

**TILLAMOOK FIRE DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

*Tillamook, Oregon  
June 30, 2011*

**PATRICK G. CARNEY, CPA, P.C.**

Certified Public Accountant

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**TILLAMOOK FIRE DISTRICT  
BOARD OF DIRECTORS**

*June 30, 2011*

**Debra K. Reeves**  
1020 Blue Spruce Ridge Way  
Tillamook, Oregon 97141

**Chair**

**Eric W. Simmons**  
7500 Simmons Creek Road  
Tillamook, Oregon 97141

**Vice-Chair**

**Joseph F. Martin**  
511 Birch Avenue  
Tillamook, Oregon 97141

**Secretary**

**William Brown**  
4005 Third Street  
Tillamook, Oregon 97141

**Director**

**David Mattison**  
2507 Sixth Street  
Tillamook, OR 97141

**Director**

**Fire Chief: Rick Adams**

**Registered agent: Wilson-Heirgood Insurance**  
2930 Chad Drive  
Eugene, Oregon 97408

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Lake Oswego, OR 97035

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Tillamook Fire District  
Tillamook, Oregon

I have audited the accompanying financial statements of the governmental activities and each major fund of the Tillamook Fire District, Tillamook, Oregon, as of and for the year ended June 30, 2011, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

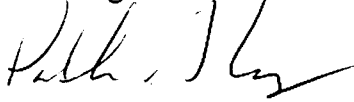
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the Tillamook Fire District, Tillamook, Oregon, prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and each major fund of the Tillamook Fire District as of June 30, 2011, and the respective changes in financial position - modified cash basis, and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis information on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tillamook Fire District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting as described in Note 1.

A handwritten signature in black ink, appearing to read "Kath. J. King".

Lake Oswego, Oregon  
December 10, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis presents the highlights of financial activities and financial position for the Tillamook Fire District (District). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with the District's financial statements.

### **REPORT LAYOUT**

The District's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the District. The components of the report include the following:

- \* **Management's Discussion and Analysis.** This section of the report provides financial highlights affecting the District.
- \* **Basic Financial Statements.** Includes Statement of Net Assets, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Assets and Activities focus on a District-wide presentation using the modified cash basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the District.

The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

The Statement of Activities focuses on gross and net costs of District programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Fund Financial Statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements.

Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

## **Financial Highlights 2010-2011**

### **General Fund**

#### **Personal Services**

Health benefit costs continued to limit the ability for any fiscal growth during the 2010 – 2011 budget. Health care rates experienced double digit increases but were reduced to an overall 8% increase by buying down the rates with reserve funds from the Health Care Trust. The ongoing problem of the increased costs for employee benefit packages continues to limit the District's ability to increase staffing levels. District staff positions remained at four full-time positions with a 3% cost-of-living adjustment authorized for the fiscal year.

#### **Materials & Services**

Legislation was introduced at the national level for language to eliminate the IRS ruling that classified volunteer firefighters as employees of local fire departments. The legislation did not move forward and is now stalled with no further hearings scheduled. The District continues to take an affirmative stand that volunteer firefighters are not employees of the district and volunteer reimbursement continues as a classified appropriation of the General Fund as part of the Materials & Services category.

#### **Capital Outlay**

No capital expenditures were appropriated for the General Fund in fiscal year 2010-2011.

#### **Contingency**

The District continues to look for ways to decrease operational costs thus limiting the need to utilize contingency funds. The District did not utilize any contingency funds and no supplemental budget was required during fiscal year 2010-2011.

### **Reserve Fund**

#### **Capital Outlay**

Capital purchases were appropriated for the Reserve Fund for the replacement of hydraulic rescue tools. Revenue was dependent on grant funding from the Assistance to Firefighter Grant Fund administered through FEMA. The district was unsuccessful in the grant process and the appropriations were not used due to the lack of revenue.

### **Debt Service Fund**

The District completed the final payment in August of 2010 for the General Obligation Bond Series 2000 authorized by voters. The District retired all bonded debt.

