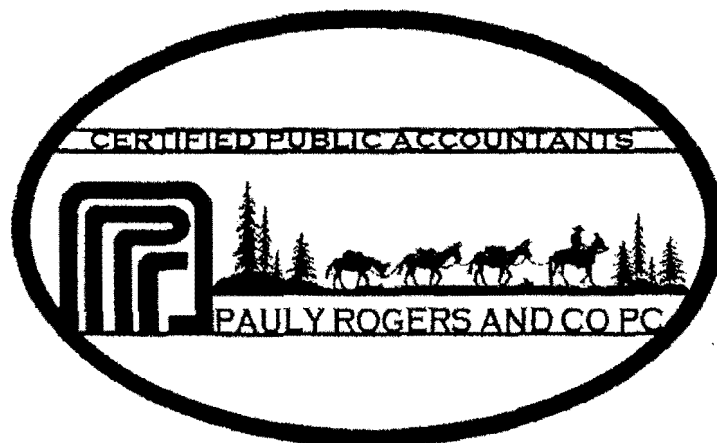


**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

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

BOARD OF DIRECTORS

TERM EXPIRES

Rod Watson – Board President	July 31, 2021
Bob Davis – Board Member/Secretary	July 31, 2019
Ken Gardner – Board Member	July 31, 2021
Keith Moore – Board Member	July 31, 2019
Frank Pender, Jr. – Board Member	July 31, 2019

All Directors receive mail at the administration address below:

ADMINISTRATION

Fred Hertel, District Fire Chief
Judy Breeden, Finance Officer

Southwestern Polk County
Rural Fire Protection District
PO Box 6
Sheridan, Oregon 97378
(503) 843-2467
fred.hertel@dallasor.gov
clerk@sheridanfd.org

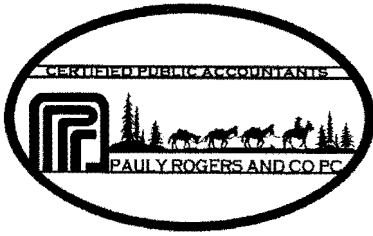
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**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

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

January 30, 2020

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis basic financial statements of the governmental activities, and each major fund, of Southwestern Polk County Rural Fire Protection District (the District), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the modified cash basis basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these modified cash basis basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the modified cash basis basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the modified cash basis basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the modified cash basis basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the modified cash basis basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the modified cash basis basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the modified cash basis basic financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and each major fund of Southwestern Polk County Rural Fire Protection District, as of June 30, 2019, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Emphasis of Matters

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

The District adopted the provisions of GASB Statement No. 83 *Certain Asset Retirement Obligations* and GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the modified cash basis 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 modified cash basis basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the modified cash basis basic financial statements as a whole.

The management's discussion and analysis and the Schedules of Net Pension Liability and Contributions for PERS have not been subjected to the auditing procedures applied to the audit of the modified cash basis basic financial statements and we do not express an opinion or provide any assurance on them.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the modified cash basis basic financial statements. The listing of board members, containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied on the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 30, 2020, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

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

This section of the Southwestern Polk County Fire District (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- Total Net Position was \$999,335 at June 30, 2019.
- The general fund reported a fund balance this year of \$476,559.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

The following funds exist in the financial statements:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

SUMMARY OF NET POSITION (MODIFIED CASH BASIS)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Investments	\$ 6,158,571	\$ 6,219,207
Capital Assets, Net of Depreciation	259,208	270,513
	<hr/>	<hr/>
Total Assets	<u>\$ 6,417,779</u>	<u>\$ 6,489,720</u>
LIABILITIES		
Notes Payable	5,418,444	5,612,261
	<hr/>	<hr/>
Total Liabilities	<u>\$ 5,418,444</u>	<u>\$ 5,612,261</u>
NET POSTION		
Net Investment in Capital Assets	\$ 259,208	\$ 270,513
Unrestricted	740,127	606,946
	<hr/>	<hr/>
Total Modified Cash Basis Net Position	<u>\$ 999,335</u>	<u>\$ 877,459</u>

