

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
TILLAMOOK FIRE DISTRICT**

*Tillamook, Oregon  
June 30, 2010*

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

Certified Public Accountant

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**BOARD OF DIRECTORS**  
**TILLAMOOK FIRE DISTRICT**

*June 30, 2010*

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

Chair

Raymond A. Ferguson  
3602 Hawthorne Lane  
Tillamook, Oregon 97141

Vice-Chair

Joseph F. Martin  
511 Birch Avenue  
Tillamook, Oregon 97141

Secretary

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

Director

William Brown  
4005 Third Street  
Tillamook, OR 97141

Director

Fire Chief: Rick Adams

Registered agent: Hurliman Insurance  
1700 Fourth Street  
Tillamook, Oregon 97141

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**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, each major fund and the aggregate remaining fund information of the Tillamook Fire District, Tillamook, Oregon, as of and for the year ended June 30, 2010, 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, each major fund and the aggregate remaining fund information of the Tillamook Fire District as of June 30, 2010, and the respective changes in financial position - modified cash basis, 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 supplementary information including Budgetary comparison schedules listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting as described in Note 1.

The schedule of long-term debt and property tax transactions as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of long-term debt and property tax transactions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Lake Oswego, Oregon  
October 31, 2010

# 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**

### **General Fund**

#### Personal Services:

The rising cost of health care continues to be the primary factor in escalating personnel costs affecting the District. Health care increased by 15% for the fiscal year. The District was able to absorb those costs with the retirement of one career staff in October 2009. The staff position remained unfilled through the remainder of the fiscal year to conserve additional funding for the upcoming year. The position was fully funded going into the next budget cycle.

#### Materials and Services:

The primary issue affecting the District at the beginning of fiscal year 2009-2010 was the pending IRS ruling on employee status for volunteer firefighters. The IRS classified volunteers as employees of the District, while the District classified the volunteers as non-employees. Pending a resolution to the issue at the Federal level, the District froze all volunteer reimbursement beginning January 2009, for the remainder of the 2008-2009 fiscal year eliminating any wage and labor liability issues. Appropriations for volunteer reimbursements were increased accordingly for fiscal year 2009-2010 to carryover the frozen reimbursement for volunteers. Volunteers began receiving reimbursement in October of 2009.

#### Capital Outlay:

No capital expenditures were appropriated from the General Fund in fiscal year 2009-2010.

#### Contingency and Transfers:

The District continues to minimize expenditures and maintain adequate cash carryover ensuring a balanced budget process. The District did not utilize any contingency funds and no supplemental budget was required during fiscal year 2009-2010.

### **Reserve Fund**

#### Capital Outlay:

Capital purchases were appropriated for the Reserve Fund for the replacement of equipment dependent on grant funding. The District did not receive funding for fiscal year 2009-2010 and the appropriations were not used.

### **Debt Service**

The District began the ninth year of a ten-year bonded debt repayment in fiscal year 2009-2010 for the major apparatus replacement approved by voters in 2000. This next year will be the final year the District imposes additional tax for the repayment of that bonded debt.

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

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Current assets	\$ 558,930	\$ 588,966	\$ 30,036
Capital assets, net	<u>1,439,201</u>	<u>1,210,292</u>	<u>(228,909)</u>
Total assets	1,998,131	1,799,258	(198,873)
Current liabilities	185,000	200,000	15,000
Long-term liabilities	<u>216,033</u>	<u>0</u>	<u>(216,033)</u>
Total liabilities	401,033	200,000	(201,033)
Invested in capital assets	1,038,168	1,010,292	(27,876)
Restricted fund balance	312,126	341,349	29,223
Unrestricted fund balance	<u>246,804</u>	<u>247,617</u>	<u>813</u>
Total net assets	<u>\$ 1,597,098</u>	<u>\$ 1,599,258</u>	<u>\$ 2,160</u>

