LEBANON FIRE DISTRICT
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2019

LEBANON FIRE DISTRICT
Lebanon, Oregon

DISTRICT OFFICIALS

June 30, 2019

BOARD OF DIRECTORS

Allen Forster, President
34391 Meridian Road
Lebanon, Oregon 97355

Duane Taylor, Vice President
P.O. Box 2530
Lebanon, Oregon 97355

Jeff King, Secretary-Treasurer
224 2nd Street
Lebanon, Oregon 97355

Michael Schrader
2355 Mountain River Drive
Lebanon, Oregon 97355

ADMINISTRATION

Gordon Sletmoe, Fire Chief
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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June 30, 2019

FINANCIAL SECTION

KOONTZ, BLASQUEZ & ASSOCIATES, P.C.

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, each major fund, and the remaining fund information of Lebanon Fire District, Lebanon, Oregon, as of and for the year ended June 30, 2019, 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

Lebanon Fire District's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 basis for our audit opinions.

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(541) 926-5543 • (541) 967-9460 fax

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, each major fund, and the remaining fund information of Lebanon Fire District, Lebanon, Oregon, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, and budgetary comparison information on pages 4 through 10, 61, 62, 63, 64, 65, and 66, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the proportionate share of the net OPEB liability (asset), and schedule of contributions – other postemployment benefits 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. We do not express an opinion or provide any assurance on the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the proportionate share of the net OPEB liability (asset), or schedule of contributions – other postemployment benefits because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The schedule of property tax transactions has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have issued our report dated November 14, 2019 on our consideration of Lebanon Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of 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 issued our report dated November 14, 2019 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Blasquez & Associates, P.C.

By: Debra L. Blasquez

Debra L. Blasquez, CPA

Albany, Oregon
November 14, 2019

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, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2019, total net position of Lebanon Fire District amounted to $3,177,682. Of this amount, $3,703,703 was invested in capital assets, net of related debt. The remaining balance included $28,825 restricted for debt service and $(554,846) of unrestricted net position.
- The District's total net position increased by $288,939 during the current fiscal year.
- Overall revenues were $9,064,102, which exceeded total expenditures of $8,775,163 by $288,939.

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 basic 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 13 of this report.

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 and 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 and Reserve Funds, both of which are considered to be major governmental funds, as well as for the Debt Service Fund, which is considered to be a nonmajor governmental fund.

  Lebanon Fire District adopts an annual appropriated budget for all of its governmental 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 14 through 17 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.

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 its ambulance transportation services.

Information is presented in the proprietary fund statement of net position, proprietary fund statement of revenues, expenses, and changes in fund net position, and the proprietary fund statement of cash flows for the Ambulance Fund, which is considered to be a major proprietary fund.

Lebanon Fire District adopts an annual appropriated budget for its proprietary fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic proprietary fund financial statements can be found on pages 18 through 22 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 23 through 60 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 the schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, and budgetary comparison information for the General Fund. This required supplementary information can be found on pages 61 through 66 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 67 through 69 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. At June 30, 2019, the District's assets exceeded liabilities by $3,177,682.

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 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 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.

LEBANON FIRE DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

District's Net Position

The District's net position increased by $288,939 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets and deferred outflows of resources						
Current assets	$4,692,560	$4,752,841	$ 1,193,450	$ 1,104,826	$5,886,010	$5,857,667
Restricted assets	28,825	44,588	-	-	28,825	44,588
Net capital assets	5,253,266	3,947,454	368,049	380,860	5,621,315	4,328,314
Noncurrent assets	19,551	-	17,337	-	36,888	-
Deferred outflows of resources	1,971,965	1,256,578	1,777,060	1,100,134	3,749,025	2,356,712
Total assets and deferred outflows of resources	11,966,167	10,001,461	3,355,896	2,585,820	15,322,063	12,587,281
Liabilities and deferred inflows of resources						
Current liabilities	817,351	672,278	30,290	33,522	847,641	705,800
Noncurrent liabilities	6,217,213	4,939,269	4,311,997	3,653,898	10,529,210	8,593,167
Deferred inflows of resources	402,782	214,760	364,748	184,811	767,530	399,571
Total liabilities and deferred inflows of resources	7,437,346	5,826,307	4,707,035	3,872,231	12,144,381	9,698,538
Net position						
Net investment in capital assets	3,335,654	2,758,537	368,049	380,860	3,703,703	3,139,397
Restricted for debt service	28,825	44,588	-	-	28,825	44,588
Unrestricted	1,164,342	1,372,029	(1,719,188)	(1,667,271)	(554,846)	(295,242)
Total net position	$4,528,821	$4,175,154	$(1,351,139)	$(1,286,411)	$3,177,682	$2,888,743

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)

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Program revenues						
Administrative	$ 636,127	$ 532,714	$ -	$ -	$ 636,127	$ 532,714
Ambulance	-	-	2,874,316	2,708,504	2,874,316	2,708,504
Total program revenues	636,127	532,714	2,874,316	2,708,504	3,510,443	3,241,218
General revenues						
Property taxes - general	4,273,649	4,146,699	-	-	4,273,649	4,146,699
Property taxes - debt service	427,134	439,983		-	427,134	439,983
Investment earnings	105,590	74,618	-	-	105,590	74,618
Miscellaneous	729,209	315,910	14,977	241,435	744,186	557,345
Unrestricted grants and contributions	3,100	960	-	-	3,100	960
Total general revenues	5,538,682	4,978,170	14,977	241,435	5,553,659	5,219,605
Total revenues	6,174,809	5,510,884	2,889,293	2,949,939	9,064,102	8,460,823
Program expenses						
Fire suppression	3,040,957	2,715,750	-	-	3,040,957	2,715,750
Fire prevention	719,819	633,743	-	-	719,819	633,743
Administrative	1,957,816	1,689,387	-	-	1,957,816	1,689,387
Interest on long-term debt	46,095	56,716	-	-	46,095	56,716
Ambulance	-	-	3,010,476	2,659,009	3,010,476	2,659,009
Total program expenses	5,764,687	5,095,596	3,010,476	2,659,009	8,775,163	7,754,605
Transfers	(56,455)	-	56,455	-	-	-
Change in net position	353,667	415,288	(64,728)	290,930	288,939	706,218
Net position - beginning of year	4,175,154	3,759,866	(1,286,411)	(1,577,341)	2,888,743	2,182,525
Net position - end of year	$ 4,528,821	$ 4,175,154	$ (1,351,139)	$ (1,286,411)	$ 3,177,682	$ 2,888,743

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 major governmental funds reported combined fund balances of $4,381,520. This amount included $50,197 of nonspendable amounts related to prepaid expenses and $3,335,339 committed to equipment expenditures. The remaining $995,984 constitutes unassigned fund balance, which is available for spending at the District's discretion.

