net assets increased by \$123,085 mostly due to a reduction in total current liabilities owed as of June 30, 2011 and the paying down of the FlexLease debt that the district acquired in 2004 and 2007 to buy equipment.

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



Governmental activities increased the District's net assets in the year by \$102,499. Charges for services increased by \$23,669 due to an increase in the request for services during the year. Operating grants and contribution revenues and other general revenue categories increased by \$1,599 above the prior year. Expenditures decreased by (\$17,152) due to a reduction in interest expense, public safety-fire protection expenses and equipment purchases.

Chages in Net Assets For the year ended June 30, 2011	Governmental Activites		Increase (Decrease) from Fiscal 2010
	2011	2010	
<b>Revenue:</b>			
<b>Program revenues</b>			
Charges for services	384,155	360,486	23,669
Operating grants and contributions	4,598	2,999	1,599
<b>General revenues:</b>			
Property taxes	342,713	313,882	28,831
Earnings on investments	753	608	145
Miscellaneous	20,631	21,015	(384)
Donations & memorials	1,667	13,947	(12,280)
<b>Total revenues</b>	<u>754,517</u>	<u>712,937</u>	<u>41,580</u>
<b>Expenses:</b>			
Public safety-fire protection	634,612	643,147	(8,535)
Capital outlay	12,879	15,532	(2,653)
Interest on long-term debt	4,527	5,423	(896)
<b>Total expenses</b>	<u>652,018</u>	<u>664,102</u>	<u>(12,084)</u>
 Increase in net assets	 102,499	 48,835	 53,664
Net assets - July 1	<u>499,425</u>	<u>450,590</u>	<u>48,835</u>
Net assets - June 30	<u>601,924</u>	<u>499,425</u>	<u>102,499</u>

#### Expenses and Program Revenues – Governmental Activities

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

As noted earlier, 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.

The focus of the District's 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.

### **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, 2011 the District had invested \$322,315 in capital assets, net of depreciation.

During the year, the District's investment in capital assets decreased by (\$75,588) mostly due to an \$75,588 increase in accumulated depreciation for the year.

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 become higher than acceptable 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 ASSETS AND GOVERNMENTAL FUND**  
**BALANCE SHEET as of June 30, 2011**

	General Fund	Adjustments (Note 2)	Statement of Net Assets
<b>ASSETS</b>			
Cash & cash equivalents	\$ 187,780	\$ 0	\$ 187,780
Accounts receivable	143,131	0	143,131
Taxes receivable	32,441	0	32,441
Prepaid expenses	24,929	0	24,929
Capital assets, net of accum. depreciation	0	322,315	322,315
Total assets	\$ 388,281	322,315	710,596
<b>LIABILITIES</b>			
Accounts payable	\$ 21,341	0	21,341
Payroll taxes & benefits payable	727	0	727
Deferred revenues	134,850	(124,564)	10,286
Long-term liabilities			
Due within one year	0	60,000	60,000
Due after one year	0	16,318	16,318
Total liabilities	156,918	(48,246)	108,672
<b>FUND BALANCE/NET ASSETS</b>			
Fund balances			
Unspendable - prepaid expenses	24,929	(24,929)	0
Committed - equipment reserve	55,223	(55,223)	0
Unassigned	151,211	(151,211)	0
Total fund balances	231,363	(231,363)	0
Total liabilities & fund balances	\$ 388,281		
<b>NET ASSETS</b>			
Capital assets, net of related debt		262,315	262,315
Unrestricted		339,609	339,609
Total net assets		\$ 601,924	\$ 601,924

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, 2011

	General Fund	Adjustments (Note 2)	Statement of Activities
<b>Expenditures/Expenses</b>			
Fire protection & EMS operations	\$ 556,724	\$ 77,888	\$ 634,612
Capital outlay	12,879	0	12,879
Debt service			
Principal	55,000	(55,000)	0
Interest	4,527	0	4,527
	629,130	22,888	652,018
<b>Program revenues</b>			
Charges for services	354,120	30,035	384,155
Operating grants	4,598	0	4,598
	358,718	30,035	388,753
Net program loss			(263,265)
<b>General revenues</b>			
Property taxes	339,762	2,951	342,713
Investment earnings	753	0	753
Miscellaneous	20,631	0	20,631
Donations & memorials	1,667	0	1,667
	362,813	2,951	365,764
Excess of revenues over expenditures	92,401	10,098	
Changes in net assets	0	0	102,499
Fund Balances/Net assets - Beg. of year	138,962	360,463	499,425
Fund Balances/Net assets - End of year	\$ 231,363	\$ 370,561	\$ 601,924

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, 2011

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

The financial statements of Central Oregon Coast Fire & Rescue 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 assets and the statement of changes in net assets) 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*.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**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, 2011

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**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 funds:

**General Fund - Major 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.

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.