**CONDENSED FINANCIAL INFORMATION**  
**(Modified cash basis)**

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Current assets	\$ 588,966	\$ 391,795	\$ (197,171)
Capital assets, net	<u>1,210,292</u>	<u>1,090,071</u>	<u>(120,221)</u>
Total assets	1,799,258	1,481,866	(317,392)
Current liabilities	200,000	0	(200,000)
Long-term liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	200,000	0	(200,000)
Invested in capital assets	1,010,292	1,090,071	79,779
Unrestricted fund balance	<u>588,966</u>	<u>391,795</u>	<u>(197,171)</u>
Total net assets	<u>\$ 1,599,258</u>	<u>\$ 1,481,866</u>	<u>\$ (117,392)</u>

	<u>Fiscal Year Ended June 30, 2010</u>	<u>Fiscal Year Ended June 30, 2011</u>	<u>Favorable (Unfavorable)</u>
Property tax revenue	\$ 777,986	\$ 599,623	\$ (178,363)
Other general resources	<u>5,468</u>	<u>3,659</u>	<u>(1,809)</u>
Total governmental resources	783,454	603,282	(180,172)
Personal services	310,666	352,262	(41,596)
Materials and services	300,605	205,963	94,642
Depreciation	155,005	157,299	(2,294)
Interest expense	<u>15,018</u>	<u>5,150</u>	<u>9,868</u>
Total governmental-type expenses	781,294	720,674	60,620
Increase (decrease) in net assets	<u>\$ 2,160</u>	<u>\$ (117,392)</u>	<u>\$ (119,552)</u>

**FINANCIAL CONTACT**

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District at 2310 Fourth Street, Tillamook, Oregon 97141.

**TILLAMOOK FIRE DISTRICT  
STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS**

*June 30, 2011*

**Assets:**

Cash and cash equivalents	\$ 391,795
Investment in length of service award plan	17,999
Capital assets:	
Land	38,000
Other capital assets, net of accumulated depreciation	<u>1,052,071</u>
<b>Total Assets</b>	<u><u>1,499,865</u></u>

**Liabilities:**

Reserve for length of service award plan	<u>17,999</u>
<b>Total Liabilities</b>	<u><u>17,999</u></u>

**Net Assets:**

Invested in capital assets, net of related debt	1,090,071
Unrestricted	<u>391,795</u>
<b>Total Net Assets</b>	<u><u>\$ 1,481,866</u></u>

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

**TILLAMOOK FIRE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**MODIFIED CASH BASIS**  
*Fiscal year ended June 30, 2011*

**Fire District expenses:**

Personal services	\$ 352,262
Materials and services	205,963
Depreciation	157,299
Interest on long-term debt	5,150
Total District expenses	720,674

**General revenues:**

Property taxes	599,623
Interest and investment earnings	2,383
Miscellaneous revenues	1,276
Total general revenues	603,282
Change in net assets	(117,392)
Net assets - July 1, 2010	1,599,258
<b>Net assets - June 30, 2011</b>	<b>\$ 1,481,866</b>

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

**TILLAMOOK FIRE DISTRICT**  
**BALANCE SHEET**  
**MODIFIED CASH BASIS**  
*Fiscal year ended June 30, 2011*

	<u>General Fund</u>	<u>Equipment Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<b><u>Assets</u></b>				
Cash	\$ 256,164	\$ 117,311	\$ 18,320	\$ 391,795
Investment in length of service award plan	17,999			17,999
<b>Total Assets</b>	<b><u>\$ 274,163</u></b>	<b><u>\$ 117,311</u></b>	<b><u>\$ 18,320</u></b>	<b><u>\$ 409,794</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities</b>				
Reserve for length of service award plan	\$ 17,999			\$ 17,999
<b>Total liabilities</b>	<b><u>17,999</u></b>			<b><u>17,999</u></b>
<b>Fund Equity</b>				
Committed for equipment		\$ 117,311		117,311
Committed for debt service			\$ 18,320	18,320
Unassigned	256,164			256,164
<b>Total fund equity</b>	<b><u>256,164</u></b>	<b><u>117,311</u></b>	<b><u>18,320</u></b>	<b><u>391,795</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 274,163</u></b>	<b><u>\$ 117,311</u></b>	<b><u>\$ 18,320</u></b>	<b><u>\$ 409,794</u></b>