	<u>Fiscal Year Ended June 30, 2009</u>	<u>Fiscal Year Ended June 30, 2010</u>	<u>Favorable (Unfavorable)</u>
Property tax revenue	\$ 701,106	\$ 777,986	\$ 76,880
Other general resources	<u>24,997</u>	<u>5,468</u>	<u>(19,529)</u>
Total governmental resources	726,103	783,454	57,351
Personal services	340,357	310,666	29,691
Materials and services	192,500	300,605	(108,105)
Depreciation	163,062	155,005	8,057
Interest expense	<u>24,027</u>	<u>15,018</u>	<u>9,009</u>
Total governmental-type expenses	719,946	781,294	(61,348)
Increase (decrease) in net assets	<u>\$ 6,157</u>	<u>\$ 2,160</u>	<u>\$ 3,997</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.



**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
TILLAMOOK FIRE DISTRICT  
*June 30, 2010*

Assets

	Governmental Activities
Cash and cash equivalents	\$ 588,966
Investment in length of service award plan	14,524
Capital assets:	
Land	38,000
Other capital assets, net of accumulated depreciation	1,172,292
<b>Total Assets</b>	<b>1,813,782</b>
<b>Liabilities:</b>	
Current portion of Long-term debt	200,000
Reserve for length of service award plan	14,524
Total Liabilities	214,524
<b>Net Assets:</b>	
Invested in Capital Assets, net of related debt	1,010,292
Reserved for Debt Service	211,533
Reserved for Equipment Reserve	129,816
Unrestricted	247,617
<b>Total Net Assets</b>	<b>\$ 1,599,258</b>

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

**STATEMENT OF ACTIVITIES**  
**MODIFIED CASH BASIS**  
TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010*

	Governmental Activities
<b>Fire District activities:</b>	
Personal services	\$ 310,666
Materials and services	300,605
Depreciation	155,005
Interest on long-term debt	15,018
 Total District expenses	 781,294
 <b>General revenues:</b>	
Property taxes	777,986
Interest and investment earnings	3,346
Miscellaneous revenues	2,122
 Total general revenues	 783,454
 Change in net assets	 2,160
Net assets - July 1, 2009	1,597,098
 <b>Net assets - June 30, 2010</b>	 <b>\$ 1,599,258</b>

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

**BALANCE SHEET**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010*

	General Fund	Equipment Reserve Fund	Debt Service Fund	Total Governmental
<b><u>Assets</u></b>				
Cash	\$ 247,617	\$ 129,816	\$ 211,533	\$ 588,966
Investment in length of service award plan	14,524			14,524
<b>Total Assets</b>	<b>\$ 262,141</b>	<b>\$ 129,816</b>	<b>\$ 211,533</b>	<b>\$ 603,490</b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities</b>				
Reserve for length of service award plan	\$ 14,524			\$ 14,524
Total liabilities	14,524			14,524
<b>Fund Equity</b>				
Unreserved:				
General Fund	247,617			247,617
Reserved for Debt Service			\$ 211,533	211,533
Reserved for Equipment Reserve Fund		\$ 129,816		129,816
Total fund equity	247,617	129,816	211,533	588,966
<b>Total Liabilities and Fund Balances</b>	<b>\$ 262,141</b>	<b>\$ 129,816</b>	<b>\$ 211,533</b>	<b>\$ 603,490</b>

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

**RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS  
TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010***

Total fund balances (page 10)	\$ 588,966
Capital assets are not financial resources and therefore are not reported in the governmental funds:	
Cost	2,938,607
Accumulated depreciation	(1,728,315)
The bonded debt obligation is not a financial expenditure and therefore is not reported in the governmental funds	
	(200,000)
Total net assets (page 8)	\$ 1,599,258

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

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
TILLAMOOK FIRE DISTRICT  
Fiscal year ended June 30, 2010**