Significant Changes in Major Governmental Fund Balances

- General Fund: The 23.5% decrease in unassigned fund balance can be attributed to increasing reserves and contingency.

Proprietary Fund

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 $(1,351,139). Of this amount, $368,049 was invested in capital assets and the remaining balance of $(1,719,188) was unrestricted.

BUDGETARY HIGHLIGHTS: GENERAL FUND

Significant variances between budgeted and actual budget basis amounts in the General Fund for the year ended June 30, 2019 include:

- Investment earnings were budgeted for $40,000. Actual revenues were $100,827 (152.1% over budget) due to an interest rate increase and increased tax revenue in the pool accounts.

- Debt service expenditures were budgeted for $123,860. Actual expenditures were $2,858 (97.7% under budget) due to budgeting anticipated costs related to the aerial truck, but the funding source changed, changing the required payment intervals and amounts.

- Transfers to other funds was budgeted for $855,953. Actual transfers out were $469,955 (45.1% under budget) due to gains in ambulance revenue and maintaining a good beginning balance in the General Fund while still increasing reserves for future equipment purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2019 amounted to $5,253,266 and $368,049, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings, equipment, and vehicles. The total depreciation expense related to the District's investment in capital assets for its governmental activities and business-type activities during the current fiscal year amounted to $268,571 and $64,410, respectively.

Additional information on the District's capital assets can be found in Note III-C on pages 35 through 37 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of $1,915,000. This amount is comprised of general obligation bonds. The District's total debt outstanding increased $730,000 during the fiscal year.

Additional information on the District's long-term debt can be found in Note III-F on pages 38 through 39 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 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 years.

- The main fire station and several major fire apparatuses are nearing the end of their expected useful lives.

These factors were considered in preparing the District's budget for the 2019-2020 fiscal year.

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 requests 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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	$ 4,270,777	$ 835,649	$ 5,106,426
Accounts receivable, net of allowance for uncollectibles	107,907	323,034	430,941
Property taxes receivable	214,264	-	214,264
Prepaid expenses	78,931	34,767	113,698
Fuel inventory	20,681	-	20,681
Total current assets	4,692,560	1,193,450	5,886,010
Restricted assets			
Cash restricted for debt service	8,332	-	8,332
Property taxes receivable restricted for debt service	20,493	-	20,493
Total restricted assets	28,825	-	28,825
Capital assets			
Land	273,212	9,538	282,750
Capital assets, net of accumulated depreciation	4,980,054	358,511	5,338,565
Total capital assets	5,253,266	368,049	5,621,315
Net OPEB RHIA asset	19,551	17,337	36,888
Total assets	9,994,202	1,578,836	11,573,038
Deferred outflows of resources			
Net deferred outflow of pension related resources	1,328,764	1,206,675	2,535,439
Net deferred outflow of OPEB related resources	643,201	570,385	1,213,586
Total deferred outflows of resources	1,971,965	1,777,060	3,749,025
Total assets and deferred outflows of resources	11,966,167	3,355,896	15,322,063

(Continued)

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

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

For the Year Ended June 30, 2019

(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	$ 53,777	$ -	$ 53,777
Accrued payroll liabilities	13,855	18,072	31,927
Accrued interest payable	5,100	-	5,100
Compensated absences payable	253,619	12,218	265,837
Long-term liabilities, current portion	491,000	-	491,000
Total current liabilities	817,351	30,290	847,641
Noncurrent liabilities			
Long-term liabilities, less current portion	1,426,612	-	1,426,612
Net pension liability - PERS	2,988,245	2,713,681	5,701,926
Net OPEB medical benefit liability	1,802,356	1,598,316	3,400,672
Total noncurrent liabilities	6,217,213	4,311,997	10,529,210
Total liabilities	7,034,564	4,342,287	11,376,851
Deferred inflows of resources			
Net deferred inflow of pension related resources	354,711	322,119	676,830
Net deferred inflow of OPEB related resources	48,071	42,629	90,700
Total deferred inflows of resources	402,782	364,748	767,530
Total liabilities and deferred inflows of resources	7,437,346	4,707,035	12,144,381
NET POSITION			
Net investment in capital assets	3,335,654	368,049	3,703,703
Restricted for debt service	28,825	-	28,825
Unrestricted	1,164,342	(1,719,188)	(554,846)
Total net position	$ 4,528,821	$ (1,351,139)	$ 3,177,682

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, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
Fire suppression	$ 3,040,957	$ -	$ -	$ -
Fire prevention	719,819	-	-	-
Administration	1,957,816	311,386	324,741	-
Interest on long-term debt	46,095	-	-	-
Total governmental activities	$ 5,764,687	$ 311,386	$ 324,741	$ -
Business-type activities				
Ambulance	$ 3,010,476	$ 2,874,316	$ -	$ -

General revenues
Property taxes - general
Property taxes - debt service
Investment earnings
Miscellaneous
Unrestricted grants and contributions

Total general revenues

Transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (3,040,957)	$ -	$ (3,040,957)
(719,819)	-	(719,819)
(1,321,689)	-	(1,321,689)
(46,095)	-	(46,095)
(5,128,560)	-	(5,128,560)
-	(136,160)	(136,160)
4,273,649	-	4,273,649
427,134	-	427,134
105,590	-	105,590
729,209	14,977	744,186
3,100	-	3,100
5,538,682	14,977	5,553,659
(56,455)	56,455	-
353,667	(64,728)	288,939
4,175,154	(1,286,411)	2,888,743
$ 4,528,821	$ (1,351,139)	$ 3,177,682

LEBANON FIRE DISTRICT
Lebanon, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Reserve Fund	Nonmajor Governmental Fund Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 935,438	$ 3,335,339	$ 8,332	$ 4,279,109
Grants receivable	107,907	-	-	107,907
Property taxes receivable	214,264	-	20,493	234,757
Prepaid expenses	50,197	-	-	50,197
Total assets	$ 1,307,806	$ 3,335,339	$ 28,825	$ 4,671,970
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	$ 53,777	$ -	$ -	$ 53,777
Accrued payroll liabilities	13,855	-	-	13,855
Total liabilities	67,632	-	-	67,632
Deferred inflows of resources				
Unavailable revenue - property taxes	193,993	-	20,493	214,486
Fund balances				
Nonspendable	50,197	-	-	50,197
Restricted	-	-	8,332	8,332
Committed	-	3,335,339	-	3,335,339
Unassigned	995,984	-	-	995,984
Total fund balances	1,046,181	3,335,339	8,332	4,389,852
Total liabilities, deferred inflows of resources, and fund balances	$ 1,307,806	$ 3,335,339	$ 28,825	$ 4,671,970