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

**TILLAMOOK FIRE DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
*Fiscal year ended June 30, 2011*

Total fund balances	\$ 391,795
Capital assets are not financial resources and therefore are not reported in the governmental funds:	
Cost	2,956,597
Accumulated depreciation	(1,866,526)
Total net assets	<u>\$ 1,481 866</u>

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

**TILLAMOOK FIRE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS**  
*Fiscal year ended June 30, 2011*

	General Fund	Equipment Reserve Fund	Debt Service Fund	Total Governmental
<b>Revenues</b>				
Tax revenue	\$ 587,669		\$ 11,954	\$ 599,623
Interest income	1,708	\$ 571	104	2,383
Rent income	900			900
Miscellaneous	376			376
<b>Total revenues</b>	<u>590,653</u>	<u>571</u>	<u>212,058</u>	<u>603,282</u>
<b>Expenditures</b>				
Current operating:				
Personal services	352,262			352,262
Materials and services	209,844	130	121	210,095
Capital Outlay		32,946		32,946
Debt service:				
Principal			200,000	200,000
Interest			5,150	5,150
<b>Total expenditures</b>	<u>562,106</u>	<u>33,076</u>	<u>205,271</u>	<u>800,453</u>
<b>Excess of revenues over (under) expenditures</b>	28,547	(32,505)	(193,213)	(197,171)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in		20,000		20,000
Operating transfers out	(20,000)			(20,000)
<b>Total Other Financing Sources (Uses)</b>	(20,000)	20,000	0	0
<b>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)</b>	8,547	(12,505)	(193,213)	(197,171)
<b>Fund Balances – July 1, 2010</b>	<u>247,617</u>	<u>129,816</u>	<u>211,533</u>	<u>588,966</u>
<b>Fund Balances - June 30, 2011</b>	<u>\$ 256,164</u>	<u>\$ 117,311</u>	<u>\$ 18,320</u>	<u>\$ 391,795</u>

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

**TILLAMOOK FIRE DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**MODIFIED CASH BASIS**  
*Fiscal year ended June 30, 2011*

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Net changes in fund balances – total governmental funds.	\$ (197,171)
Additions to fixed assets:	37,078
<p>In the Statement of Activities the cost of assets are allocated over their estimated useful lives and reported as depreciation expense. In the governmental fund financial statements, depreciation is not an expenditure and is not recorded.</p>	
Less current year depreciation	(157,299)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Assets.</p>	
2010-2011 principal payment	<u>200,000</u>
Changes in net assets of governmental activities	<u>\$ 117,392</u>

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

**TILLAMOOK FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2011*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Reporting Entity**

The District was organized under provisions of Oregon Statutes Chapter for the purpose of operating a fire district. The District provides fire protection, rescue and emergency medical services to residents of the District. The District covers approximately 97 square miles and is centered in the City of Tillamook along the north-central Oregon coast. All significant activities and organizations with which the District has oversight responsibility have been included in the financial statements. The District is governed by a Board of Directors consisting of five members.

As required by generally accepted accounting principles, the District's basic financial statements include all component units over which the District officials exercise oversight responsibility. The criteria used in making this determination included an evaluation of the concepts of financial interdependency, election of the governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters. Based upon the evaluation of these criteria the District is a primary government with no inclusive component units.

**Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. 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 District currently has one governmental activity and no business type activities.

**Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the modified cash basis of accounting. Revenues, expenses, gains, losses, and assets resulting from exchange and exchange-like transactions are recognized when the cash is received or disbursed.

