



FIRE DIST.

LEBANON FIRE DISTRICT
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

LEBANON FIRE DISTRICT
Lebanon, Oregon

DISTRICT OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Allen Forster, President 34391 Meridian Road Lebanon, Oregon 97355	June 30, 2017
Michael Schrader, Vice-President 2355 Mountain River Drive Lebanon, Oregon 97355	June 30, 2017
Duane Taylor, Secretary-Treasurer Po Box 2530 Lebanon, Oregon 97355	June 30, 2019
Jeff King 224 2 nd Street Lebanon, Oregon 97355	June 30, 2017
Jamel Mercado 100 E. Milton Lebanon, Oregon 97355	June 30, 2019

FIRE CHIEF

Gordon Sletmoe
1050 W Oak Street
Lebanon, Oregon 97355

LEGAL COUNSEL

Local Government Law Group, P.C.
Speer Hoyt LLC
975 Oak Street, Suite 700
Eugene, Oregon 97401

LEBANON FIRE DISTRICT
Lebanon, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lebanon Fire District
Lebanon, Oregon 97355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Lebanon Fire District, Lebanon, Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Lebanon Fire District, Lebanon, Oregon as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions, schedules of the District's proportionate share of the net pension liability and District contributions, and budgetary comparison information on pages 4 through 10 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedules of funding progress and employer contributions, and schedules of the District's proportionate share of the net pension liability and District contributions 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 we obtained during our audit of the basic financial statements.

The budgetary comparison 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis, schedules of funding progress and employer contributions, and schedules of the District's proportionate share of the net pension liability and District contributions, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lebanon Fire District's basic financial statements. The individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lebanon Fire District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 8, 2016 on our tests of the District's compliance with certain provisions of laws and regulations 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 and opinion on compliance.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
December 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Lebanon Fire District, Lebanon, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Lebanon Fire District amounted to \$3,604,056. Of this amount, \$2,440,961 was invested in capital assets, net of related debt. The remaining balance included \$41,778 restricted for debt service and \$1,121,317 of unrestricted net position.
- The District's total net position decreased by \$1,434,326 during the current fiscal year.
- Overall expenditures were \$8,577,740, which exceeded total revenues of \$7,143,414 by \$1,434,326.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Lebanon Fire District's basic financial statements. The District's basic financial statements are comprised of 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.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include fire suppression and administrative support. The business-type activities of the District include an ambulance transport service. The government-wide financial statements can be found on pages 11 through 12 of this report.

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of Lebanon Fire District can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District'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 District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Reserve, and Debt Service Funds, all of which are considered to be major governmental funds.

Lebanon Fire District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one enterprise fund.

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for ambulance transportation services.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes schedules of funding progress and employer contributions, schedules of the District's proportionate share of the net pension liability and District contributions, and budgetary comparison information for the General Fund. This required supplementary information can be found on page 46 through 48 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 49 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$3,604,056 at the close of the most recent fiscal year.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, 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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net position

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. The District's net position decreased by \$1,434,326 due to increasing pension costs.

Condensed statement of net position information is shown on the following page.

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 4,298,515	\$ 3,763,138	\$ 660,070	\$ 714,089	\$ 4,958,585	\$ 4,477,227
Restricted assets	41,778	47,744	-	-	41,778	47,744
Noncurrent assets	-	523,452	-	464,193	-	987,645
Net capital assets	<u>4,162,192</u>	<u>4,386,973</u>	<u>167,290</u>	<u>77,619</u>	<u>4,329,482</u>	<u>4,464,592</u>
Total assets	<u>8,502,485</u>	<u>8,721,307</u>	<u>827,360</u>	<u>1,255,901</u>	<u>9,329,845</u>	<u>9,977,208</u>
Deferred outflows of resources	380,430	251,096	337,362	222,669	717,792	473,765
Liabilities						
Current liabilities	628,785	664,905	33,964	12,809	662,749	677,714
Noncurrent liabilities	<u>3,919,552</u>	<u>2,829,322</u>	<u>1,245,588</u>	<u>-</u>	<u>5,165,140</u>	<u>2,829,322</u>
Total liabilities	<u>4,548,337</u>	<u>3,494,227</u>	<u>1,279,552</u>	<u>12,809</u>	<u>5,827,889</u>	<u>3,507,036</u>
Deferred inflows of resources	326,317	1,010,050	289,375	895,704	615,692	1,905,754
Net position						
Net investment in capital assets	2,273,671	2,125,624	167,290	77,619	2,440,961	2,203,243
Restricted for debt service	41,778	47,744	-	-	41,778	47,744
Unrestricted	<u>1,692,812</u>	<u>2,294,758</u>	<u>(571,495)</u>	<u>492,438</u>	<u>1,121,317</u>	<u>2,787,196</u>
Total net position	<u>\$ 4,008,261</u>	<u>\$ 4,468,126</u>	<u>\$ (404,205)</u>	<u>\$ 570,057</u>	<u>\$ 3,604,056</u>	<u>\$ 5,038,183</u>