CHANGES IN NET POSITION

CHANGES IN NET POSITION (MODIFIED CASH BASIS)

	<u>2019</u>	<u>2018</u>
Net Program Expense		
Fire Protection	\$ (1,040,292)	\$ (641,217)
General Receipts		
Taxes	\$ 910,406	\$ 887,725
Earnings On Investments	160,575	18,004
Miscellaneous	91,187	95,002
	<u>1,162,168</u>	<u>1,000,731</u>
Total Receipts		
Change in Modified Cash Basis Net Position	121,876	359,514
Modified Cash Basis Net Position - Beginning	<u>877,459</u>	<u>517,945</u>
Modified Cash Basis Net Position - Ending	<u>\$ 999,335</u>	<u>\$ 877,459</u>

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1,162,168 in 2019. Governmental fund balances totaled \$6,158,571 at June 30, 2019. A summary of changes in governmental fund balances follows:

CHANGES IN GOVERNMENTAL FUND BALANCES

	<u>June 30, 2019</u>	<u>July 1, 2018</u>	<u>Change</u>
General Fund	\$ 476,559	\$ 299,486	\$ 177,073
Station 130 Fund	35,255	40,000	(4,745)
Capital Projects Fund	5,249,313	5,488,980	(239,667)
Bonded Debt Fund	<u>397,444</u>	<u>390,741</u>	<u>6,703</u>
Total	<u>\$ 6,158,571</u>	<u>\$ 6,219,207</u>	<u>\$ (60,636)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Fiscal year 2018-19 saw several changes within the SW Polk Fire District, and the most significant may have been the exit of Chief Hertel from the City of Dallas and SW Polk Fire District by contract. Chief Brumfield replaced Chief Hertel from January 1, 2019 through July 1, 2019. Other significant changes will be outlined below.

General Fund

General Fund Revenue – Revenues continue the climb at the anticipated 3% increase plus the minor growth rate in our area.

General Fund Expenses – This year we expanded the contract with the City of Dallas to include most personnel and material services budget dollars. This “new direction” capitalizes on the most efficient and effective methods of handling the District’s finances. The City of Dallas provided more depth within their financial department than the District could provide internally.

Capital Outlay – The District budgeted to purchase a staff vehicle for the District.

Transfer to Special Funds – Budgeted transfers were to the Volunteer Association account.

Unappropriated Ending Fund Balance – Money that is set aside to assist the District in meeting expenses during the July to November time when no tax revenues are received.

Economic Factors – The District receives most of its revenues from property taxes. The assessed valuation of the District is expected to continue modest growth.

Overall Financial Position – The District’s financial position improved over the past fiscal year and remains stable.

CAPITAL ASSETS

At June 30, 2019, the District had \$259,208 invested in capital assets. More detailed information about the capital assets is presented in Note 3 within the notes to the basic financial statements.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

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

MODIFIED CASH BASIS FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

BASIC FINANCIAL STATEMENTS

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SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
June 30, 2019

ASSETS

Cash and Investments	\$ 6,158,571
Capital Assets, net of depreciation	<u>259,208</u>
Total Assets	<u>6,417,779</u>

LIABILITIES

Long-Term Obligations, due within one year	218,817
Long-Term Obligations, due in more than one year	<u>5,199,627</u>
Total Liabilities	<u>5,418,444</u>

NET POSITION

Net Investment in Capital Assets	259,208
Unrestricted	<u>740,127</u>
Total Modified Cash Basis Net Position	<u><u>\$ 999,335</u></u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS)
For the Year Ended June 30, 2019

<u>FUNCTIONS</u>	<u>DISBURSEMENTS</u>	<u>PROGRAM RECEIPTS</u> <u>CHARGES FOR</u> <u>SERVICES</u>	<u>NET RECEIPTS</u> <u>(DISBURSEMENTS)</u>
Governmental Activities:			
Fire Protection	\$ 1,040,292	\$ -	\$ (1,040,292)
Total	<u>\$ 1,040,292</u>	<u>\$ -</u>	<u>(1,040,292)</u>
Pay General Receipts:			
			910,406
			160,575
			<u>91,187</u>
			<u>1,162,168</u>
			121,876
			<u>877,459</u>
			<u>\$ 999,335</u>