The government-wide statements report information on the District irrespective of fund activity, and the fund financial statements report information using the District's funds. The District has only "governmental activities" and one "program" as defined in the Statement. In the process of aggregating Data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified.

### **Fund Financial Statements**

The accounts of the District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Currently, the District has three funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are not recognized until they are collected. Expenditures generally are recorded when the liability is paid.

Property tax revenues associated with the current fiscal period are recognized as revenue only when cash is received by the government by June 30<sup>th</sup>.

The District reports the following governmental funds:

#### **General Fund**

The District's General Fund accounts for the administrative and operational activities of the District. The principal source of revenue is the real property tax levy. Expenditures are for payroll related costs, materials and services and capital assets.

#### **Special Revenue Fund**

The District's Equipment Reserve Fund is for accumulating funds for future purchases of equipment and apparatus. The principal source of revenue is from transfers from the General Fund.

#### **Debt Service Fund**

The Debt Service Fund is used for payment of matured bonds and interest coupons. Principal source of revenue is from real property taxes.

#### **Measurement Focus and Basis of Accounting**

Government-wide Financial Statements are presented on a modified cash basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. Under the modified cash basis of accounting, revenues are recorded when collected and expenses are recorded at the time liabilities are paid, regardless of when the revenue or expenditure is earned.

**Cash and Cash Equivalents**

The District considers cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool is the same as the value of the pool shares.

**Property Taxes Receivable**

Property taxes receivable, which have been collected by year-end, are recognized as revenues in the General Fund and the Debt Service Fund. Property taxes which are not collected by year-end are a receivable of the District, however, under the modified cash basis of accounting, are not reflected in the financial statements.

Tillamook County reviews, bills, collects and distributes property taxes for all taxing jurisdictions within its boundaries, in accordance with state law. Uncollected taxes, including delinquent amounts, are considered to be substantially collectible or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary. Property taxes become a lien against the property as of July 1 in the year due. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15.

**Capital Assets**

Capital assets are charged to expenditures as purchased and then capitalized in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

Asset	Years
Buildings and improvements	40
Apparatus	10-15

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period. Depreciation expense for 2010-2011 was \$157,299.

**Fund Equity**

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type definitions*. The objective of the Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that

can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this Standard, the prior fund balance classifications of reserved, designated and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned and unassigned.

1. Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
2. Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose ( such as debt covenants, grant agreements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
3. Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
4. Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that does not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given this authority by the Board.
5. Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

### **Retirement Plan**

All of the District's full-time employees are participants in the Public Employee's Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures.

### **Use of Estimates**

In preparing the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The Budget Officer submits a proposed budget to the Budget Committee. The District is required to budget all funds. The District's budget is prepared for each fund on the cash basis of accounting.

Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document. The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board of Directors for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Board without returning to the Budget Committee for a second approval.

The Board of Directors legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of year-end.

The Board of Directors may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the District. Expenditure appropriations may not be legally over-expended except in the case of receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control. During the fiscal year ended June 30, 2011 the Board did not transfer any appropriations between levels of control, and did not adopt a supplemental budget.

### 3. DETAILED NOTES ON ALL FUNDS

#### Cash and Investments

Oregon Revised Statutes (294.035) authorize the District to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool. Such investments are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method, which approximates fair value.

Cash and cash equivalents at June 30, 2011, were comprised of the following:

<u>Type of Deposit</u>	<u>Total Cash Balance</u>
Demand deposits with financial institution	\$ 1,988
Oregon local government investment pool	<u>389,807</u>
Total cash	<u>\$ 391,795</u>

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and

the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the Pool shares at June 30, 2011.