District's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program revenues						
Administrative	\$ 307,482	\$ 237,514	\$ -	\$ -	\$ 307,482	\$ 237,514
Ambulance	-	-	2,392,434	2,181,844	2,392,434	2,181,844
Total program revenues	<u>307,482</u>	<u>237,514</u>	<u>2,392,434</u>	<u>2,181,844</u>	<u>2,699,916</u>	<u>2,419,358</u>
General revenues						
Property taxes - general	3,639,060	3,562,876	-	-	3,639,060	3,562,876
Property taxes - debt service	415,332	353,434	-	-	415,332	353,434
Intergovernmental	100,000	100,000	-	-	100,000	100,000
Investment earnings	27,171	17,437	-	-	27,171	17,437
Miscellaneous	141,999	17,230	116,326	17,952	258,325	35,182
Unrestricted grants and contributions	3,610	3,959	-	-	3,610	3,959
Pension credit	-	476,283	-	422,364	-	898,647
Total general revenues	<u>4,327,172</u>	<u>4,531,219</u>	<u>116,326</u>	<u>440,316</u>	<u>4,443,498</u>	<u>4,971,535</u>
Total revenues	<u>4,634,654</u>	<u>4,768,733</u>	<u>2,508,760</u>	<u>2,622,160</u>	<u>7,143,414</u>	<u>7,390,893</u>
Program expenses						
Fire suppression	3,281,483	1,709,627	-	-	3,281,483	1,709,627
Fire prevention	418,801	383,101	-	-	418,801	383,101
Administrative	1,105,057	1,119,711	-	-	1,105,057	1,119,711
Interest on long-term debt	84,962	102,172	-	-	84,962	102,172
Ambulance	-	-	3,687,437	2,065,767	3,687,437	2,065,767
Total program expenses	<u>4,890,303</u>	<u>3,314,611</u>	<u>3,687,437</u>	<u>2,065,767</u>	<u>8,577,740</u>	<u>5,380,378</u>
Transfers	<u>(204,215)</u>	<u>(109,110)</u>	<u>204,215</u>	<u>109,110</u>	<u>-</u>	<u>-</u>
Change in net position	(459,864)	1,345,012	(974,462)	665,503	(1,434,326)	2,010,515
Net position - beginning of year as restated	<u>4,468,125</u>	<u>3,123,113</u>	<u>570,257</u>	<u>(95,246)</u>	<u>5,038,382</u>	<u>3,027,867</u>
Net position - end of year	<u>\$ 4,008,261</u>	<u>\$ 4,468,125</u>	<u>\$ (404,205)</u>	<u>\$ 570,257</u>	<u>\$ 3,604,056</u>	<u>\$ 5,038,382</u>

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$3,897,577, an increase of \$509,275 from the prior year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund amounted to \$2,958,121, an increase of \$415,592 over the prior year.

Proprietary Funds

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary fund amounted to a deficit of \$404,205 at year-end. Of this amount, \$167,290 was invested in capital assets and the remaining balance was a deficit of \$571,495.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change and one approved appropriation transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Lebanon Fire District's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$4,162,192 and \$167,290 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, equipment, and vehicles. Total depreciation expense related to the District's investment in capital assets for its governmental and business-type activities amounted to \$258,777 and \$27,487, respectively.

Additional information on the District's capital assets can be found in Note II-C on pages 30 through 32 of this report.

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$1,888,521. This amount comprises debt backed by general obligation bonds and bond premiums, and a note payable. The District's total debt decreased by \$372,828 during the current year.

Additional information on the District's long-term debt can be found in Note II-F on pages 33 through 34 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- Unknown options for health insurance coverage and costs due to health care reform both nationally and in the State of Oregon, create some concern as to costs, administration, and future options.
- Continued increases in PERS rates will affect the budget and costs, it is anticipated that there will be at least a 5% increase per biennium for the next several bienniums.
- The main fire station and several major fire apparatus are nearing the end of expected useful life.
- The rate of increase of property tax and ambulance revenue is not projected to keep up with required increases in personnel costs, capital costs and operating costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of District's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to Gordon Sletmoe, Fire Chief, Lebanon Fire District, 1050 W. Oak Street, Lebanon, Oregon 97355.

BASIC FINANCIAL STATEMENTS

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,831,495	\$ 424,621	\$ 4,256,116
Accounts receivable, net of allowance for uncollectibles	48,877	202,983	251,860
Property taxes receivable	371,777	-	371,777
Prepaid expenses	21,818	32,466	54,284
Fuel inventory	24,548	-	24,548
Total current assets	<u>4,298,515</u>	<u>660,070</u>	<u>4,958,585</u>
Restricted assets			
Cash restricted for debt service	3,492	-	3,492
Property taxes receivable restricted for debt service	38,286	-	38,286
Total restricted assets	<u>41,778</u>	<u>-</u>	<u>41,778</u>
Capital assets not being depreciated	273,212	9,538	282,750
Capital assets, net of accumulated depreciation	<u>3,888,980</u>	<u>157,752</u>	<u>4,046,732</u>
Total assets	<u>8,502,485</u>	<u>827,360</u>	<u>9,329,845</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>380,430</u>	<u>337,362</u>	<u>717,792</u>
LIABILITIES			
Current liabilities			
Accounts payable	21,535	2,446	23,981
Payroll liabilities	10,503	11,282	21,785
Accrued interest payable	10,672	-	10,672
Compensated absences payable	248,501	20,236	268,737
Long-term liabilities, current portion	337,574	-	337,574
Total current liabilities	<u>628,785</u>	<u>33,964</u>	<u>662,749</u>
Noncurrent liabilities			
Long-term liabilities, less current portion	1,550,947	-	1,550,947
Net pension liability	1,404,599	1,245,588	2,650,187
Other post-employment benefits	964,006	-	964,006
Total noncurrent liabilities	<u>3,919,552</u>	<u>1,245,588</u>	<u>5,165,140</u>
Total liabilities	<u>4,548,337</u>	<u>1,279,552</u>	<u>5,827,889</u>
DEFERRED INFLOWS OF RESOURCES	<u>326,317</u>	<u>289,375</u>	<u>615,692</u>
NET POSITION			
Net investment in capital assets	2,273,671	167,290	2,440,961
Restricted for debt service	41,778	-	41,778
Unrestricted	<u>1,692,812</u>	<u>(571,495)</u>	<u>1,121,317</u>
Total net position	<u>\$ 4,008,261</u>	<u>\$ (404,205)</u>	<u>\$ 3,604,056</u>