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET (MODIFIED CASH BASIS)
June 30, 2019**

	GOVERNMENTAL FUNDS				TOTAL
	GENERAL FUND	STATION 130 FUND	CAPITAL PROJECTS FUND	BONDED DEBT FUND	
ASSETS					
Cash and Investments	\$ 476,559	\$ 35,255	\$ 5,249,313	\$ 397,444	\$ 6,158,571
Total Assets	<u>\$ 476,559</u>	<u>\$ 35,255</u>	<u>\$ 5,249,313</u>	<u>\$ 397,444</u>	<u>\$ 6,158,571</u>
FUND BALANCE					
Fund Balance					
Assigned	-	35,255	-	-	35,255
Unassigned	476,559	-	5,249,313	397,444	6,123,316
Total Fund Balance	<u>476,559</u>	<u>35,255</u>	<u>5,249,313</u>	<u>397,444</u>	<u>6,158,571</u>
Total Deferred Inflows and Fund Balances	<u>476,559</u>	<u>\$ 35,255</u>	<u>\$ 5,249,313</u>	<u>\$ 397,444</u>	<u>\$ 6,158,571</u>

See accompanying notes to the basic financial statements.

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

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

June 30, 2019

Total Fund Balances – Governmental Funds	\$	6,158,571
Capital assets are not financial resources and therefore are not reported in the governmental funds.		
Net Capital Assets		259,208
Long-term obligations proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. While repayment of loan principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Net Position.		
Long Term Liabilities:		
Bonds Payable	\$	5,085,000
Premium on Bonds Payable		333,444
		<u>(5,418,444)</u>
Net Position	\$	<u>999,335</u>

See accompanying notes to basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (MODIFIED CASH BASIS)
For the Year Ended June 30, 2019**

	GOVERNMENTAL FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	STATION 130 FUND	CAPITAL PROJECTS FUND	BONDED DEBT FUND	
RECEIPTS					
Taxes	\$ 521,648	\$ -	\$ -	\$ 388,758	\$ 910,406
Earnings on Investments	29,393	-	131,182	-	160,575
Grant Income	-	-	-	-	-
Miscellaneous	74,181	17,006	-	-	91,187
Total Receipts	625,222	17,006	131,182	388,758	1,162,168
DISBURSEMENTS					
Current:					
Personal Services	4,044	-	-	-	4,044
Materials and Services	416,365	49,491	255,676	-	721,532
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	115,173	-	115,173
Debt Service	-	-	-	382,055	382,055
Operating Contingency	-	-	-	-	-
Total Disbursements	420,409	49,491	370,849	382,055	1,222,804
EXCESS OF RECEIPTS OVER DISBURSEMENTS	204,813	(32,485)	(239,667)	6,703	(60,636)
OTHER FINANCING SOURCES/USES					
Bond Proceeds	-	-	-	-	-
Transfers In	-	27,740	-	-	27,740
Transfers Out	(27,740)	-	-	-	(27,740)
Interfund Loan	-	-	-	-	-
Interfund Loan	-	-	-	-	-
Total other Financing Sources/Uses	(27,740)	27,740	-	-	-
NET CHANGE IN FUND BALANCE	177,073	(4,745)	(239,667)	6,703	(60,636)
MODIFIED CASH BASIS FUND BALANCE - BEGINNING OF YEAR	299,486	40,000	5,488,980	390,741	6,219,207
MODIFIED CASH BASIS FUND BALANCE - END OF YEAR	\$ 476,559	\$ 35,255	\$ 5,249,313	\$ 397,444	\$ 6,158,571

See accompanying notes to the basic financial statements.

SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net Changes in Fund Balances - Governmental Funds	\$ (60,636)
<p>In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental fund financial statements, depreciation is not an expenditure and is not recorded.</p>	
Depreciation Expense	(11,305)
<p>Governmental funds reported the effect of, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of Activities.</p>	
Amorization of Premiums, GO Bonds	23,817
<p>Long-term obligations proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. While repayment of loan principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
Principal repaid (net)	<u>170,000</u>
Change in Net Position of Governmental Activities	<u>\$ 121,876</u>

See accompanying notes to basic financial statements.

NOTES TO THE
BASIC FINANCIAL STATEMENTS

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SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

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

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

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE

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

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

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

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

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

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

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

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

C. BASIS OF PRESENTATION – FUND ACCOUNTING

Financial Operations are accounted for in the following major funds:

GENERAL FUND

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

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATION 130 FUND

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

CAPITAL PROJECTS FUND

This fund accounts for the accumulation of resources for construction projects. The principal revenue source is bond proceeds.

BONDED DEBT FUND

This fund is used for the repayment of long term obligations. The principal source of revenue is property taxes.

D. BUDGET

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

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

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

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

Budget amounts shown in the budgetary financial statements reflect the original appropriations and an appropriation transfer. Disbursements in the various funds were within authorized appropriations for the year ended June 30, 2019 except for the Bond Debt Fund – Interest Expense which was over-expended by \$72,055.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PROPERTY TAXES RECEIVABLE

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

F. CAPITAL ASSETS

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

Government-Wide Statements

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

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

Buildings and Improvements	50 years
Vehicles	10 years
Equipment	5 years

Fund Financial Statements

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

G. USE OF ESTIMATES

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

H. NET POSITION

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

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Statements

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

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position at June 30, 2019.

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

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

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The pension related deferrals of \$6,331 is disclosed in these footnotes but not recorded in the basic financial statements because the District uses the modified cash basis of accounting.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The pension related deferrals of \$2,278 is disclosed in these footnotes but not recorded in the basic financial statements because the District uses the modified cash basis of accounting.

J. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

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

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

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

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

K. EMPLOYEES

The District has no employees and all transactions are administered through the City of Dallas.

2. CASH AND INVESTMENTS

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

Cash and Investments at June 30, 2019 consisted of:

Checking	\$ 57,803
Investments	<u>6,100,768</u>
Total Cash and Investments	<u>\$ 6,158,571</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2019 was \$82,259, all of which was covered by federal depository insurance.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2019, none of the bank balances were exposed to custodial credit risk.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

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

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

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

As of June 30, 2019 there were the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 6,100,768	\$ 6,100,768	\$ -	\$ -
Total	\$ 6,100,768	\$ 6,100,768	\$ -	\$ -

Interest Rate Risk – Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

Credit Risk - Investments

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

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At June 30, 2019, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2019, the District appeared to be in compliance with all percentage restrictions.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019 are as follows:

	Balance at 7/1/2018	Additions	(Deletions)	Balance at 6/30/2019
Non-Depreciable Assets:				
Land & Land Improvements	\$ 224,000	\$ -	\$ -	\$ 224,000
Depreciable Assets:				
Buildings & Improvements	\$ 81,205	\$ -	\$ -	\$ 81,205
Vehicles	1,337,827	-	-	1,337,827
Equipment	100,099	-	-	100,099
Total	1,519,131	-	-	1,519,131
Accumulated Depreciation				
Buildings & Improvements	73,325	230	-	73,555
Vehicles	1,310,245	7,391	-	1,317,636
Equipment	89,048	3,684	-	92,732
Total	1,472,618	11,305	-	1,483,923
Total Net Capital Assets	\$ 270,513			\$ 259,208

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: <https://pauilyrogersandcocpas.sharefile.com/users>
<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
- A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 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.
- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$0, due to the district no longer having any employees during the 2018-2019 fiscal year.