### Interest Rate Risk

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

### Credit Risk

At June 30, 2011, the book balance of the District's bank deposits is \$1,988 and the bank balance is \$24,133. The difference is due to transactions in process. The bank deposit balances are insured by federal depository insurance. Oregon Revised Statutes require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well-capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

### Capital Assets

Fixed assets by major classes and changes in those classes for the fiscal year ended June 30, 2011, are as follows:

	Balance July 1, 2010	Additions	Disposal or Retirement	Balance June 30, 2011
Land	\$ 38,000			\$ 38,000
Buildings and improvements	382,092			382,092
Equipment	677,298	\$ 4,132		681,430
Apparatus	1,841,217	32,946	\$ (19,088)	1,855,075
Accumulated depreciation:				
Buildings and improvements	(276,980)	(9,552)		(286,532)
Equipment	(1,296,041)	(51,012)		(1,347,053)
Apparatus	(155,294)	(96,735)	19,088	(232,941)
	<u>\$ 1,210,292</u>	<u>\$ (120,221)</u>	<u>\$ 0</u>	<u>\$ 1,090,071</u>

## Long-term Debt

In August 2000, the District issued General Obligation Bonds in the amount of \$1,420,000. The principal purpose of the bond issue was to purchase emergency apparatus and equipment, pay-off the financing on an existing lease obligation and to pay administrative costs related to the bond issue. Long-term debt transactions for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Issued 2010-2011	Paid 2010-2011	Balance June 30, 2011
General obligation bonds	\$ 200,000		\$ (200,000)	\$ 0
Interest coupons	5,150		(5,150)	0
	<u>\$ 205,150</u>	<u>\$ 0</u>	<u>\$ (205,150)</u>	<u>\$ 0</u>

## Defined Benefit Pension Plan

### Plan Description

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003 and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003 and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employee Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700.

### Funding Policy

Covered employees are required by State statute to contribute 6% of their salary to the plan. The District is required to contribute at actuarially determined rates, as adopted by the PERS Board of Directors. The current rate for PERS is 7.05% of covered payroll. The current rate for OPSRP is 4.70% for fire and 1.99% for general of covered payroll. The District's contribution to the plan for the years ending June 30, 2009, 2010 and 2011 were \$19,498, \$16,694 and \$13,937 respectively, equal to the required contributions each year.

### Three-Year Trend Information

Year ended June 30th	Annual Pension Cost (APC)	Percentage of (APC) contributed	Net Pension Obligation
2010	\$ 16,694	100%	\$ 675,041
2009	\$ 19,498	100%	\$ 632,050
2008	\$ 18,517	100%	\$ 642,641

#### **Property Tax Limitation**

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limitation, tax revenue is separated into those for public schools and those for local governments other than public schools. The limitation specifies a maximum rate for all local government operations of \$10.00 per \$1,000 of real market value, while schools are similarly limited to a \$5.00 maximum rate. Local government taxes in the District currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the District.

In May 1997, voters approved Measure 50 which rolled back assessed values to 90% of 1995-96 and limits future increases of taxable assessed values to 3% per year, except for major improvements. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided a majority approves at either (i) a general election in an even numbered year, or (ii) at any other election in which at least 50% of registered voters cast a ballot.

#### **Compensated Absences Payable**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental fund that will pay it. At June 30, 2011, the District's liability for vacation pay and compensatory time is estimated at \$29,869. Under the modified cash basis of accounting this liability is not accrued on the financial statements. No expenditure is reported for these amounts. Sick leave pay can only be taken in the event of illness. The total amount of sick leave pay is estimated at \$47,023.

#### **Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss including workers' compensation, property damage, general liability, automobile liability and employee dishonest coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

#### **Length of Service Award Plan**

The Board adopted a Length of Service Award Plan (Plan) for its volunteers. The purpose of the plan is to provide volunteers of the District with an award to recognize their contribution to community welfare. The District may make contributions to the plan on behalf of a volunteer in accordance with the contribution formula. The assets of the plan are reflected in the District's financial statements both as an asset of the District and as a liability equal to the amount due to volunteers. The cash value of the plan at June 30, 2011 was \$17,999.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TILLAMOOK FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND – BUDGETARY BASIS**