**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, 2011

**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 market 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 vacation pay is recorded in the General fund and is expected to be paid from expendable available resources. Sick pay, which does not vest, is recognized when leave is taken.

**Reserved Fund Balance/Restricted Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted net assets reported in the Statement of Net Assets represent amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations.

**Fund Balance Classifications**

Fund Balances may be committed by resolution of the District's Board of Directors. Similarly a fund balance commitment may be modified or rescinded by Board resolution. The District considers committed fund balances to have been spent when an expenditure is incurred for which committed or unassigned fund balances could be used.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2011**

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

**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.

**NOTE 2 - RECONCILIATION**

**Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet and statement of net assets includes an adjustment column between *total governmental fund balances* and *net assets 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	\$ 322,315
Current property taxes deferred are revenue in the government-wide statement of activities	27,780
Current charges for services deferred are revenue in the the government-wide statement of activities	96,784
General long-term debt is not reported in the governmental fund balance sheet	(74,016)
Net adjustment to reconcile fund balance-total governmental funds to arrive at net assets	<u>\$ 372,863</u>

The governmental fund statement of revenue, expenditures, and changes in fund balances includes an adjustment between *changes in governmental fund balances* and *net assets 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	\$ (75,586)
Current debt obligations principal payments are not treated as current expenditures of governmental activities	55,000
Compensated absences are not treated as a current expenditure of government activities	(2,302)
Charges for services rendered, not yet received are accrued in the government-wide statement of net assets	30,035
Property taxes levied, not yet received are accrued in the government-wide statement of net assets	2,951
Net Adjustment to reconcile fund balance-governmental funds to arrive at net assets	<u>\$ 10,098</u>



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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2011

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. 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.

**NOTE 4 - DETAILED NOTES**

**A. DEPOSITS AND INVESTMENTS**

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

	<u>Balance</u>
Cash & cash equivalents	<u>\$ 187,780</u>

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

	<u>Balance</u>
Cash on hand	\$ 300
Deposits with financial institutions	<u>187,480</u>
Total cash & investments	<u>\$ 187,780</u>

**Deposits**

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$110,986, all covered under FDIC.

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2011

**NOTE 4 - DETAILED NOTES - Continued**

**A. DEPOSITS AND INVESTMENTS**

*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**

Accounts receivables at year end consist of the following:

	<u>Balance</u>
Ambulance Service	\$ 138,461
Other	<u>4,670</u>
Total	<u>\$ 143,131</u>

The receivables for Ambulance Services at year end of \$138,461 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, 2011

**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	171,082	0	0	171,082
Vehicles	<u>544,574</u>	<u>0</u>	<u>0</u>	<u>544,574</u>
Total depreciable at historical cost	<u>749,019</u>	<u>0</u>	<u>0</u>	<u>749,019</u>
Accumulated depreciation				
Building	(8,340)	(1,668)	0	(10,008)
Equipment	(105,394)	(17,357)	0	(122,751)
Vehicles	<u>(237,384)</u>	<u>(56,563)</u>	<u>0</u>	<u>(293,947)</u>
Total accumulated depreciation	<u>(351,118)</u>	<u>(75,588)</u>	<u>0</u>	<u>(426,706)</u>
Capital assets, net	<u>\$ 397,901</u>	<u>\$ (75,588)</u>	<u>\$ 0</u>	<u>\$ 322,315</u>

This summary does not represent all the capital assets of the District. See Note 1, Capital Assets.

Current year depreciation is \$75,588.

**D. INTERFUND TRANSFERS**

	<u>Total</u>	<u>Transfer In Equipment Reserve Fund</u>
Transfer Out General Fund	<u>\$ (10,000)</u>	<u>\$ 10,000</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		\$ 14,016	\$ 2,302	\$ 0	\$ 16,318	\$ 0
FlexLease						
2004 (2 - 3.45%)	\$ 160,000	50,000	0	25,000	25,000	25,000
2007 (3.45 - 3.7%)	155,000	<u>65,000</u>	<u>0</u>	<u>30,000</u>	<u>35,000</u>	<u>35,000</u>
Total FlexLease payable		<u>115,000</u>	<u>0</u>	<u>55,000</u>	<u>60,000</u>	<u>60,000</u>
Total long-term liabilities		<u>\$ 129,016</u>	<u>\$ 2,302</u>	<u>\$ 55,000</u>	<u>\$ 76,318</u>	<u>\$ 60,000</u>