	General Fund	Equipment Reserve Fund	Debt Service Fund	Total Governmental
<b>Revenues</b>				
Tax revenue	\$ 569,979		\$ 208,007	\$ 777,986
Interest income	2,112	\$ 627	607	3,346
Rent income	600			600
Miscellaneous	1,522			1,522
Total revenues	<u>574,213</u>	<u>627</u>	<u>208,614</u>	<u>783,454</u>
<b>Expenditures</b>				
Current operating:				
Personal services	310,666			310,666
Materials and services	242,734			242,734
Debt service:				
Principal			185,000	185,000
Interest			15,018	15,018
Total expenditures	<u>553,400</u>	<u>0</u>	<u>200,018</u>	<u>753,418</u>
<b>Excess of revenues over (under) expenditures</b>	20,813	627	8,596	30,036
<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
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	813	20,627	8,596	30,036
Fund Balances – July 1, 2009	<u>246,804</u>	<u>109,189</u>	<u>202,937</u>	<u>558,930</u>
<b>Fund Balances - June 30, 2010</b>	<u>\$ 247,617</u>	<u>\$ 129,816</u>	<u>\$ 211,533</u>	<u>\$ 588,966</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010***

Amounts reported for governmental activities in the Statement of Activities (page 9) are different from amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (page 12) because:

Net changes in fund balances – total governmental funds (page 12).	\$ 30,036
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Adjustment to accumulated depreciation	(57,871)
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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.

Less current year depreciation	(155,005)
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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.

2009-2010 principal payment	<u>185,000</u>
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Changes in net assets of governmental activities (page 9)	<u>\$ 2,160</u>
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The notes to the financial statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**  
**TILLAMOOK FIRE DISTRICT**  
*June 30, 2010*

**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.

**Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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**

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the District-wide investment pool. Investments, including equity in pooled cash and investments are stated at fair value.



**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 2009-2010 was \$155,055.

**Equity Classification**

Equity is classified as net assets and displayed in three components:

- A. Invested in capital assets, net of related debt. Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- B. Restricted net assets. Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments: or (2) law through constitutional provisions or enabling legislation.

- C. Unrestricted net assets. All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

### **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, 2010 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 Cash Equivalents

Deposits with financial institutions are comprised of bank demand deposits. At June 30, 2010, all were covered by federal depository insurance. For deposits in excess of federal depository insurance, deposits are only maintained at financial institutions included on the list of qualified institutions included on the list of qualified depositories found on the State of Oregon Treasurer's web site. The District was in compliance with this requirement throughout 2009-2010.

Cash and cash equivalents at June 30, 2010, were comprised of the following:

<u>Type of Deposit</u>	<u>Total Cash Balance</u>
Demand deposits with financial institution	\$ (2,000)
Oregon local government investment pool	<u>590,966</u>
Total deposits	<u><u>\$ 588,966</u></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, 2010.

#### Custodial Credit Risk

At June 30, 2010, the book balance of the District's bank deposits (checking account) is \$(2,000) and the bank balance is \$15,349. The difference is due to transactions in process. Of the bank deposit balances \$250,000 is insured by federal depository insurance.

District deposits in the State Government Investment Pool at June 30, 2010 totaled \$590,966 and is not required to be collateralized.

## Capital Assets

Fixed assets by major classes and changes in those classes for the fiscal year ended June 30, 2010, are as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Land	\$ 38,000			\$ 38,000
Buildings and improvements	382,092			382,092
Equipment	677,298			677,298
Apparatus	1,841,217			1,841,217
Accumulated depreciation	(1,573,310)	\$ (155,005)		(1,728,315)
	<u>\$ 1,365,297</u>	<u>\$ (155,005)</u>	<u>\$ 0</u>	<u>\$ 1,210,292</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, 2010 are as follows:

	Balance July 1, 2009	Issued 2009-2010	Paid 2009-2010	Balance June 30, 2010
General obligation bonds	\$ 385,000		\$ (185,000)	\$ 200,000
Interest coupons	20,168		(15,018)	5,150
	<u>\$ 405,168</u>	<u>\$ 0</u>	<u>\$ (200,018)</u>	<u>\$ 205,150</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 District's contribution to the plan for the years ending June 30, 2008, 2009 and 2010 were \$18,517, \$19,498 and \$16,694 respectively.