*Fiscal year ended June 30, 2011*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Tax revenues				
Current tax year revenues	\$ 540,282	\$ 540,282	\$ 544,697	\$ 4,415
Prior tax year revenues	18,000	18,000	42,972	24,972
Interest income	1,500	1,500	1,708	208
Fire Act Grant income	53,485	53,485	0	(53,485)
Rent	900	900	900	0
Interest on delinquent property taxes	100	100	48	(52)
Rescue & EMS services	1,000	1,000	0	(1,000)
Land and timber sales	250	250	0	(250)
Property tax refund	750	750	270	(480)
Miscellaneous	400	400	58	(342)
<b>Total Revenues</b>	<u>616,667</u>	<u>616,667</u>	<u>590,653</u>	<u>(26,014)</u>
<b>Expenditures</b>				
Personal services – page 24	380,417	380,417	352,262	28,155
Materials and services – page 24 & 25	337,765	337,765	209,844	127,921
Operating contingencies	20,000	20,000	0	20,000
<b>Total Expenditures</b>	<u>738,182</u>	<u>738,182</u>	<u>562,106</u>	<u>176,076</u>
Excess of revenues over (under) Expenditures	(121,515)	(121,515)	28,547	150,062
<b>Other Financing Sources (Uses)</b>				
Operating transfers in				
Operating transfers out	(73,485)	(73,485)	(20,000)	53,485
<b>Total Other Financing Sources (Uses)</b>	<u>(73,485)</u>	<u>(73,485)</u>	<u>(20,000)</u>	<u>53,485</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	(195,000)	(195,000)	8,547	203,547
Fund Balances - July 1, 2010	240,000	240,000	247,617	7,617
<b>Fund Balances - June 30, 2011</b>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 256,164</u>	<u>\$ 211,164</u>

**TILLAMOOK FIRE DISTRICT**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND – BUDGETARY BASIS**

*Fiscal year ended June 30, 2011*

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Basis</u>	Amounts Budgetary Basis	With Final Budget Positive (Negative)
<b>Personal services:</b>				
Fire Chief salary	\$ 78,694	\$ 78,694	\$ 78,694	\$ 0
Fire Marshall salary	59,380	59,380	59,380	0
Firefighter/EMT salary	49,368	49,368	49,368	0
Firefighter Mechanic salary	57,132	57,132	57,132	0
Overtime	14,000	14,000	7,033	6,967
Social security	20,168	20,168	12,811	7,357
Workers compensation	17,000	17,000	10,120	6,880
PERS	18,745	18,745	13,937	4,808
Medical, dental life insurance	65,930	65,930	63,787	2,143
<b>Total personal services</b>	<u>380,417</u>	<u>380,417</u>	<u>352,262</u>	<u>28,155</u>
<b>Materials and services subtotal from page 25</b>	285,215	285,215	173,842	111,373
Annual drug testing	500	500	0	500
Annual aerial ladder testing	1,200	1,200	1,075	125
Annual ground ladder testing	1,000	1,000	756	244
Annual hose testing	4,000	4,000	3,898	102
Testing: SCBA regulators	1,800	1,800	1,650	150
Testing: SCBA – Hydro	2,000	2,000	2,342	(342)
Training (Board)	1,000	1,000	73	927
Training (Staff)	3,000	3,000	1,269	1,731
Training (Volunteers)	8,000	8,000	4,961	3,039
Alarm answering service	650	650	833	(183)
Business telephone (station 71)	4,500	4,500	2,918	1,582
Business telephone (station 72)	700	700	525	175
Cell phone	2,500	2,500	1,952	548
Internet service/provider	1,500	1,500	1,754	(254)
Station 71 electrical	11,000	11,000	7,112	3,888
Station 72 electrical	2,000	2,000	1,089	911
Garbage – utilities	1,500	1,500	1,133	367
Water – utilities	1,200	1,200	1,239	(39)
Uniform allowance –Fire Chief	500	500	502	(2)
Uniform allowance – Fire Marshal	500	500	144	356
Uniform allowance – Firefighter EMT	500	500	633	(133)
Uniform allowance – Firefighter Mechanic	500	500	144	356
Uniform allowance – Volunteers	2,500	2,500	0	2,500
<b>Total materials and services</b>	<u>337,765</u>	<u>337,765</u>	<u>209,844</u>	<u>127,921</u>
Operating contingencies	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>20,000</u>
<b>Total expenditures</b>	<u>\$ 738,182</u>	<u>\$ 738,182</u>	<u>\$ 561,185</u>	<u>\$ 176,076</u>