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2011

**NOTE 4 - DETAILED NOTES - Continued**

**E. LONG-TERM DEBT**

**FlexLease Program**

*Fiscal Year 2004*

In September 2004, the District entered into an arrangement for \$160,000 to finance equipment using Certificates of Participation in what is 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 3.45% and has principal maturities starting January 1, 2011, with the last payment due January 1, 2012. These are not technically general obligations of the District, but they are intended to be repaid through tax revenues of the District.

*Fiscal Year 2007*

In 2007, the District entered into an arrangement for \$155,000 to finance equipment using the FlexLease Program. The underlying debt bears interest rates from 3.45% to 3.7% and has principal maturities starting January 1, 2011, with the last payment due January 1, 2012. These are not technically general obligations of the District, but they are intended to be repaid through tax revenues of the District.

**Future Requirements**

The annual requirements to amortize debt outstanding including interest is as follows:

Fiscal Year Ending	Issue 2004		Issue 2007		Total Future Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	<u>\$ 25,000</u>	<u>\$ 431</u>	<u>\$ 35,000</u>	<u>\$ 744</u>	<u>\$ 60,000</u>	<u>\$ 1,175</u>

**F. NON-COMPETE AGREEMENT**

Effective March 2, 2006 the District entered into a non-compete agreement with Pacific West Ambulance Service. The District received \$120,000 under the agreement and will no longer provide non-emergency inter-hospital transfers in certain areas of Lincoln County. The agreement expires January 1, 2012. Revenue from the agreement will be recognized over the life of the agreement. Current year recognition is \$20,571. The balance of \$10,286 is shown as deferred revenue.

**G. 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 \$946.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2011**

**NOTE 4 - DETAILED NOTES - Continued**

**G. OPERATING LEASES**

In 2011, 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 \$114.

**H. PENSION PLAN**

**Plan Description**

All District employees hired before January 1, 2007 are participants under one or more plans currently available through Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system administered under ORS 238 and 238A.

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.

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).

Beginning January 1, 2004, all employees who were 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.

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, Oregon 97281-3700, phone 503-598-7377 or by URL: [http://Oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://Oregon.gov/PERS/section/financial_reports/financials.shtml)

PERS' benefits vest after five years of continuous service or at age 50. General Service employees may retire after reaching age 55. Employees with 30 years of service receive unreduced benefits. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service. Tier Two members are eligible for full benefits at age 60.

Retirement benefits are based on final average salary and length of service and are calculated under either a money match, full formula or a formula plus annuity computation if a greater benefit results. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

**Funding Policy**

Employees who participate in the Plan contribute 6% of their wages to IAP. The District contributes at a rate determined periodically by PERS based on actuarial valuations performed at least every two years.

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

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2011

**NOTE 4 - DETAILED NOTES - Continued**

**H. PENSION PLAN**

Effective January 1, 2000, the District elected to participate in the Local Government Rate Pool (LGRP). The LGRP was created by legislative act of the State of Oregon and provided local governments the option to pool their PERS 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. The LGRP was expanded and replaced by the State and Local Government Rate Pool (the SLGRP). The District made the election to join the SLGRP as of January 1, 2002.

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.

Significant economic assumptions used in the actuarial valuation include: (a) rate of return on the investment of present and future assets of 8% per annum compounded annually, (b) projected salary increases at 4% per year compounded annually, (c) increases due to promotions and longevity that vary by age and service, (d) pre and post-mortality life expectancies of employees, based upon several mortality tables, (e) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience, (f) consumer price inflation at 3% per year, and (g) a factor for unused sick leave that is used to calculate retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations.

The contribution requirements for plan members and the District are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Rates for the prior three years, expressed as a percentage of covered payroll, were:

2009		2010		2011	
PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
8.96%	6.84%	3.22%	.19%	3.22%	.19%

The required contribution rate for fiscal year 2012 has been set at 10.09% for PERS and 3.90% for OPSRP.