### **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, 2010, the District's liability for vacation pay and compensatory time is estimated at \$25,131. 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 \$40,961.

### **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, 2010 was \$14,524.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND – BUDGETARY BASIS**

TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Tax revenues				
Current tax year revenues	\$ 541,866	\$ 541,866	\$ 541,753	\$ (113)
Prior tax year revenues	18,000	18,000	28,226	10,226
Interest income	4,500	4,500	2,112	(2,388)
Fire Act Grant income	163,000	163,000	0	(163,000)
Rent	900	900	600	(300)
Interest on delinquent property taxes	100	100	60	(40)
Rescue & EMS services	2,000	2,000	0	(2,000)
Land and timber sales	250	250	536	286
Property tax refund	750	750	348	(402)
Miscellaneous	400	400	578	178
<b>Total Revenues</b>	<u>731,766</u>	<u>731,766</u>	<u>574,213</u>	<u>(157,553)</u>
<b>Expenditures</b>				
Personal services – page 23	379,226	379,226	310,666	68,560
Materials and services – page 23 & 24	344,540	344,540	242,734	101,806
Operating contingencies	20,000	20,000	0	20,000
<b>Total Expenditures</b>	<u>743,766</u>	<u>743,766</u>	<u>553,400</u>	<u>190,366</u>
Excess of revenues over (under)				
Expenditures	(12,000)	(12,000)	20,813	32,813
<b>Other Financing Sources (Uses)</b>				
Operating transfers in				
Operating transfers out	(183,000)	(183,000)	(20,000)	163,000
<b>Total Other Financing Sources (Uses)</b>	<u>(183,000)</u>	<u>(183,000)</u>	<u>(20,000)</u>	<u>163,000</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	(195,000)	(195,000)	813	195,813
Fund Balances - July 1, 2009	240,000	240,000	246,804	6,804
<b>Fund Balances - June 30, 2010</b>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 247,617</u>	<u>\$ 202,617</u>

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

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND – BUDGETARY BASIS**

TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Basis		
<b>Personal services:</b>				
Fire Chief salary	\$ 76,402	\$ 76,402	\$ 76,402	\$ 0
Fire Marshall salary	57,650	57,650	57,650	0
Firefighter/EMT salary	52,824	52,824	41,310	11,514
Firefighter Mechanic salary	52,824	52,824	30,814	22,010
Overtime	11,000	11,000	7,666	3,334
Volunteers' salary	10,000	10,000	0	10,000
Social security	19,866	19,866	16,317	3,549
Workers compensation	17,000	17,000	14,543	2,457
PERS	17,744	17,744	16,694	1,050
Medical, dental life insurance	63,916	63,916	49,270	14,646
<b>Total personal services</b>	<u>379,226</u>	<u>379,226</u>	<u>310,666</u>	<u>68,560</u>
<b>Materials and services subtotal from page 24</b>	287,390	287,390	202,126	85,264
Computer software/annual updates	10,000	10,000	2,612	7,388
Annual drug testing	500	500	0	500
Annual aerial ladder testing	1,000	1,000	1,075	(75)
Annual ladder testing	1,000	1,000	910	90
Annual hose testing	5,000	5,000	3,713	1,287
Testing: SCBA regulators	1,800	1,800	1,745	55
Training (Board)	500	500	1,354	(854)
Training (Staff)	4,000	4,000	3,232	768
Training (Volunteers)	4,000	4,000	4,286	(286)
Alarm answering service	650	650	360	290
Business telephone (station 71)	4,500	4,500	2,950	1,550
Business telephone (station 72)	700	700	539	161
Cell phone	2,500	2,500	1,453	1,047
Internet service/provider	1,200	1,200	1,374	(174)
Station 71 electrical	11,000	11,000	8,179	2,821
Station 72 electrical	2,000	2,000	1,052	948
Garbage – utilities	1,200	1,200	1,112	88
Water – utilities	1,100	1,100	993	107
Uniform allowance	4,500	4,500	3,669	831
<b>Total materials and services</b>	<u>344,540</u>	<u>344,540</u>	<u>242,734</u>	<u>101,806</u>
Operating contingencies	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>20,000</u>
<b>Total expenditures</b>	<u>\$ 743,766</u>	<u>\$ 743,766</u>	<u>\$ 553,400</u>	<u>\$ 190,366</u>