**TILLAMOOK FIRE DISTRICT**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND – BUDGETARY BASIS**

*Fiscal year ended June 30, 2011*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Materials and Services:</b>				
Annual awards banquet	\$ 3,000	\$ 3,000	\$ 2,149	\$ 851
Attorney services	1,500	1,500	3,423	(1,923)
Auditing services	4,800	4,800	4,260	540
Bank fees	200	200	407	(207)
Bookkeeping services	5,500	5,500	3,276	2,224
Budgets and elections	1,500	1,500	369	1,131
Chaplaincy program	1,500	1,500	145	1,355
Computer software/annual updates	17,000	17,000	11,374	5,626
OR Fire District Directors Assn. conf.	2,500	2,500	2,626	(126)
OR Fire Chiefs Assn. conference	2,000	2,000	614	1,386
OR Fire Marshals Assn. conference	750	750	0	750
Contract services - Bay City	1,500	1,500	1,500	0
Contract services - Cape Meares	3,300	3,300	3,300	0
<b>Dues:</b>				
Oregon Fire District Directors Assn	1,500	1,500	0	1,500
Special Districts Association	750	750	0	750
League of Oregon Cities	750	750	500	250
Oregon Fire Chiefs Assn	175	175	170	5
Oregon Fire Marshals Assn	75	75	50	25
IAFC	215	215	249	(34)
Fire prevention/public education	1,200	1,200	710	490
Firefighting foam	1,500	1,500	0	1,500
Diesel	15,000	15,000	5,747	9,253
Gasoline	6,000	6,000	5,490	510
Motor oil	1,500	1,500	0	1,500
Property bond insurance	4,000	4,000	3,167	833
Auto and liability insurance	16,000	16,000	13,599	2,401
Maintenance: Building station 71	35,000	35,000	10,915	24,085
Maintenance: Building station 72	1,000	1,000	18	982
Maintenance: Building station 73	500	500	0	500
Equipment maintenance	6,000	6,000	2,808	3,192
Vehicle maintenance	17,000	17,000	8,725	8,275
Shop supplies/equipment	1,000	1,000	0	1,000
Meeting expense	1,000	1,000	368	632
Miscellaneous equipment	45,000	45,000	17,084	27,916
Office supplies	5,000	5,000	3,525	1,475
Periodicals & publications	500	500	203	297
Postage	750	750	379	371
Property taxes (Station 72 rental)	750	750	270	480
Board reimbursement	3,000	3,000	3,250	(250)
Volunteer reimbursement	75,000	75,000	63,172	11,828
<b>Materials and services – subtotal</b>	<b>\$ 285,215</b>	<b>\$ 285,215</b>	<b>\$ 173,842</b>	<b>\$ 111,373</b>