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

For the Year Ended June 30, 2019

Total fund balances		$ 4,389,852
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	9,427,502	
Accumulated depreciation	(4,174,236)	5,253,266
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.		214,486
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.		28,734
Fuel inventory on hand at year-end is recorded as an asset on the government-wide statements.		20,681
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	(5,100)	
Compensated absences payable	(253,619)	
Bonds payable, current portion	(491,000)	
Bonds payable, less current portion	(1,426,612)	(2,176,331)
Pension assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:		
Net pension liability	(2,988,245)	
Deferred outflows of pension related resources	1,328,764	
Deferred inflows of pension related resources	(354,711)	(2,014,192)
OPEB assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:		
Net OPEB RHIA asset	19,551	
Net OPEB medical benefit liability	(1,802,356)	
Deferred outflows of OPEB related resources	643,201	
Deferred inflows of OPEB related resources	(48,071)	(1,187,675)
Net position of governmental activities		$ 4,528,821

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, 2019

	General Fund	Reserve Fund	Nonmajor Governmental Fund Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 4,403,039	$ -	$ 406,641	$ 4,809,680
Donations	-	3,100	-	3,100
Grants	324,741	-	-	324,741
Charges for services	311,386	-	-	311,386
Investment earnings	100,827	-	4,763	105,590
Miscellaneous	729,209	-	-	729,209
Total revenues	5,869,202	3,100	411,404	6,283,706
EXPENDITURES				
Current				
Fire suppression	2,869,142	-	-	2,869,142
Fire prevention	451,248	-	-	451,248
Administrative	1,944,211	-	-	1,944,211
Debt service	2,858	-	417,800	420,658
Capital outlay	1,553,860	35,095	-	1,588,955
Total expenditures	6,821,319	35,095	417,800	7,274,214
Excess (deficiency) of revenues over (under) expenditures	(952,117)	(31,995)	(6,396)	(990,508)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,100,000	-	-	1,100,000
Transfers in	-	413,500	-	413,500
Transfers out	(469,955)	-	-	(469,955)
Total other financing sources (uses)	630,045	413,500	-	1,043,545
Net change in fund balances	(322,072)	381,505	(6,396)	53,037
Fund balances - beginning	1,368,253	2,953,834	14,728	4,336,815
Fund balances - ending	$ 1,046,181	$ 3,335,339	$ 8,332	$ 4,389,852

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, 2019

Net change in fund balances		$ 53,037
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, on 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:		
Expenditures for capital assets	1,574,383	
Less current year depreciation	(268,571)	1,305,812
Governmental funds report fuel costs as expenditures; however, on the statement of activities, only the fuel that has been dispensed is considered an expense, and any unused fuel is shown on the statement of net position.		(13,159)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds; however, on the statement of activities, property taxes are recognized as revenue when levied.		(108,897)
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.		2,459
Changes in long-term liabilities are not due or payable in the current period and therefore are not reported in the governmental fund statements. These liabilities consist of:		
Compensated absences	(20,966)	
Bond proceeds	(1,100,000)	
Amortization of bond premium	1,305	
Debt principal paid	370,000	(749,661)
Changes in the net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.		(131,112)
Changes in net OPEB assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.		(4,812)
Change in net position		$ 353,667

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

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2019

	Business-Type Activities Enterprise Fund Ambulance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	$ 835,649
Accounts receivable, net of allowance for uncollectibles	323,034
Prepaid expenses	34,767
Total current assets	1,193,450
Capital assets	
Land	9,538
Capital assets, net of accumulated depreciation	358,511
Total capital assets	368,049
Net OPEB RHIA asset	17,337
Total assets	1,578,836
Deferred outflows of resources	
Net deferred outflow of pension related resources	1,206,675
Net deferred outflow of OPEB related resources	570,385
Total deferred outflows of resources	1,777,060
Total assets and deferred outflows of resources	3,355,896

(Continued)

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

LEBANON FIRE DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2019

(Continued)

	Business-Type Activities Enterprise Fund Ambulance
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accrued payroll liabilities	$ 18,072
Compensated absences payable	12,218
Total current liabilities	30,290
Noncurrent liabilities	
Net pension liability - PERS	2,713,681
Net OPEB medical benefit liability	1,598,316
Total noncurrent liabilities	4,311,997
Total liabilities	4,342,287
Deferred inflows of resources	
Net deferred inflow of pension related resources	322,119
Net deferred inflow of OPEB related resources	42,629
Total deferred inflows of resources	364,748
Total liabilities and deferred inflows of resources	4,707,035
NET POSITION	
Net investment in capital assets	368,049
Unrestricted	(1,719,188)
Total net position	$ (1,351,139)

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, 2019

	Business-Type Activities Enterprise Fund Ambulance
Operating revenues	
Charges for services, net	$ 2,874,316
Miscellaneous	14,977
Total operating revenues	2,889,293
Operating expenses	
Personnel services	2,730,060
Materials and services	214,605
Depreciation	64,410
Capital outlay	1,401
Total operating expenses	3,010,476
Operating income (loss)	(121,183)
Transfers in	56,455
Change in net position	(64,728)
Total net position - beginning	(1,286,411)
Total net position - ending	$ (1,351,139)

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, 2019

	Business-Type Activities
	Enterprise Fund
	Ambulance
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 2,788,447
Payments to employees	(2,586,226)
Payments to suppliers	(217,270)
Other receipts	14,977
Net cash provided (used) by operating activities	(72)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	56,455
Net cash provided (used) by noncapital financing activities	56,455
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets	(51,599)
Net cash provided (used) by capital financing activities	(51,599)
Net increase (decrease) in cash and cash equivalents	4,784
Cash and cash equivalents - beginning	830,865
Cash and cash equivalents - ending	$ 835,649

(Continued)

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, 2019

(Continued)

	Business-Type Activities
	Enterprise Fund
	Ambulance
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	$ (121,183)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	64,410
(Increase) decrease in:	
Receivables, net	(85,869)
Prepaids	2,029
Net deferred outflow of pension related resources	(186,586)
Net deferred outflow of OPEB related resources	(490,340)
Increase (decrease) in:	
Accounts payable	(3,293)
Accrued payroll liabilities	(718)
Compensated absences	779
Net pension liability	164,553
Net OPEB liability	476,209
Net deferred inflow of pension related resources	181,258
Net deferred inflow of OPEB related resources	(1,321)
Net cash provided (used) by operating activities	$ (72)

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

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lebanon Fire District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Lebanon Fire District was formed in 1884 and covers 134 square miles, serving the communities of Lebanon, Waterloo, Sodaville, and Lacomb. 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 board of directors, elected from the District at large. Each member is elected to a four-year term.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due. Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

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 government capital assets. The primary sources of revenue are donations and grants.