The amounts contributed to PERS during the prior three years were equal to the required contribution for each year as follows:

Fiscal Year Ending June 30	Annual Required Contribution	%	Remaining Obligation
2009	\$ 28,774	100%	\$ 0
2010	14,611	100%	0
2011	11,695	100%	0

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

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2011

**NOTE 4 - DETAILED NOTES - Continued**

**H. 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.

**NOTE 5 - OTHER INFORMATION**

**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.

**Evaluation of Subsequent Events**

Management has evaluated subsequent events through December 29, 2011, 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**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GOVERNMENTAL FUND TYPE for the Year Ended June 30, 2011**

**GENERAL FUND**

	Original & Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Property taxes	\$ 306,965	\$ 339,762	\$ 32,797
Service revenue	356,540	354,120	(2,420)
Interest	4,000	501	(3,499)
Grants	5,000	4,598	(402)
Donations & memorials	1,000	1,667	667
Miscellaneous	<u>32,571</u>	<u>20,631</u>	<u>(11,940)</u>
 Total revenues	 <u>706,076</u>	 <u>721,279</u>	 <u>15,203</u>
<b>EXPENDITURES</b>			
Personal services	454,576	379,886	74,690
Materials & services	210,650	176,838	33,812
Capital outlay	67,000	12,879	54,121
Debt service			
Principal	60,000	55,000	5,000
Interest	0	4,527	(4,527)
Contingency	<u>68,850</u>	<u>0</u>	<u>68,850</u>
 Total expenditures	 <u>861,076</u>	 <u>629,130</u>	 <u>231,946</u>
 Excess (def) of revenues over expenditures	 (155,000)	 92,149	 247,149
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Equipment Reserve Fund	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (165,000)	 82,149	 247,149
 FUND BALANCE - Beginning of year	 <u>165,000</u>	 <u>93,991</u>	 <u>(71,009)</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 176,140</u>	 <u>\$ 176,140</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GOVERNMENTAL FUND TYPE for the Year Ended June 30, 2011**

**EQUIPMENT RESERVE FUND**

	Original & Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Interest	\$ 500	\$ 252	\$ (248)
<b>EXPENDITURES</b>	0	0	0
Excess (def) of revenues over expenditures	500	252	(248)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from General Fund	10,000	10,000	0
Excess (def) of revenues over expenditures	10,500	10,252	(248)
Reserved for future expenditures	(51,000)	0	51,000
FUND BALANCE - Beginning of year	40,500	44,971	4,471
FUND BALANCE - End of year	\$ 0	\$ 55,223	\$ 55,223

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

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY  
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
for the Year ended June 30, 2011

**GENERAL FUND**

	Total Revenues	Total Expenditures	Net
<b>Budgetary Basis</b>			
General Fund	\$ 721,279	\$ 639,130	\$ 82,149
Equipment Reserve Fund	10,252	0	10,252
Total budgetary basis	\$ 731,531	\$ 639,130	92,401
FUND BALANCE - Beginning of Year			138,962
FUND BALANCE - End of Year			\$ 231,363

**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, 2011**

Levy Year	Balance 7/1	Current Levy	Interest & Tax Roll Adjustments	Interest & Tax Collection	Balance 6/30
2010-11	\$ 0	\$ 336,601	\$ (10,668)	\$ 308,018	\$ 17,915
2009-10	16,805	0	1,618	10,319	8,103
2008-09	7,500	0	582	3,671	4,411
2007-08	3,422	0	269	2,420	1,271
2006-07	1,052	0	572	1,365	259
2005-06	214	0	9	104	119
2004-05	86	0	(8)	31	47
2003-04	68	0	0	4	64
Prior Years	270	0	(3)	15	252
<b>Totals</b>	<b>\$ 29,417</b>	<b>\$ 336,601</b>	<b>\$ (7,629)</b>	<b>\$ 325,947</b>	<b>\$ 32,441</b>

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

**COMPLIANCE SECTION**

# GRIMSTAD & ASSOCIATES

Certified Public Accountants

December 29, 2011

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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, 2011, and have issued my report thereon dated December 29, 2011. 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 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of 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:

- 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

The budget resolution for 2011-12 did not appropriate the Equipment Reserve Fund expenditure of \$20,500.

Members:  
AICPA, OSCPA & OAIA

## **OTHER COMMENTS**

### **Accountability for Independently Elected Officials**

No funds were received or disbursed by any independently elected official during the fiscal year.

### **Insurance and Fidelity Bonds**

I have examined the District's insurance and fidelity bond coverage at June 30, 2011. I ascertained that such policies appeared to be in force and comply with legal requirements relating to insurance and fidelity bond coverage mandated by the Board and State statutes, however, I am not competent by training to comment on the adequacy of the insurance policies covering District owned property.

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

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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

  
**SIGNE GRIMSTAD**  
Certified Public Accountant