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities						
Fire suppression	\$ 3,281,483	\$ -	\$ -	\$ (3,281,483)	\$ -	\$ (3,281,483)
Fire prevention	418,801	-	-	(418,801)	-	(418,801)
Administrative	1,105,057	198,331	109,151	(797,575)	-	(797,575)
Interest on long-term debt	<u>84,962</u>	<u>-</u>	<u>-</u>	<u>(84,962)</u>	<u>-</u>	<u>(84,962)</u>
Total governmental activities	<u>\$ 4,890,303</u>	<u>\$ 198,331</u>	<u>\$ 109,151</u>	<u>(4,582,821)</u>	<u>-</u>	<u>(4,582,821)</u>
Business-type activities						
Ambulance	<u>\$ 3,687,437</u>	<u>\$ 2,352,662</u>	<u>\$ 39,772</u>	<u>-</u>	<u>(1,295,003)</u>	<u>(1,295,003)</u>
General revenues						
Property taxes levied for general purposes				3,639,060	-	3,639,060
Property taxes levied for debt service				415,332	-	415,332
Intergovernmental				100,000	-	100,000
Investment earnings				27,171	-	27,171
Miscellaneous				141,999	116,326	258,325
Unrestricted grants and contributions				<u>3,610</u>	<u>-</u>	<u>3,610</u>
Total general revenues				<u>4,327,172</u>	<u>116,326</u>	<u>4,443,498</u>
Transfers				<u>(204,215)</u>	<u>204,215</u>	<u>-</u>
Change in net position				(459,864)	(974,462)	(1,434,326)
Net position - beginning, as restated				<u>4,468,125</u>	<u>570,257</u>	<u>5,038,382</u>
Net position - ending				<u>\$ 4,008,261</u>	<u>\$ (404,205)</u>	<u>\$ 3,604,056</u>

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Reserve Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,898,066	\$ 933,429	\$ 3,492	\$ 3,834,987
Grants receivable	48,877	-	-	48,877
Property taxes receivable	371,777	-	38,286	410,063
Prepaid expenses	10,107	-	-	10,107
 Total assets	 \$ 3,328,827	 \$ 933,429	 \$ 41,778	 \$ 4,304,034
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 21,130	\$ 405	\$ -	\$ 21,535
Payroll liabilities	10,503	-	-	10,503
 Total liabilities	 31,633	 405	 -	 32,038
 Deferred inflows of resources				
Unavailable revenue - property taxes	339,073	-	35,346	374,419
 Fund balances				
Nonspendable	10,107	-	-	10,107
Restricted	-	-	6,432	6,432
Committed	-	933,024	-	933,024
Unassigned	2,948,014	-	-	2,948,014
 Total fund balances	 2,958,121	 933,024	 6,432	 3,897,577
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 3,328,827	 \$ 933,429	 \$ 41,778	 \$ 4,304,034

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balances		\$ 3,897,577
Capital assets are not financial resources and are therefore not reported in the governmental funds. These amounts consist of:		
Cost	7,860,466	
Accumulated depreciation	<u>(3,698,274)</u>	4,162,192
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		374,419
Prepaid insurance is recorded as an expense when paid in the governmental fund statements and amortized over the life of the policy in the government wide statements.		
		11,711
Fuel inventory on hand at year-end is recorded as an asset on the government-wide statements.		
		24,548
Amounts relating to the District's proportionate share of net pension liability or assets for the Oregon Public Employees Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. Amounts consist of:		
Deferred outflows of resources relating to pension expense	380,430	
Deferred inflows of resources relating to the return on pension assets	(326,317)	
Net pension asset (liability)	<u>(1,404,599)</u>	(1,350,486)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(10,672)	
Compensated absences payable	(248,501)	
Bonds payable, including premiums	(1,870,947)	
Notes payable	(17,574)	
Other post-employment benefits payable	<u>(964,006)</u>	<u>(3,111,700)</u>
Net position of governmental activities		\$ <u>4,008,261</u>