The District reports the following nonmajor governmental fund:

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

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating expenses of proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

2. Property Taxes

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.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

2. Property Taxes (Continued)

Uncollected property taxes are shown as assets on the governmental funds balance sheet. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as unavailable revenue because they are not deemed to be available to finance operations of the current period.

3. Accounts Receivable

Receivables of the governmental and enterprise funds are recorded as revenue when earned. For the governmental funds, management has determined all receivables to be collectible; therefore, no allowance for uncollectible accounts has been recorded. For the enterprise fund, 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 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.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	3-20
Licensed vehicles	5-20
Buildings	10-50

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

6. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences,* no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

7. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities 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 lives of the bonds using 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 issuance costs during the current period. The face amounts of debt issued are reported as other financing sources. Premiums received on debt issuance 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.

8. Retirement Plan

Most of the District’s employees participate in Oregon’s Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenditures.

9. Other Postemployment Benefits

The District provides postemployment 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. Postemployment benefits are reported as long-term liabilities on the statement of net position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

10. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The District has two items that qualify for reporting in this category, which are deferred amounts related to pensions and deferred amounts related to other postemployment benefits. These amounts are deferred and recognized as outflows of resources when the District recognizes pension or other postemployment benefit expenses/expenditures. Deferred outflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position and the proprietary fund statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The District has three items that qualify for reporting in this category, which are unavailable revenue from property taxes, deferred amounts related to pensions, and deferred amounts related to other postemployment benefits. Unavailable revenue from property taxes are deferred and recognized as inflows of resources in the period that the amounts become available. Unavailable revenue from property taxes is reported on the balance sheet. Deferred amounts related to pensions and other postemployment benefits are deferred and recognized as inflows of resources in the period when the District recognizes pension or other postemployment benefit income. Deferred inflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position and the proprietary fund statement of net position.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the OPEB medical benefit liability, the District has relied on actuarial reports. The net OPEB liability, deferred outflows of resources, and deferred inflows of resources are related to changes in assumptions for the covered active and inactive participants.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

10. Deferred Outflows and Inflows of Resources (Continued)

For purposes of measuring the net other postemployment benefits (OPEB) retirement health insurance account (RHIA) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense information about the net position of OPERS, and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Equity

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balance has been granted to the board of directors and Fire Chief.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Estimates

The preparation of financial statements in accordance 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, debt service, capital projects, and enterprise funds. All funds are budgeted on the cash basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District’s fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund’s original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund’s original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, the District adopted one supplemental budget. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original and supplemental budget amounts.

B. Excess of Expenditures over Appropriations

The District expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2019:

Fund	Function	Appropriations	Expenditures	Excess
General	Materials and services	$ 1,500,050	$ 1,540,903	$ 40,853

The District also over-expended in appropriation categories prior to adoption of a budget resolution.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Appropriation Categories

The District used object classification for appropriations that are not allowed under Oregon Budget Law, which is in violation of ORS 294.456.

D. Contingency

The District recorded expenditures directly from an operating contingency. In accordance with Oregon law, amounts must be transferred to the appropriate expenditure category, by board resolution, prior to the funds being expended.

E. Deficit Fund Equity

The Ambulance Fund reported negative fund net position at June 30, 2019 of $1,351,139 due to GASB Statements No. 68 and 75 requiring the posting of pension and other postemployment benefit related liabilities.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Lebanon Fire 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. 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. 72, *Fair Value Measurement and Application*, 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.

LEBANON FIRE DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

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 an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2019, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	$ 4,690,310

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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

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.

The District holds an account at KeyBank, for which the FDIC provides insurance coverage of $250,000 for demand deposit accounts and an additional $250,000 for time and savings accounts. At June 30, 2019, the District had deposits of $250,000 insured by the FDIC and $179,324 covered by the PFCP.

Deposits

The District's deposits and investments at June 30, 2019 are as follows:

Petty cash	$ 250
Checking and savings accounts	424,198
Total investments	4,690,310
Total deposits and investments	$ 5,114,758

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	$ 935,438
Reserve Fund	3,335,339
Total governmental activities - unrestricted	4,270,777
Business-type activities - unrestricted	
Ambulance Fund	835,649
Subtotal unrestricted cash and investments	5,106,426
Governmental activities - restricted	
Debt Service Fund	8,332
Total cash and investments	$ 5,114,758

B. Accounts Receivable

Accounts receivable at June 30, 2019, including the applicable allowances for uncollectible accounts, were as follows:

	Ambulance Fund
Ambulance billings	$ 666,034
Less allowance for uncollectibles	(343,000)
Net total receivables	$ 323,034

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 273,212	$ -	$ -	$ 273,212
Capital assets being depreciated				
Buildings	4,442,604	25,340	-	4,467,944
Equipment	266,867	397,546	-	664,413
Vehicles	2,870,436	1,151,497	-	4,021,933
Total capital assets being depreciated	7,579,907	1,574,383	-	9,154,290
Less accumulated depreciation for				
Buildings	(1,690,859)	(98,506)	-	(1,789,365)
Equipment	(142,367)	(61,241)	-	(203,608)
Vehicles	(2,072,439)	(108,824)	-	(2,181,263)
Total accumulated depreciation	(3,905,665)	(268,571)	-	(4,174,236)
Total capital assets being depreciated, net	3,674,242	1,305,812	-	4,980,054
Governmental activities capital assets, net	$ 3,947,454	$ 1,305,812	$ -	$ 5,253,266

(Continued)

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Capital Assets (Continued)

	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	67,131	51,599	-	118,730
Vehicles	848,941	-	-	848,941
Total capital assets being depreciated	1,028,083	51,599	-	1,079,682
Less accumulated depreciation for				
Buildings	(103,611)	(1,845)	-	(105,456)
Equipment	(21,889)	(14,028)	-	(35,917)
Vehicles	(531,261)	(48,537)	-	(579,798)
Total accumulated depreciation	(656,761)	(64,410)	-	(721,171)
Total capital assets being depreciated, net	371,322	(12,811)	-	358,511
Business-type activities capital assets, net	$ 380,860	$ (12,811)	$ -	$ 368,049

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	4,467,944	(1,789,365)	2,678,579
Equipment	664,413	(203,608)	460,805
Vehicles	4,021,933	(2,181,263)	1,840,670
Total governmental capital assets	$ 9,427,502	$ (4,174,236)	$ 5,253,266

(Continued)

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Capital Assets (Continued)

	Capital Assets	Accumulated Depreciation	Net Capital Assets
(Continued)			
Business-type activities			
Land	$ 9,538	$ -	$ 9,538
Buildings	112,011	(105,456)	6,555
Equipment	118,730	(35,917)	82,813
Vehicles	848,941	(579,798)	269,143
Total business-type capital assets	$ 1,089,220	$ (721,171)	$ 368,049

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

Governmental activities	
Fire suppression	$ 192,169
Fire protection	55,414
Administrative	20,988
Total governmental activities	$ 268,571
Business-type activities	
Ambulance	$ 64,410

D. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	Transfers in:		
	Reserve Fund	Ambulance Fund	Total
Transfers out:			
Governmental activities			
General Fund	$ 413,500	$ 56,455	$ 469,955

The principal purpose of the transfers was to reserve cash for future equipment purchases.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Compensated Absences

The following schedule summarizes the changes in compensated absences liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	$ 232,653	$ 20,966	$ -	$ 253,619
Business-type activities				
Compensated absences	$ 11,439	$ 779	$ -	$ 12,218

The General and Ambulance Funds have traditionally been used to liquidate compensated absences liabilities.