Pension Asset or Liability

Since the District's financial statements are reported on the cash basis, no amounts are reported on the balance sheet for pension related assets, deferred outflows, liabilities, or deferred inflows. Had the District's financial statements been reported in accordance with GAAP, it would have reported a net pension liability of \$18,690 at June 30, 2019 for its proportionate share of net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2019 and 2018, the District's proportion was .0001 and .0001 percent, respectively. Pension expense for the year ended June 30, 2019 was \$3,571.

The rates in effect for the year ended June 30, 2019 were:

- (1) Tier 1/Tier 2 – 15.38%
- (2) OPSRP general services – 6.62%
- (3) OPSRP Police and Fire – 11.39%

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 636	\$ -
Changes in assumptions	4,345	-
Net difference between projected and actual earnings on pension plan investments	-	(830)
Net changes in proportionate share	754	(89)
Differences between District contributions and proportionate share of contributions	596	(1,359)
Subtotal - Amortized Deferrals (below)	6,331	(2,278)
District contributions subsequent to measuring date	-	-
Deferred outflow (inflow) of resources	\$ 6,331	\$ (2,278)

Subtotal amounts related to pension as deferred outflows of resources, \$6,331, and deferred inflows of resources, (\$2,278), net to \$4,053 and will be recognized in pension expense as follows:

Year ending June 30,	Amount
2020	\$ 2,347
2021	1,781
2022	(203)
2023	56
2024	72
Thereafter	-
Total	\$ 4,053

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent (changed from 7.50 percent)
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/1.15%) in accordance with Moro decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Date Scale.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	13.5%	21.5%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Source: June 30, 2018 PERS CAFR; p. 98

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, revised as of June 7, 2017, the PERS Board reviewed its 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.

Asset Class	Target	Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

Source: June 30, 2018 PERS CAFR; p. 72

Discount Rate – The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2018 and 2017 was 7.20 and 7.50, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 31,235	\$ 18,690	\$ 8,336

Changes Subsequent to the Measurement Date

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

There are no changes subsequent to the June 30, 2019 Measurement Date that meet this requirement and would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

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

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

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

<https://www.oregon.gov/pers/emp/pages/GASB.aspx>

5. OTHER POST-EMPLOYMENT BENEFIT PLAN - (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 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 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars 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 an 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 employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.53% of annual covered OPERF payroll and 0.45% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates 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 year ended June 30, 2019 were considered by management to be immaterial to the basic financial statements.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OTHER POST-EMPLOYMENT BENEFIT PLAN - (RHIA) (CONTINUED)

At June 30, 2019, the District's net OPEB liability/(asset) and deferred inflows and outflows were not considered to be material to the basic financial statements by management and were not accrued on the government wide statements due to the District's use of the modified cash basis of accounting.

6. RISK MANAGEMENT

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

7. PROPERTY TAX LIMITATIONS

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

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

8. INTERFUND TRANSACTIONS

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

Transfers In and Out were as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 27,740	\$ -
Station 130	-	27,740
Total	\$ 27,740	\$ 27,740

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LONG-TERM OBLIGATIONS

General Obligation Bonds

On June 6, 2018, The District issued \$5,255,000 of General Obligation Bonds Series 2018 with an interest rate of 4%. The last payment is due December 2032.

Changes in Long-Term Obligations:

The following is a summary of changes in long-term obligations events for the year ended June 30, 2019:

	Interest Rate	Balance at 7/1/2018	Additions	Reductions	Balance at 6/30/2019	Due Within One Year
Governmental Bond	4.00%	\$ 5,255,000	\$ -	\$ 170,000	\$ 5,085,000	\$ 195,000
Bond Premium		357,261	-	23,817	333,444	23,817
Total		\$ 5,612,261	\$ -	\$ 193,817	\$ 5,418,444	\$ 218,817

Future payments of long term obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	195,000	199,500	394,500
2021	220,000	191,200	411,200
2022	240,000	182,000	422,000
2023	260,000	172,000	432,000
2024	285,000	161,100	446,100
2025-2029	1,830,000	605,600	2,435,600
2030-2033	2,055,000	171,700	2,226,700
Totals	\$ 5,085,000	\$ 1,683,100	\$ 6,768,100

10. TAX ABATEMENTS

As of June 30, 2019, Southwestern Polk County Rural Fire District potentially could have tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these modified cash basis basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2019 for any program covered under GASB 77.