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General Fund	Reserve Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,670,955	\$ -	\$ 379,986	\$ 4,050,941
Donations	-	3,610	-	3,610
Intergovernmental	-	100,000	-	100,000
Grants	109,151	-	-	109,151
Charges for services	198,331	-	-	198,331
Investment earnings	25,719	-	1,452	27,171
Miscellaneous	141,999	-	-	141,999
	<u>4,146,155</u>	<u>103,610</u>	<u>381,438</u>	<u>4,631,203</u>
EXPENDITURES				
Current				
Fire suppression	1,981,557	-	-	1,981,557
Fire prevention	334,322	-	-	334,322
Administrative	1,017,679	-	-	1,017,679
Debt service	70,840	-	387,350	458,190
Capital outlay	112,518	13,447	-	125,965
	<u>3,516,916</u>	<u>13,447</u>	<u>387,350</u>	<u>3,917,713</u>
Excess (deficiency) of revenues over (under) expenditures	629,239	90,163	(5,912)	713,490
OTHER FINANCING SOURCES (USES)				
Transfers in	-	9,432	-	9,432
Transfers out	(213,647)	-	-	(213,647)
	<u>(213,647)</u>	<u>9,432</u>	<u>-</u>	<u>(204,215)</u>
Net change in fund balances	415,592	99,595	(5,912)	509,275
Fund balances - beginning	2,542,529	833,429	12,344	3,388,302
Fund balances - ending	<u>\$ 2,958,121</u>	<u>\$ 933,024</u>	<u>\$ 6,432</u>	<u>\$ 3,897,577</u>

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balances		\$ 509,275
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	33,996	
Depreciation expense recorded in current year	<u>(258,777)</u>	(224,781)
<p>Governmental funds report fuel costs as expenditures; however, in the statement of activities, only the fuel that has been dispensed is considered an expense, and any unused fuel is shown as inventory on the statement of net position.</p>		
		5,334
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Debt principal paid	363,989	
Amorization of bond premium	<u>8,839</u>	372,828
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.</p>		
Compensated absences	21,057	
Other post-employment benefits	<u>(32,044)</u>	(10,987)
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.</p>		
		3,451
<p>Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued.</p>		
		<u>(1,114,984)</u>
Change in net position		<u><u>\$ (459,864)</u></u>

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2016

	Business-Type Activities
	Enterprise Fund
	Ambulance
ASSETS	
Current assets	
Cash and cash equivalents	\$ 424,621
Accounts receivable, net of allowance for uncollectibles	202,983
Prepaid expenses	32,466
Total current assets	660,070
Capital assets, net of accumulated depreciation	167,290
Total assets	827,360
DEFERRED OUTFLOWS OF RESOURCES	337,362
LIABILITIES	
Current liabilities	
Accounts payable	2,446
Payroll liabilities	11,282
Compensated absences	20,236
Total current liabilities	33,964
Net pension liability	1,245,588
Total liabilities	1,279,552
DEFERRED INFLOWS OF RESOURCES	289,375
NET POSITION	
Investment in capital assets	167,290
Unrestricted	(571,495)
Total net position	\$ (404,205)

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2016

	Business-Type Activities
	Enterprise Fund
	Ambulance
Operating revenues	
Charges for services	\$ 2,352,662
Miscellaneous	116,326
Total operating revenues	2,468,988
Operating expenses	
Personnel services	3,247,671
Materials and services	369,423
Repairs and maintenance	42,856
Depreciation	27,487
Total operating expenses	3,687,437
Operating income (loss)	(1,218,449)
Nonoperating income (expenses)	
Grants	39,772
Income (loss) before contributions and transfers	(1,178,677)
Transfers in	204,215
Change in net position	(974,462)
Net position - beginning, as restated	570,257
Net position - ending	\$ (404,205)

The accompanying notes are an integral part of these financial statements.

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2016

	Business-Type Activities
	Enterprise Fund
	Ambulance
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,427,145
Payments to employees	(2,135,939)
Payments to suppliers	(409,834)
Other receipts	1,707
	(116,921)
Net cash provided (used) by operating activities	(116,921)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	204,215
	204,215
Net cash provided (used) by noncapital financing activities	204,215
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Grants	39,772
Purchases of capital assets	(117,158)
	(77,386)
Net cash provided (used) by noncapital financing activities	(77,386)
Net increase (decrease) in cash and cash equivalents	9,908
Cash and cash equivalents - beginning	414,713
Cash and cash equivalents - ending	\$ 424,621
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,218,449)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	27,487
Changes in assets and liabilities	
(Increase) decrease in:	
Receivables	23,482
Bad debt provision	51,000
Prepaid assets	(10,555)
Change in PERS pension balances	988,959
Increase (decrease) in accounts payable and accrued liabilities	21,155
	(116,921)
Net cash provided (used) by operating activities	\$ (116,921)

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

Lebanon Fire District was formed in 1884 and covers 134 square miles, serving the communities of Lebanon, Waterloo, Sodaville, and Lacombe. Services provided include fire suppression, emergency medical services, and fire prevention education. The District's emergency medical services are provided to an area of 416 square miles that includes, in addition to the fire district, the cities of Brownsville, Crabtree, and Scio. The District is governed by a five-member board of directors, elected from the District at large. Each member is elected to a four-year term.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds, while the business-type activities incorporate data from enterprise funds. Separate financial statements are provided for all governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate financial statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes. Primary expenditures are for public safety.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Capital Projects Fund

Reserve Fund - The Reserve Fund is used to account for the revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets. The primary sources of revenue are donations and grants.

Debt Service Fund - The Debt Service Fund accounts for the servicing of general long-term debt. The primary sources of revenue are property taxes and investment earnings.

The District reports the following major proprietary fund:

Enterprise Fund

Ambulance Fund - The Ambulance Fund is used to account for the operations of the District's ambulance service, which is provided to the general public. The primary source of revenue is user charges.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activity column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. Investments

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

3. Accounts Receivable

Receivables of the enterprise fund are recorded as revenue when earned. Receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is calculated by management based on prior collection experience.

4. Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

<u>Assets</u>	<u>Years</u>
Equipment	3-20
Licensed vehicles	5-20
Buildings	10-50

6. Deferred Outflows/Inflows of Resources - (Non Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement elements, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

8. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the Fire Chief to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District has not formally adopted a minimum fund balance policy.

The nonspendable fund balance classification are amounts that are nonspendable form (such as inventory) or are required to be maintained intact.

Balances reported as restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or enabling legislation.

Unassigned fund balance are amounts that are available for any purpose.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Compensated Absences

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Sick leave

Accumulated sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists.

4. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Other Post-Employment Benefits

The District provides post-employment healthcare benefits. Employees with 10 years of service at December 31, 1998 were eligible for the program. This was a one-time only offer for eligible employees as of December 31, 1998. The District also offered the benefit to union employees hired prior to July 1, 2002. The District provides healthcare insurance to these qualified retirees until the age of 65, or until eligible for Medicare, equal to the current program in effect for its current employees. Benefits terminate upon death. Post-employment benefits are reported as long-term liabilities on the statement of net position.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

The District maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted a formal policy regarding credit risk; however, investments comply with state statutes.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Investments

As of June 30, 2016, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 3,884,198</u>

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

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The District holds an interest-bearing account at KeyBank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, the District had deposits of \$250,000 insured by the FDIC and \$209,234 collateralized under the PFCP.

Deposits

The District's deposits and investments at June 30, 2016 were as follows:

Checking account	\$ 375,410
Total investments	<u>3,884,198</u>
Total deposits and investments	<u><u>\$ 4,259,608</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,898,066
Reserve Fund	<u>933,429</u>
Total governmental activities - unrestricted	3,831,495
Business-type activities - unrestricted	
Ambulance Fund	<u>424,621</u>
Subtotal unrestricted cash and investments	4,256,116
Governmental activities - restricted	
Debt Service Fund	<u>3,492</u>
Total cash and investments	<u><u>\$ 4,259,608</u></u>

Restricted cash is for future payments of principal and interest on long-term debt.

LEBANON FIRE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

B. Accounts Receivable

Accounts receivable at June 30, 2016, including the applicable allowances for uncollectible accounts, were as follows:

	Ambulance Fund
Ambulance billings	\$ 603,983
Less allowance for uncollectibles	<u>(401,000)</u>
Net total receivables	<u><u>\$ 202,983</u></u>

Collections on accounts previously written off amounted to \$14,181.

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 273,212	\$ -	\$ -	\$ 273,212
Total capital assets not being depreciated	<u>273,212</u>	<u>-</u>	<u>-</u>	<u>273,212</u>
Capital assets being depreciated				
Buildings	4,309,237	26,139	-	4,335,376
Equipment	180,104	7,857	-	187,961
Vehicles	3,063,917	-	-	3,063,917
Total capital assets being depreciated	<u>7,553,258</u>	<u>33,996</u>	<u>-</u>	<u>7,587,254</u>
Less accumulated depreciation for				
Buildings	(1,398,067)	(98,848)	-	(1,496,915)
Equipment	(72,976)	(18,542)	-	(91,518)
Vehicles	<u>(1,968,454)</u>	<u>(141,387)</u>	<u>-</u>	<u>(2,109,841)</u>
Total accumulated depreciation	<u>(3,439,497)</u>	<u>(258,777)</u>	<u>-</u>	<u>(3,698,274)</u>
Total capital assets being depreciated, net	<u>4,113,761</u>	<u>(224,781)</u>	<u>-</u>	<u>3,888,980</u>
Governmental activities capital assets, net	<u><u>\$ 4,386,973</u></u>	<u><u>\$ (224,781)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,162,192</u></u>

(Continued)

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June 30, 2016

	Beginning Balance	Increases	Decreases	Ending Balance
(Continued)				
Business-type activities				
Capital assets not being depreciated				
Land	\$ 9,538	\$ -	\$ -	\$ 9,538
Capital assets being depreciated				
Buildings	112,011	-	-	112,011
Equipment	11,046	7,600	-	18,646
Vehicles	586,097	109,558	-	695,655
Total capital assets being depreciated	709,154	117,158	-	826,312
Less accumulated depreciation for				
Buildings	(98,076)	(1,845)	-	(99,921)
Equipment	(6,444)	(1,737)	-	(8,181)
Vehicles	(536,553)	(23,905)	-	(560,458)
Total accumulated depreciation	(641,073)	(27,487)	-	(668,560)
Total capital assets being depreciated, net	68,081	89,671	-	157,752
Business-type activities capital assets, net	\$ 77,619	\$ 89,671	\$ -	\$ 167,290

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 273,212	\$ -	\$ 273,212
Buildings	4,335,376	(1,496,915)	2,838,461
Equipment	187,961	(91,518)	96,443
Vehicles	3,063,917	(2,109,841)	954,076
Total governmental capital assets	\$ 7,860,466	\$ (3,698,274)	\$ 4,162,192
Business-type activities			
Land	\$ 9,538	\$ -	\$ 9,538
Buildings	112,011	(99,921)	12,090
Equipment	18,646	(8,181)	10,465
Vehicles	695,655	(560,458)	135,197
Total business-type capital assets	\$ 835,850	\$ (668,560)	\$ 167,290

Depreciation expense was charged to the functions/programs of the District as follows:

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Governmental activities		
Fire suppression	\$	140,585
Fire prevention		84,479
Administrative		<u>33,713</u>
Total governmental activities	\$	<u><u>258,777</u></u>
Business-type activities		
Ambulance	\$	<u><u>27,487</u></u>

D. Interfund Transfers

Interfund transfers during the year consisted of:

	Reserve Fund	Transfer in: Ambulance Fund	Total
Transfer out:			
General Fund	<u>\$ 9,432</u>	<u>\$ 204,215</u>	<u>\$ 213,647</u>

The principal purposes of the transfers were to provide operating cash for the ambulance service and to reserve cash for future equipment purchases.

E. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 269,558</u>	<u>\$ -</u>	<u>\$ 21,057</u>	<u>\$ 248,501</u>
Business-type activities				
Compensated absences	<u>\$ 11,791</u>	<u>\$ 8,445</u>	<u>\$ -</u>	<u>\$ 20,236</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General obligation bonds	4-5%	\$ 3,750,000	\$ 2,145,000	\$ -	\$ 295,000	\$ 1,850,000	\$ 320,000
Bond premiums	-	<u>64,271</u>	<u>29,786</u>	<u>-</u>	<u>8,839</u>	<u>20,947</u>	<u>-</u>
Total bonds		3,814,271	2,174,786	-	303,839	1,870,947	320,000
Note payable	3%	<u>327,440</u>	<u>86,563</u>	<u>-</u>	<u>68,989</u>	<u>17,574</u>	<u>17,574</u>
Total governmental activities		<u>\$ 4,141,711</u>	<u>\$ 2,261,349</u>	<u>\$ -</u>	<u>\$ 372,828</u>	<u>\$ 1,888,521</u>	<u>\$ 337,574</u>

2. General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The bonds are payable on June 1 and December 1 of each year. Interest is variable over a fixed schedule, set out at the issuance date. The District's outstanding general obligation bonds represent funding primarily for capital projects. The Debt Service Fund has been used to liquidate the general obligation debt.

3. Note Payable

The District signed the note payable on July 30, 2011 to finance the purchase of new apparatus. The note calls for quarterly payments of \$17,710. The General Fund has been used to liquidate the note payable.

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NOTES TO BASIC FINANCIAL STATEMENTS

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4. Future Maturities of General Obligation Bonds

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 320,000	\$ 77,200	\$ 397,200
2018	345,000	61,200	406,200
2019	370,000	47,400	417,400
2020	395,000	32,600	427,600
2021	420,000	16,800	436,800
Total	<u>\$ 1,850,000</u>	<u>\$ 235,200</u>	<u>\$ 2,085,200</u>

5. Future Maturities of Note Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2017	<u>\$ 17,574</u>	<u>\$ 134</u>	<u>\$ 17,708</u>

6. Legal Debt Limit

The District's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2016 was approximately \$31,238,944. The District's legal debt service limit is 1.25% of the real market value of property within the District.

G. Charges for Services

The District's ambulance billings in the Ambulance Fund are net of discounts for capitation and insurance adjustments. Charges for services at June 30, 2016 consisted of the following:

Ambulance fees	\$ 5,819,871
Ambulance discounts	<u>(3,467,209)</u>
Charges for services	<u>\$ 2,352,662</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

H. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Reserve Fund	Fund Debt Service	Total Governmental Funds
Fund balances				
Nonspendable	\$ 10,107	\$ -	\$ -	\$ 10,107
Restricted for:				
Debt service	-	-	6,432	6,432
Committed to:				
Equipment purchases	-	933,024	-	933,024
Unassigned	2,948,014	-	-	2,948,014
Total fund balances	\$ 2,958,121	\$ 933,024	\$ 6,432	\$ 3,897,577

III. OTHER INFORMATION

A. 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 the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

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June 30, 2016

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

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

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, 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 benefit results.

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 one or more of the following conditions are met:

- Member was employed by a 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

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 a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

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Benefit Changes after Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 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 the termination becomes effective.

Death Benefits

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

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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.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on 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. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$501,720.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current

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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 liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the 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.

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Discount Rate

The discount rate used to measure the total pension liability/asset was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability or asset.

Pension Liabilities or Assets, Pension Expense or Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$2,650,187 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015 the District's proportion was 0.04615875%.

For the year ended June 30, 2016, the District recognized pension expense of \$2,613,081. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 142,911	\$ -
Net difference between projected and actual earnings on investments	-	555,539
Changes in proportionate share	44,419	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,742	60,153
Contributions after measurement date	501,720	-
Totals	\$ 717,792	\$ 615,692

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net

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pension liability in the year ended June 30, 2016. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2016	\$ (228,179)
2017	\$ (228,179)
2018	\$ (228,179)
2019	\$ 273,355
2020	11,562

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 6,396,127	\$ 2,650,157	\$ (506,657)

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June

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30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated. This approach is consistent with OAR 459-005-0510, adopted by the PERS board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability or Asset 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 or Asset, along with an estimate of the resulting change, if available.

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

2. Deferred Compensation Plan

The District has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the District for amounts earned by them, not to be paid until a future date when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under Internal Revenue Code (IRC) Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the District has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The District has no liability for any losses that may be incurred under the plan.

3. Supplemental Retirement Plan

The District offers a Length of Service Award Program (LOSAP) to volunteers as a reward for service to the community. The plan provides tax deferred income benefits to volunteers through discretionary contributions made by the District. The District is not contingently liable to make contributions based on volunteer service. The District contributed \$20,000 during the year ended June 30, 2016.