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							
Bonds							
General Obligation Bond, Series 2007	4.00%	$ 1,100,000	$ -	$ 1,100,000	$ -	$ 1,100,000	$ 96,000
General Obligation Bond, Series 2019	2.50%	3,750,000	1,185,000	-	370,000	815,000	395,000
Subtotal bonds		4,850,000	1,185,000	1,100,000	370,000	1,915,000	491,000
Bond premium - Series 2007		64,271	3,917	-	1,305	2,612	-
Total long-term liabilities		$ 4,914,271	$ 1,188,917	$ 1,100,000	$ 371,305	$ 1,917,612	$ 491,000

2. General Obligation Bond, Series 2007

On March 7, 2007, the District closed on a general obligation bond agreement. The bond is a direct obligation that pledges the full faith and credit of the District and is payable from property tax proceeds. The proceeds of the bond have been used primarily for capital projects. Interest is variable over a fixed schedule, set out at the issuance date. Interest is due semiannually on December 1 and June 1. The Debt Service Fund has been used to pay the principal and interest for the bond.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Long-Term Liabilities (Continued)

3. General Obligation Bond, Series 2019

On May 15, 2019, the District closed on a general obligation bond agreement. The bond is a direct obligation that pledges the full faith and credit of the District and is payable from property tax proceeds. The proceeds of the bond have been used to make capital acquisitions. Interest is fixed at 2.51% and is due semiannually on December 15 and June 15. Principal is due annually on June 15. The Debt Service Fund will be used to pay the principal and interest for the bond.

4. Future Maturities of Bonded Debt

Year Ending	Bonds		
June 30	Principal	Interest	Total
2020	$ 491,000	$ 62,511	$ 553,511
2021	521,000	42,000	563,000
2022	103,000	22,665	125,665
2023	106,000	20,080	126,080
2024	109,000	17,420	126,420
2025-2029	585,000	44,804	629,804
	$ 1,915,000	$ 209,480	$ 2,124,480

5. Legal Debt Limit

The District's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2019 was approximately $43,148,085. 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, 2019 consisted of the following:

Ambulance fees	$ 7,086,909
Ambulance discounts	(4,212,593)
Charges for services	$ 2,874,316

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. Constraints on Fund Balances

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

	General Fund	Reserve Fund	Nonmajor Governmental Fund Debt Service	Total Governmental Funds
Fund balances:				
Nonspendable - prepaids	$ 50,197	$ -	$ -	$ 50,197
Restricted for:				
Debt service	-	-	8,332	8,332
Committed to:				
Equipment expenditures	-	3,335,339	-	3,335,339
Unassigned	995,984	-	-	995,984
Total fund balances	$ 1,046,181	$ 3,335,339	$ 8,332	$ 4,389,852

IV. PENSION PLAN

A. Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

IV. PENSION PLAN (Continued)

B. Benefits Provided

1. Tier One/Tier Two Retirement Benefit (ORS Chapter 238)

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% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the 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 for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

1. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)

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 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0%.

2. Oregon Public Service Retirement Plan (OPSRP) Pension Program (Defined Benefit)

Pension Benefits

The Pension Program (ORS Chapter 238A) 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% 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% 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 OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

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

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

2. Oregon Public Service Retirement Plan (OPSRP) Pension Program (Defined Benefit) (Continued)

Disability Benefits

A member who has accrued 10 or more years of retirement credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

3. OPSRP Individual Account Program (IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits

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

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

IV. PENSION PLAN (Continued)

C. 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, 2016 actuarial valuation, which became effective July 1, 2018. Employer contributions for the year ended June 30, 2019 were $764,938, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 25.04% for Tier One/Tier Two general service members, 25.04% for Tier One/Tier Two police and fire members, 12.16% for OPSRP Pension Program general service members, 16.93% for OPSRP Pension Program police and fire members, and 6% for OPSRP IAP.

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of $5,701,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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 entities, actuarially determined. At June 30, 2018, the District's proportion was 0.0376%, which decreased from its proportion of 0.0402% measured as of June 30, 2017.

IV. PENSION PLAN (Continued)

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2019, the District recognized pension expense of $290,337. At June 30, 2019, 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	$ 193,962	$ -
Changes of assumptions	1,325,687	-
Net difference between projected and actual earnings on investments	-	253,198
Changes in proportion	14,134	404,492
Differences between employer contributions and proportionate share of contributions	236,718	19,140
Total (prior to post measurement date contributions)	1,770,501	676,830
Contributions subsequent to the measurement date	764,938	-
Total	$ 2,535,439	$ 676,830

IV. PENSION PLAN (Continued)

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2020	$ 605,069	$ (51,941)
2021	578,332	135,286
2022	337,590	423,548
2023	210,111	159,725
2024	39,399	10,212
	$ 1,770,501	$ 676,830

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2019 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (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 (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially-determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

IV. PENSION PLAN (Continued)

E. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Long-Term Expected Rate of Return	7.20%
Discount Rate	7.20%
Projected Salary Increases	3.50%
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25% / 0.15%) in accordance with *Moro* decision; blend based on service.
Mortality	**Healthy retirees and beneficiaries:** RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. **Active members:** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. **Disabled retirees:** RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even-numbered years. The methods and assumptions shown above are based on the 2016 Experience Study.