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

SUPPLEMENTARY INFORMATION

SOUTHWESTERN POLK FIRE DISTRICT
POLK COUNTY, OREGON

SUPPLEMENTARY INFORMATION

At June 30, 2019

PERS

**The District does not have any employees after December 2017.
PERS deactivated at the 05-14-18 meeting, Resolution 2018-03.**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.00012 %	\$ 18,690	\$ -	- %	- %
2018	0.00012	16,088	40,961	39.3	83.1
2017	0.00012	18,016	39,768	45.3	80.5
2016	0.00011	6,052	39,180	15.4	91.9
2015	0.00012	2,619	38,040	6.9	103.6
2014	0.00012	2,317	36,252	6.4	92.0

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

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2019	\$ -	\$ -	\$ -	\$ -	- %
2018	225	225	-	1,783	12.6
2017	4,407	4,407	-	40,961	10.8
2016	4,279	4,279	-	39,768	10.8
2015	3,134	3,134	-	39,180	8.0
2014	3,123	3,123	-	38,040	8.2

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

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

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

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND (MODIFIED CASH BASIS)
For the Year Ended June 30, 2019**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
RECEIPTS				
District Taxes:				
Current Year's Levy	\$ 502,148	\$ 502,148	\$ 511,614	\$ 9,466
Prior Years' Levies	20,000	20,000	10,034	(9,966)
Earnings on Investments	-	-	29,393	29,393
Miscellaneous	30,000	30,000	74,181	44,181
Total Receipts	<u>552,148</u>	<u>552,148</u>	<u>625,222</u>	<u>73,074</u>
DISBURSEMENTS				
Personal Services	5,000	5,000 (1)	4,044	956
Materials and Services	520,000	520,000 (1)	416,365	103,635
Capital Outlay	63,000	63,000 (1)	-	63,000
Contingency	50,000	50,000 (1)	-	50,000
Total Disbursements	<u>638,000</u>	<u>638,000</u>	<u>420,409</u>	<u>217,591</u>
Excess of Receipts Over (Under) Disbursements	(85,852)	(85,852)	204,813	290,665
OTHER FINANCING SOURCES (USES)				
Transfers Out	(27,740)	(27,740) (1)	(27,740)	-
Total Other Financing Sources (Uses)	<u>(27,740)</u>	<u>(27,740)</u>	<u>(27,740)</u>	<u>-</u>
Net Change In Fund Balance	(113,592)	(113,592)	177,073	290,665
Fund Balance – Beginning of Year	263,592	263,592	299,486	35,894
Fund Balance – End of Year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 476,559</u>	<u>\$ 326,559</u>

(1) Appropriation Level

SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – STATION 130 FUND (MODIFIED CASH BASIS)
For the Year Ended June 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
RECEIPTS				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 17,006	\$ 7,006
Total Receipts	<u>10,000</u>	<u>10,000</u>	<u>17,006</u>	<u>7,006</u>
DISBURSEMENTS				
Miscellaneous	48,740	63,740 (1)	49,491	14,249
Total Disbursements	<u>48,740</u>	<u>63,740</u>	<u>49,491</u>	<u>14,249</u>
Excess of Receipts Over (Under) Disbursements	(38,740)	(53,740)	(32,485)	21,255
OTHER FINANCING SOURCES (USES)				
Transfers In	27,740	27,740	27,740	-
Net Change In Fund Balance	(11,000)	(26,000)	(4,745)	21,255
Fund Balance – Beginning of Year	<u>11,000</u>	<u>26,000</u>	<u>40,000</u>	<u>14,000</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,255</u>	<u>\$ 35,255</u>