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C. Other Post-Employment Benefits

1. Post-Retirement Health Benefits

Plan Description

The District provides a post-employment health benefits program for employees who have retired early from the District. Covered employees under the plan are eligible to receive District-paid benefits until reaching the age of eligibility for Medicare benefits. Benefits accrue at 4% per year of service and terminate at death. The program was established by Resolution 10-98. Eligible employees had completed ten years of service to the District upon adoption of the resolution. Of the fourteen employees eligible for the program, there are currently nine participating.

Funded Status

As of June 30, 2016, the actuarial accrued liability (AAL) for benefits was \$953,662, and the actuarial value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$953,662 and a funded ratio of 0%.

Annual OPEB Cost and Net OPEB Obligation

The District's annual post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 43. 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 over a period of 30 years. The table on the following page shows the components of the District's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the District's OPEB obligation to the plan.

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Employer's normal cost	\$ 31,677
Interest on net OPEB obligation	4,817
One year's amortization of AAL with interest	96,339
Adjustment to annual required contribution	<u>-</u>
Annual Required Contribution (ARC)	132,833
Less contributions (amounts paid by the District during year for OPEB)	<u>(100,789)</u>
Contribution deficiency (ARC less current year payments)	32,044
OPEB obligation at beginning of year	<u>931,962</u>
OPEB obligation at end of year	<u>\$ 964,006</u>

Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

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Probability of remaining employed from current age until assumed retirement age – Probabilities were adapted from data maintained by the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employee Retirement System.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on historical trends experienced by the District. A rate of 5% was used.

Health insurance premiums – 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 5% was based on projected changes in the Consumer Price Index.

In addition, the current age actuarial cost method was used and the actuarial value of plan assets is measured at fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2016 was 24 years.

Annual Cost

During the years ended June 30, 2014, 2015, and 2016, the General Fund recognized liabilities of \$185,223, \$228,287, and \$132,833 respectively, for post-retirement health benefits. For the years ended June 30, 2014, 2015, and 2016, 47%, 38%, and 76% of annual OPEB costs were contributed by the District, respectively.

D. Bargaining Unit

At June 30, 2016, the District had a total of approximately 32 employees. Of this total, approximately 69% are represented by a union. The union agreement was ratified on April 20, 2016 and extends through June 30, 2019.

E. Subsequent Events

Management has evaluated subsequent events through December 8, 2016, which was the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

OTHER POST-EMPLOYMENT HEALTH BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio
2010	\$ -	\$ 1,437,792	\$ 1,437,792	0.00%
2011	\$ -	\$ 1,915,680	\$ 1,915,680	0.00%
2012	\$ -	\$ 1,436,251	\$ 1,436,251	0.00%
2013	\$ -	\$ 1,422,278	\$ 1,422,278	0.00%
2014	\$ -	\$ 1,340,099	\$ 1,340,099	0.00%
2015	\$ -	\$ 1,678,854	\$ 1,678,854	0.00%
2016	\$ -	\$ 953,662	\$ 953,662	0.00%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2010	\$ 204,761	0%	\$ 204,761
2011	\$ 274,547	0%	\$ 274,547
2012	\$ 201,429	46%	\$ 108,903
2013	\$ 199,840	49%	\$ 102,576
2014	\$ 185,223	47%	\$ 98,743
2015	\$ 228,287	38%	\$ 142,432
2016	\$ 132,833	76%	\$ 32,044
			<u>\$ 964,006</u>

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.04615875%	0.04357164%
District's proportionate share of the net pension liability (asset)	\$ 2,650,187	\$ (987,645)
District's covered-employee payroll	\$ 2,841,686	\$ 2,694,019
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93%	-37%
Plan fiduciary net position as a percentage of the total pension liability	92%	104%

Schedule of District Contributions

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 501,720	\$ 453,835
Contributions in relation to the contractually required contribution	<u>(501,720)</u>	<u>(453,835)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,074,396	\$ 2,782,121
Contributions as a percentage of covered-employee payroll	16%	16%