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, the Public Employees Retirement System Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

The table below displays the OIC approved asset allocation policy, revised as of June 7, 2017

Asset Class	Target Allocation
Cash	0.00 %
Debt Securities	20.00 %
Public Equity	37.50 %
Private Equity	17.50 %
Real Estate	12.50 %
Alternative Equity	12.50 %
Opportunity Portfolio	0.00 %
Total	100.00 %

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return (Continued)

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target allocation. The OIC's description of each asset class was used to map the target asset allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment of the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	8.00 %	3.49 %
Short-Term Bonds	8.00 %	3.38 %
Bank/Leveraged Loans	3.00 %	5.09 %
High Yield Bonds	1.00 %	6.45 %
Large/Mid Cap US Equities	15.75 %	6.30 %
Small Cap US Equities	1.31 %	6.69 %
Micro Cap US Equities	1.31 %	6.80 %
Developed Foreign Equities	13.13 %	6.71 %
Emerging Market Equities	4.12 %	7.45 %
Non-US Small Cap Equities	1.87 %	7.01 %
Private Equity	17.50 %	7.82 %
Real Estate (Property)	10.00 %	5.51 %
Real Estate (REITS)	2.50 %	6.37 %
Hedge Fund of Funds - Diversified	2.50 %	4.09 %
Hedge Fund - Event-driven	0.63 %	5.86 %
Timber	1.87 %	5.62 %
Farmland	1.88 %	6.15 %
Infrastructure	3.75 %	6.60 %
Commodities	1.88 %	3.84 %
Total	100.00 %	
Assumed Inflation - Mean		2.50 %

IV. PENSION PLAN (Continued)

G. Depletion Date Projection

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation for sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.

- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.

- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the net position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Discount Rate

The discount rate used to measure the total pension liability was 7.20% 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 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.

IV. PENSION PLAN (Continued)

I. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability (asset)	$ 9,528,966	$ 5,701,926	$ 2,542,993

J. Pension Plan Net Position

Detailed information about the pension plan's net position is available in the separately issued OPERS financial report.

K. Changes in Plan Provisions During Measurement Period

The Public Employees Retirement System board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017, effective January 1, 2018.

L. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes in plan provisions subsequent to the June 30, 2018 measurement date.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Benefit Plans

The other postemployment benefits (OPEB) for the District combine two separate plans. The District provides a medical benefit plan for retiree health insurance continuation premiums, and a contribution to the State of Oregon's PERS cost-sharing, multiple-employer, defined health insurance benefit plan.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

B. Financial Statement Presentation

The amounts on the financial statements relate to the plans as follows:

	Medical Benefit Plan	PERS RHIA Plan	Total OPEB
Net OPEB (asset) liability	$ 3,400,672	$ (36,888)	$ 3,363,784
Deferred outflows of resources			
Differences between expected and actual experience	18,491	-	18,491
Change in assumptions or inputs	924,471	-	924,471
Change in proportionate share	-	18,152	18,152
Contributions after measurement date	252,472	2,026	254,498
Deferred inflows of resources			
Differences between expected and actual experience	-	(2,091)	(2,091)
Change in proportionate share	-	(780)	(780)
Change in assumptions	(79,759)	(117)	(79,876)
Difference in earnings	-	(7,953)	(7,953)
OPEB expense	11,222	(3,851)	7,371

(Included in fire suppression and ambulance expenses on statement of activities)

C. Medical Benefit Plan

1. Plan Description

The District's healthcare plan is administered by Special Districts Insurance. The District has a health insurance continuation option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires that the District provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer plan is not a standalone plan and therefore does not issue its own financial statements.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Medical Benefit Plan (Continued)

2. Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same healthcare coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Active employees	41
Inactive employees or beneficiaries receiving benefits	17
Total	58

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources

The District's total OPEB liability of $3,400,672 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2019, the District recognized OPEB expense from this plan of $11,222. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,491	$ -
Change in assumptions	924,471	79,759
Contributions subsequent to the measurement date	252,472	-
Total	$ 1,195,434	$ 79,759

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Medical Benefit Plan (Continued)

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources (Continued)

Deferred outflows of resources related to OPEB of $252,472 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Period Ending June 30	Deferred Outflows (Inflows)
2020	$ 91,020
2021	91,020
2022	91,020
2023	91,020
2024	91,020
Thereafter	408,093
	$ 863,193

4. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Salary Increases	3.50%
Healthy Mortality	RP-2014 Healthy annuitant, sex-distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using Unisex Social Security Data Scale.
Discount Rate	3.87%
Healthcare Cost Trend Rate	Medical and vision: 7.00% per year, decreasing to 4.75% Dental: 4.50% per year

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Medical Benefit Plan (Continued)

4. Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

5. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	$ 2,350,573
Changes for the year:	
Service cost	88,391
Interest on total OPEB liability	84,293
Effect of economic/demographic gains or losses	20,534
Effect of assumption changes or inputs	1,027,190
Benefit payments	(170,309)
Balance as of June 30, 2019	$ 3,400,672

Changes in assumptions is the result of the change in the discount rate from 3.58% to 3.87%.

6. Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate			
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 3,613,332	$ 3,400,672	$ 3,201,787

Healthcare Cost Trend			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$ 3,161,315	$ 3,400,672	$ 3,667,925

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

D. PERS Retirement Health Insurance Account (RHIA)

1. Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained at:
http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

2. Benefits Provided

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

3. Contributions

PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2018. The Entity’s contribution rates for the period were 0.07% for Tier One/Tier Two members, and 0.43% for OPSRP members. The District’s total contributions for the year ended June 30, 2019 amounted to $18,152.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

D. PERS Retirement Health Insurance Account (RHIA) (Continued)

4. OPEB Assets, Liabilities, and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported an asset of $36,888 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2018, the District's proportionate share was 0.0330%, which is an increase from its proportion of 0.0302% as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense from this plan of $(3,851). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,091
Net differences between projected and actual earnings	-	7,953
Change in assumptions	-	117
Changes of proportionate share	-	780
Contributions subsequent to the measurement date	18,152	-
Total	$ 18,152	$ 10,941

Deferred outflows of resources related to OPEB of $18,152 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Period Ending June 30	Deferred Inflows
2020	$ 3,737
2021	3,679
2022	2,736
2023	789
	$ 10,941

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

D. PERS Retirement Health Insurance Account (RHIA) (Continued)

5. Actuarial Methods and Assumptions

The RHIA plan is unaffected by healthcare cost trends since the benefit is limited to a $60 monthly payment toward Medicare companion insurance premiums; consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are consistent with those disclosed for the OPERS pension plan in Note IV-E.

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

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net OPEB liability (asset)	$ (21,478)	$ (36,888)	$ (50,005)

7. OPEB Plan Net Position

Detailed information about the other postemployment benefit plan's net position is available in the separately issued OPERS financial report.

8. Changes in Plan Provisions During Measurement Period

The Public Employees Retirement System Board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

9. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes in plan provisions subsequent to the June 30, 2018 measurement date.

VI. 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. Tax Abatements

The District had tax abatements in Linn County through the Enterprise Zone Exemption (EZE) pursuant to ORS 285C.175. The EZE exempts property of authorized business firms from ad valorem property taxes. Total abated property taxes under his program amounted to $77,840 for the year ended June 30, 2019.

C. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 84, *Fiduciary Activities,* will be effective for the District beginning with its fiscal year ending June 30, 2020. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *Leases,* will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting of leases by governments.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to simplify accounting for interest cost incurred before the end of a construction period, and enhance the relevance and comparability of capital asset information.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the District beginning with its fiscal year ending June 30, 2022. The objective of this statement is to clarify the definition of a conduit debt obligation and to improve required note disclosures.

VI. OTHER INFORMATION (Continued)

D. Bargaining Unit

At June 30, 2019, the District had a total of approximately 43 employees. Of this total, approximately 77% are represented by a union. The union agreement was ratified on April 20, 2016 and extended through June 30, 2019.

E. Subsequent Events

Management has evaluated subsequent events through November 14, 2019, which was the date that the financial statements were available to be issued.

1. General Obligation Bond

Lebanon Fire District's 26-year, $16,000,000 general obligation bond was likely approved by voters on November 5, 2019, but the election is not yet certified. Proceeds from the bond will be used for building construction and equipment purchases.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Pension Plan

Year Ended June 30	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll (from actuarial exhibits)	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.03763975%	$ 5,701,926	$ 3,061,357	186.25%	82.10%
2018	0.04023488%	5,423,677	3,053,215	177.64%	83.10%
2017	0.04107343%	7,761,659	2,841,686	273.14%	80.50%
2016	0.04615875%	7,120,305	2,841,686	250.57%	91.90%
2015	0.04357164%	(987,645)	2,694,019	(36.66)%	103.60%

Changes in Benefit Terms

The Oregon Supreme Court decision in Moro v. State of Oregon issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF CONTRIBUTIONS

Pension Plan Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	$ 764,938	$ 764,938	$ -	$ 4,005,116	19.10%
2018	699,139	699,139	-	3,477,184	20.11%
2017	501,205	501,205	-	3,144,157	15.94%
2016	501,720	501,720	-	3,074,396	16.32%
2015	453,835	453,835	-	2,782,121	16.31%

Changes in Benefit Terms

The Oregon Supreme Court decision in Moro v. State of Oregon issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Medical Benefit Plan	2019	2018
Total OPEB Liability		
Service cost	$ 88,391	$ 95,362
Interest	84,293	70,402
Effect of economic/demographic gains or losses	20,534	-
Changes of assumptions	1,027,190	(107,263)
Benefit payments	(170,309)	(164,468)
Net change in total OPEB liability	1,050,099	(105,967)
Total OPEB liability - beginning	2,350,573	2,456,540
Total OPEB liability - ending	$ 3,400,672	$ 2,350,573
Covered employee payroll	$ 4,005,116	$ 3,477,184
Total OPEB liability as a percentage of covered employee payroll	84.91%	67.60%

Changes of Assumptions

The changes in assumptions is the result of the change in the discount rate from 3.58% for the year ended June 30, 2018 to 3.87% for the year ended June 30, 2019.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

RHIA	2019	2018	2017
Proportion of the OPEB pension liability (asset)	0.03304562%	0.03016854%	0.03281352%
Proportionate share of the net OPEB liability (asset)	$ (36,888)	$ (12,591)	$ 8,911
Covered payroll	$ 3,061,357	$ 3,053,215	$ 2,841,686
Proportionate share of the OPEB liability (asset) as a percentage of covered employee payroll	-1.20%	-0.41%	0.31%
Plan net position as a percentage of the total OPEB liability	124.0%	108.9%	94.2%

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include the lowering of the long-term expected rate of return to 7.20% In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups.

No assets have been accumulated in a trust to pay for the related benefits.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF CONTRIBUTIONS

OTHER POSTEMPLOYMENT BENEFITS

RHIA	2019	2018	2017
Contractually required contributions	$ 18,152	$ 16,001	$ 15,325
Contributions in relation to the contractually required contribution	18,152	16,001	15,325
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 4,005,116	$ 3,477,184	$ 3,144,157
Contributions as a percentage of covered employee payroll	0.45%	0.46%	0.49%

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include the lowering of the long-term expected rate of return to 7.20% In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups.

No assets have been accumulated in a trust to pay for the related benefits.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

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, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Property taxes	$ 4,139,672	$ 4,139,672	$ 334,244
Grants	274,396	274,396	50,345
Charges for services	275,500	275,500	35,886
Investment earnings	40,000	40,000	60,827
Miscellaneous	46,000	721,158	8,051
Total revenues	4,775,568	5,450,726	489,353
EXPENDITURES			
Current			
Personnel services	3,325,705	4,000,863	(283,487)
Materials and services	1,500,050	1,500,050	40,853
Debt service	123,860	123,860	(121,002)
Capital outlay	496,500	1,596,500	(42,640)
Contingency	1,145,000	1,045,000	(1,045,000)
Total expenditures	6,591,115	8,266,273	(1,451,276)
Excess (deficiency) of revenues over (under) expenditures	(1,815,547)	(2,815,547)	1,940,629
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	1,100,000	-
Transfers out	(755,953)	(855,953)	(385,998)
Total other financing sources (uses)	(755,953)	244,047	385,998
Net change in fund balance	(2,571,500)	(2,571,500)	2,326,627
Fund balance - beginning	2,571,500	2,571,500	(1,246,940)
Fund balance - ending	$ -	$ -	$ 1,079,687

Actual		
Budget Basis	Adjustments	GAAP Basis
$ 4,473,916	$ (70,877)	$ 4,403,039
324,741	-	324,741
311,386	-	311,386
100,827	-	100,827
729,209	-	729,209
5,940,079	(70,877)	5,869,202
3,717,376	-	3,717,376
1,540,903	6,322	1,547,225
2,858	-	2,858
1,553,860	-	1,553,860
-	-	-
6,814,997	6,322	6,821,319
(874,918)	(77,199)	(952,117)
1,100,000	-	1,100,000
(469,955)	-	(469,955)
630,045	-	630,045
(244,873)	(77,199)	(322,072)
1,324,560	43,693	1,368,253
$ 1,079,687	$ (33,506)	$ 1,046,181

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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis	Actual Adjustments	Actual GAAP Basis
REVENUES					
Property taxes	$ 415,950	$ (2,912)	$ 413,038	$ (6,397)	$ 406,641
Investment earnings	2,000	2,763	4,763	-	4,763
Total revenues	417,950	(149)	417,801	(6,397)	411,404
EXPENDITURES					
Debt service	417,950	(150)	417,800	-	417,800
Excess (deficiency) of revenues over (under) expenditures	-	1	1	(6,397)	(6,396)
Fund balance - beginning	-	8,331	8,331	6,397	14,728
Fund balance - ending	$ -	$ 8,332	$ 8,332	$ -	$ 8,332