(1) Appropriation Level

SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL PROJECTS (MODIFIED CASH BASIS)
For the Year Ended June 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
RECEIPTS				
Interest	\$ 1,000	\$ 1,000	\$ 131,182	\$ 130,182
Total Receipts	<u>1,000</u>	<u>1,000</u>	<u>131,182</u>	<u>130,182</u>
DISBURSEMENTS				
Cost of Bond Issuance	35,000	35,000 (1)	-	35,000
Firefighting & Safety Equipment	275,000	275,000 (1)	255,676	19,324
Apparatus Replacement	2,351,000	2,351,000 (1)	-	2,351,000
Facilities	2,390,000	2,390,000 (1)	115,173	2,274,827
Total Disbursements	<u>5,051,000</u>	<u>5,051,000</u>	<u>370,849</u>	<u>4,680,151</u>
Net Change In Fund Balance	(5,050,000)	(5,050,000)	(239,667)	4,810,333
Fund Balance – Beginning of Year	<u>5,050,000</u>	<u>5,050,000</u>	<u>5,488,980</u>	<u>438,980</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,249,313</u>	<u>\$ 5,249,313</u>

(1) Appropriation Level

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

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BONDED DEBT (MODIFIED CASH BASIS)
For the Year Ended June 30, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
RECEIPTS				
Taxes Estimated to Be Received	\$ 405,000	\$ 405,000	\$ 388,758	\$ (16,242)
Total Receipts	<u>405,000</u>	<u>405,000</u>	<u>388,758</u>	<u>(16,242)</u>
DISBURSEMENTS				
Principal	250,000	250,000 (1)	170,000	80,000
Interest	140,000	140,000 (1)	212,055	(72,055)
Total Disbursements	<u>390,000</u>	<u>390,000</u>	<u>382,055</u>	<u>7,945</u>
Net Change In Fund Balance	15,000	15,000	6,703	(8,297)
Fund Balance – Beginning of Year	<u>90,000</u>	<u>90,000</u>	<u>390,741</u>	<u>300,741</u>
Fund Balance – End of Year	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 397,444</u>	<u>\$ 292,444</u>

(1) Appropriation Level

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended June 30, 2019**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2018	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2019
Current:						
2018-19	\$ 937,933	\$ 25,024	\$ (73)	\$ 404	\$ 895,816	\$ 17,424
Prior Years:						
2017-18	25,627	(3)	(5,747)	622	12,366	8,139
2016-17	9,049	-	(2,761)	341	3,652	2,977
2015-16	4,302	-	(1,418)	505	2,238	1,151
2014-15	2,480	-	(577)	334	2,044	193
Prior	5,867	-	(405)	141	5,069	534
Total Prior	47,325	(3)	(10,908)	1,943	25,369	12,994
Total	\$ 985,258	\$ 25,021	\$ (10,981)	\$ 2,347	\$ 921,185	\$ 30,418

RECONCILIATION TO RECEIPTS:

	<u>Total</u>
Cash Collections by County Treasurers Above	\$ 921,185
Other Taxes	(10,779)
Total Receipts	<u>\$ 910,406</u>

RECONCILIATION TO FUND BALANCES:

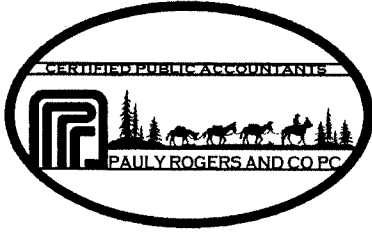
General Fund	\$ 521,648
Bonded Debt Fund	388,758
	<u>\$ 910,406</u>

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

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

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January 30, 2020

Independent Auditors' Report Required by Oregon State Regulations

We have audited the modified cash basis basic financial statements of the Southwestern Polk County Rural Fire Protection District (the District), as of and for the year ended June 30, 2019, and have issued our report thereon dated January 30, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

- 1) Expenditures of all the various funds were within authorized appropriations, except as noted on page 9 of the report.

OAR 162-10-0230 Internal Control

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

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

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, prominent "R" in the middle.

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