**SUPPLEMENTARY INFORMATION**

**TILLAMOOK FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**EQUIPMENT RESERVE FUND – BUDGETARY BASIS**

*Fiscal year ended June 30, 2011*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Basis		
<b>Revenues</b>				
Interest	\$ 750	\$ 750	\$ 571	\$ (179)
Total revenues	750	750	571	(179)
<b>Expenditures</b>				
Materials and services:				
Bank fees	200	200	130	70
Capital outlay:				
Major equipment repairs	10,000	10,000	0	10,000
Staff vehicle	35,000	35,000	32,946	2,054
Hydraulic rescue tools	56,485	56,485	0	56,485
Total capital outlay	101,485	101,485	32,946	68,539
Total expenditures	101,685	101,685	33,076	68,609
Excess of Revenues Over/Under Expenditures	(100,935)	(100,935)	(32,505)	68,430
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	73,485	73,485	20,000	(53,485)
Operating transfers out				
Total other financing sources (uses)	73,485	73,485	20,000	(53,485)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(27,450)	(27,450)	(12,505)	14,945
Fund Balance - July 1, 2010	129,000	129,000	129,816	816
<b>Fund Balance - June 30, 2011</b>	<b>\$ 101,550</b>	<b>\$ 101,550</b>	<b>\$ 117,311</b>	<b>\$ 15,761</b>

**TILLAMOOK FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND – BUDGETARY BASIS**  
*Fiscal year ended June 30, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Basis</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Prior years taxes	\$ 5,000	\$ 5,000	\$ 11,954	\$ 6,954
Interest income	200	200	104	(96)
<b>Total revenues</b>	<u>5,200</u>	<u>5,200</u>	<u>12,058</u>	<u>6,858</u>
<b>Expenditures</b>				
Materials and services				
Bank fees	200	200	121	79
Debt service				
Bond principal- due 8/1/2010	200,000	200,000	200,000	0
Bond interest - due 8/1/2010	5,150	5,150	5,150	0
<b>Total debt service</b>	<u>205,150</u>	<u>205,150</u>	<u>205,150</u>	<u>0</u>
<b>Total expenditures</b>	<u>205,350</u>	<u>205,350</u>	<u>205,271</u>	<u>79</u>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(200,150)	(200,150)	(193,213)	6,937
<b>Fund Balance - July 1, 2010</b>	<u>205,000</u>	<u>205,000</u>	<u>211,533</u>	<u>6,533</u>
<b>Fund Balance - June 30, 2011</b>	<u>\$ 4,850</u>	<u>\$ 4,850</u>	<u>\$ 18,320</u>	<u>\$ 13,470</u>

**TILLAMOOK FIRE DISTRICT**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

*For the fiscal year ended June 30, 2011*

TAX YEAR	TAXES RECEIVABLE JULY 1, 2010	LEVY 2010-2011	COLLECTIONS	INTEREST DISCOUNTS ADJUSTMENTS	TAXES RECEIVABLE JUNE 30, 2011
2010-2011		\$ 603,091	\$ (560,257)	\$ (14,781)	\$ 28,053
2009-2010	\$ 38,133		(17,671)	(188)	20,274
2008-2009	17,768		(6,521)	(146)	11,101
2007-2008	8,691		(5,408)	(8)	3,275
Prior	3,732		(2,279)	(99)	1,354
	<u>\$ 68,324</u>	<u>\$ 603,091</u>	<u>\$ (592,136)</u>	<u>\$ (15,222)</u>	<u>\$ 64,057</u>

**TILLAMOOK FIRE DISTRICT  
COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

*June 30, 2011*

**Independent Auditor's Report Required by Oregon State Regulations**

I have audited the basic financial statements of the Tillamook Fire District, Tillamook, Oregon, as of and for the year ended June 30, 2011, and have issued my report dated December 10, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

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

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

Deposit of public funds with financial institutions (ORS Chapter 295).

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Authorized investment of surplus funds (ORS Chapter 294).

Public contracts and purchasing (ORS Chapters 279A, 279B and 279C).

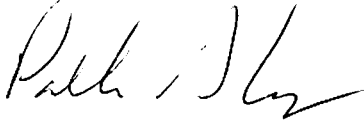
In connection with my testing, nothing came to my attention that caused me to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

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

In planning and performing my audit, I considered the Tillamook Fire District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my

opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tillamook Fire District's internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and Management of Tillamook Fire District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink, appearing to read "Patrick G. Carney". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Patrick G. Carney**  
Certified Public Accountant