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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Donations	$ -	$ 3,100	$ 3,100	$ -	$ 3,100
EXPENDITURES					
Retiree insurance	600,000	(600,000)	-	-	-
Leave reserve	100,000	(100,000)	-	-	-
Capital outlay	1,142,000	(1,106,905)	35,095	-	35,095
Contingency	235,445	(235,445)	-	-	-
Total expenditures	2,077,445	(2,042,350)	35,095	-	35,095
Excess (deficiency) of revenues over (under) expenditures	(2,077,445)	2,045,450	(31,995)	-	(31,995)
OTHER FINANCING SOURCES (USES)					
Transfers in	648,945	(235,445)	413,500	-	413,500
Net change in fund balance	(1,428,500)	1,810,005	381,505	-	381,505
Fund balance - beginning	1,428,500	1,525,334	2,953,834	-	2,953,834
Fund balance - ending	$ -	$ 3,335,339	$ 3,335,339	$ -	$ 3,335,339

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, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Charges for services, net	$ 2,780,000	$ 2,780,000	$ 8,447
Miscellaneous	1,000	1,650	13,327
Total revenues	2,781,000	2,781,650	21,774
EXPENSES			
Current			
Personnel services	2,606,458	2,706,458	(120,950)
Materials and services	229,150	229,150	(11,632)
Depreciation	-	-	-
Capital outlay	52,400	53,050	(50)
Total expenses	2,888,008	2,988,658	(132,632)
Excess (deficiency) of revenues over (under) expenses	(107,008)	(207,008)	154,406
OTHER FINANCING SOURCES (USES)			
Transfers in	107,008	207,008	(150,553)
Change in net position	-	-	3,853
Net position - beginning	-	-	855,641
Net position - ending	$ -	$ -	$ 859,494

Actual		
Budget Basis	Adjustments	GAAP Basis
$ 2,788,447	$ 85,869	$ 2,874,316
14,977	-	14,977
2,803,424	85,869	2,889,293
2,585,508	144,552	2,730,060
217,518	(2,913)	214,605
-	64,410	64,410
53,000	(51,599)	1,401
2,856,026	154,450	3,010,476
(52,602)	(68,581)	(121,183)
56,455	-	56,455
3,853	(68,581)	(64,728)
855,641	(2,142,052)	(1,286,411)
$ 859,494	$ (2,210,633)	$ (1,351,139)

OTHER FINANCIAL SCHEDULES

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2019

Tax Year	Taxes Receivable July 1, 2018	2019-2018 Levy	Adjustments and Discounts	Collections	Taxes Receivable June 30, 2019
2019-2018	$ -	$ 4,879,640	$ (151,834)	$ 4,604,037	$ 123,769
2018-2017	117,866	-	(25,495)	34,615	57,756
2017-2016	76,989	-	(14,533)	31,729	30,727
2016-2015	59,601	-	(19,037)	28,568	11,996
2015-2014	40,263	-	(6,490)	30,256	3,517
2014-2013	30,235	-	(7,252)	20,687	2,296
2013-2012	27,767	-	(6,584)	20,393	790
Prior	60,555	-	(12,668)	43,981	3,906
Subtotal - Prior	413,276	-	(92,059)	210,229	110,988
Total	$ 413,276	$ 4,879,640	$ (243,893)	4,814,266	$ 234,757

Add:	
Other taxes and interest	(4,586)
Undistributed taxes with county, July 1, 2018	-
Total available for distribution	4,809,680
Less: Turnovers to District	(4,809,680)
Undistributed taxes with county, June 30, 2019	$ -

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

KOONTZ, BLASQUEZ & ASSOCIATES, P.C.
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, 2019, and have issued our report thereon dated November 14, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether 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:

Accounting records

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)

Accountability for collecting or receiving money by elected officials

920 Elm Street SW • P.O. Box 605 • Albany, Oregon 97321
(541) 926-5543 • (541) 967-9460 fax

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, except as follows:

1. The District expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2019:

Fund	Function	Appropriations	Expenditures	Excess
General	Materials and services	$ 1,500,050	$ 1,540,903	$ 40,853

   The District also over-expended in appropriation categories prior to adoption of a budget resolution.

2. The District used object classification for appropriations that are not allowed under Oregon Budget Law, which is in violation of ORS 294.456.

3. The District recorded expenditures directly from an operating contingency. In accordance with Oregon law, amounts must be transferred to the appropriate expenditure category, by board resolution, prior to the funds being expended.

The District does not have any elected officials collecting or receiving money.

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 Lebanon Fire District's 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. However, we noted certain matters that we have reported to management of the District in a separate letter dated November 14, 2019.

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.

Koontz, Blasquez & Associates, P.C.

By: Debra L. Blasquez

Debra L. Blasquez, CPA

Albany, Oregon
November 14, 2019

KOONTZ, BLASQUEZ & ASSOCIATES, P.C.
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 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, business-type activities, each major fund, and the remaining fund information of Lebanon Fire District as of and for the year ended June 30, 2019, 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 November 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lebanon Fire District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lebanon Fire District'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 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in the accompanying schedule of findings and responses (item 2019-001) that we consider to be a significant deficiency.

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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 instances of noncompliance that are required to be reported under *Government Auditing Standards,* and which are described below:

1. The District expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2019:

Fund	Function	Appropriations	Expenditures	Excess
General	Materials and services	$ 1,500,050	$ 1,540,903	$ 40,853

   The District also over-expended in appropriation categories prior to adoption of a budget resolution.

2. The District used object classification for appropriations that are not allowed under Oregon Budget Law, which is in violation of ORS 294.456.

3. The District recorded expenditures directly from an operating contingency. In accordance with Oregon law, amounts must be transferred to the appropriate expenditure category, by board resolution, prior to the funds being expended.

Lebanon Fire District's Response to Finding

Lebanon Fire District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Koontz, Blasquez & Associates, P.C.

By: Debra L. Blasquez

Debra L. Blasquez, CPA

Albany, Oregon
November 14, 2019

LEBANON FIRE DISTRICT
Lebanon, Oregon

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

Finding Number	Finding
2019-001	At June 30, 2019, reconciled cash did not agree with the bank statements due to transactions being recorded in the following period.

Finding Number	Response
2019-001	This occurred when automated deposits in the pool account and KeyBank account occurred, but were not posted to the general ledger in a cash receipt batch. For internal control purposes, we have divided responsibilities among staff. In this instance, the staff responsible was on vacation; therefore, it did not get posted to the general ledger until the following period. It was documented on the bank reconciliation so we were aware and tracked to ensure its inclusion. In the future, this will be checked and included in a fiscal year-end close process to ensure that they are posted in the correct period.