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 3,556,199	\$ 3,556,199	\$ 104,559	\$ 3,660,758	\$ 10,197	\$ 3,670,955
Grants	-	259,864	(150,713)	109,151	-	109,151
Charges for services	356,000	356,000	(157,669)	198,331	-	198,331
Investment earnings	16,500	16,500	9,219	25,719	-	25,719
Miscellaneous	15,100	15,100	20,263	35,363	106,636	141,999
Total revenues	<u>3,943,799</u>	<u>4,203,663</u>	<u>(174,341)</u>	<u>4,029,322</u>	<u>116,833</u>	<u>4,146,155</u>
EXPENDITURES						
Current						
Personnel services	2,206,642	2,388,016	(97,428)	2,290,588	106,633	2,397,221
Materials and services	953,495	1,031,985	(211,430)	820,555	13,564	834,119
Debt service	1,177,091	1,177,091	(1,004,033)	173,058	-	173,058
Capital outlay	90,400	129,042	(24,091)	104,951	7,567	112,518
Contingency	500,130	500,130	(500,130)	-	-	-
Total expenditures	<u>4,927,758</u>	<u>5,226,264</u>	<u>(1,837,112)</u>	<u>3,389,152</u>	<u>127,764</u>	<u>3,516,916</u>
Excess (deficiency) of revenues over (under) expenditures	(983,959)	(1,022,601)	1,662,771	640,170	(10,931)	629,239
OTHER FINANCING SOURCES (USES)						
Long-term debt financing proceeds	1,000,000	1,000,000	(1,000,000)	-	-	-
Transfers out	<u>(731,239)</u>	<u>(692,597)</u>	<u>(478,950)</u>	<u>(213,647)</u>	<u>-</u>	<u>(213,647)</u>
Total other financing sources (uses)	<u>268,761</u>	<u>307,403</u>	<u>(1,478,950)</u>	<u>(213,647)</u>	<u>-</u>	<u>(213,647)</u>
Net change in fund balance	(715,198)	(715,198)	1,141,721	426,523	(10,931)	415,592
Fund balance - beginning	<u>715,198</u>	<u>715,198</u>	<u>1,804,824</u>	<u>2,520,022</u>	<u>22,507</u>	<u>2,542,529</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,946,545</u>	<u>\$ 2,946,545</u>	<u>\$ 11,576</u>	<u>\$ 2,958,121</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 385,750	\$ (6,790)	\$ 378,960	\$ 1,026	\$ 379,986
Investment earnings	<u>1,600</u>	<u>(148)</u>	<u>1,452</u>	<u>-</u>	<u>1,452</u>
Total revenues	<u>387,350</u>	<u>(6,938)</u>	<u>380,412</u>	<u>1,026</u>	<u>381,438</u>
EXPENDITURES					
Debt service	<u>387,350</u>	<u>-</u>	<u>387,350</u>	<u>-</u>	<u>387,350</u>
Excess (deficiency) of revenues over (under) expenditures	-	(6,938)	(6,938)	1,026	(5,912)
Fund balance - beginning	<u>-</u>	<u>10,430</u>	<u>10,430</u>	<u>1,914</u>	<u>12,344</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,492</u>	<u>\$ 3,492</u>	<u>\$ 2,940</u>	<u>\$ 6,432</u>

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Donations	\$ 1,000	\$ 2,610	\$ 3,610	\$ -	\$ 3,610
Grants	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total revenues	<u>101,000</u>	<u>2,610</u>	<u>103,610</u>	<u>-</u>	<u>103,610</u>
EXPENDITURES					
Capital outlay	<u>205,000</u>	<u>(191,958)</u>	<u>13,042</u>	<u>405</u>	<u>13,447</u>
Excess (deficiency) of revenues over (under) expenditures	(104,000)	194,568	90,568	(405)	90,163
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>204,000</u>	<u>(194,568)</u>	<u>9,432</u>	<u>-</u>	<u>9,432</u>
Net change in fund balance	100,000	-	100,000	(405)	99,595
Fund balance - beginning	<u>-</u>	<u>833,429</u>	<u>833,429</u>	<u>-</u>	<u>833,429</u>
Fund balance - ending	<u>\$ 100,000</u>	<u>\$ 833,429</u>	<u>\$ 933,429</u>	<u>\$ (405)</u>	<u>\$ 933,024</u>

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

AMBULANCE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Charges for services, net	\$ 2,198,000	\$ 2,198,000	\$ 229,145	\$ 2,427,145	\$ (74,483)	\$ 2,352,662
Grants	-	159,091	(119,319)	39,772	-	39,772
Miscellaneous	200	200	1,507	1,707	114,619	116,326
Total revenues	<u>2,198,200</u>	<u>2,357,291</u>	<u>111,333</u>	<u>2,468,624</u>	<u>40,136</u>	<u>2,508,760</u>
EXPENSES						
Current						
Personnel services	2,154,894	2,154,894	(9,047)	2,145,847	1,101,824	3,247,671
Materials and services	389,245	389,245	(22,267)	366,978	2,445	369,423
Capital outlay	181,300	301,749	(141,735)	160,014	(117,158)	42,856
Depreciation	-	-	-	-	27,487	27,487
Total expenses	<u>2,725,439</u>	<u>2,845,888</u>	<u>(173,049)</u>	<u>2,672,839</u>	<u>1,014,598</u>	<u>3,687,437</u>
Excess (deficiency) of revenues over (under) expenses	(527,239)	(488,597)	284,382	(204,215)	(974,462)	(1,178,677)
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>527,239</u>	<u>488,597</u>	<u>(284,382)</u>	<u>204,215</u>	<u>-</u>	<u>204,215</u>
Change in net position	-	-	-	-	(974,462)	(974,462)
Net position - beginning, as restated	<u>-</u>	<u>-</u>	<u>423,895</u>	<u>423,895</u>	<u>146,362</u>	<u>570,257</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,895</u>	<u>\$ 423,895</u>	<u>\$ (828,100)</u>	<u>\$ (404,205)</u>

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY FEDERAL AND STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Lebanon Fire District
Lebanon, Oregon 97355

We have audited the basic financial statements of Lebanon Fire District as of and for the year ended June 30, 2016, and have issued our report thereon dated December 8, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether Lebanon Fire District's financial statements are free of material misstatement, we 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 162-010-0000 through 162-010-0320 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 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

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 our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Lebanon Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the 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 Lebanon Fire 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.

Our 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 significant deficiencies or material weaknesses, as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of the board of directors and management of Lebanon Fire District 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 blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

December 8, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Lebanon Fire District
Lebanon, Oregon 97355

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lebanon Fire District as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Lebanon Fire District's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lebanon Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Accuity, LLC

Albany, Oregon
December 8, 2016