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



# STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND – BUDGETARY BASIS

TILLAMOOK FIRE DISTRICT

*Fiscal year ended June 30, 2010*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Materials and Services:</b>				
Annual awards banquet	\$ 2,500	\$ 2,500	\$ 1,957	\$ 543
Attorney services	1,500	1,500	430	1,070
Auditing services	4,500	4,500	4,537	(37)
Bank fees	200	200	381	(181)
Bookkeeping services	5,500	5,500	3,607	1,893
Budgets and elections	1,500	1,500	1,590	(90)
Chaplaincy program	1,500	1,500	1,532	(32)
OR Fire District Directors Assn. conf.	2,500	2,500	735	1,765
OR Fire Chiefs Assn. conference	2,000	2,000	1,655	345
OR Fire Marshals Assn. conference	750	750	582	168
Contract services - Bay City	1,500	1,500	1,500	0
Contract services - Cape Meares	3,300	3,300	3,300	0
Dues:				
Oregon Fire District Directors Assn	1,500	1,500	1,250	250
Special Districts Association	750	750	0	750
League of Oregon Cities	750	750	500	250
Oregon Fire Chiefs Assn	150	150	170	(20)
Oregon Fire Marshals Assn	75	75	50	25
IAFC	215	215	0	215
Fire prevention/public education	1,200	1,200	0	1,200
Firefighting foam	1,500	1,500	0	1,500
Diesel	18,000	18,000	4,008	13,992
Gasoline	8,000	8,000	3,635	4,365
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	13,282	2,718
Maintenance: Building station 71	30,000	30,000	11,017	18,983
Maintenance: Building station 72	1,000	1,000	26	974
Maintenance: Building station 73	500	500	0	500
Equipment maintenance	6,000	6,000	5,703	297
Vehicle maintenance	15,000	15,000	12,229	2,771
Shop supplies/equipment	1,000	1,000	0	1,000
Meeting expense	1,000	1,000	346	654
Miscellaneous equipment	56,000	56,000	32,171	23,829
Office supplies	5,000	5,000	4,014	986
Periodicals & publications	500	500	30	470
Postage	750	750	567	183
Property taxes (Station 72 rental)	750	750	273	477
Board reimbursement	3,000	3,000	2,400	600
Volunteer reimbursement	86,000	86,000	85,482	518
<b>Materials and services – subtotal</b>	<b>\$ 287,390</b>	<b>\$ 287,390</b>	<b>\$ 202,126</b>	<b>\$ 85,264</b>

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

**SUPPLEMENTARY INFORMATION**

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

TILLAMOOK FIRE DISTRICT  
*Fiscal year ended June 30, 2010*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Basis		
<b>Revenues</b>				
Interest	\$ 1,500	\$ 1,500	\$ 627	\$ (873)
Total revenues	1,500	1,500	627	(873)
<b>Expenditures</b>				
Bank fees	200	200	0	200
Major equipment repairs	10,000	10,000	0	10,000
Emergency generator	125,000	125,000	0	125,000
Hydraulic rescue tools	71,000	71,000	0	71,000
Total expenditures	206,200	206,200	0	206,200
Excess of Revenues Over/Under Expenditures	(204,700)	(204,700)	627	205,327
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	183,000	183,000	20,000	(163,000)
Operating transfers out	183,000	183,000	20,000	(163,000)
Total other financing sources (uses)	183,000	183,000	20,000	(163,000)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(21,700)	(21,700)	20,627	42,327
Fund Balance - July 1, 2009	108,000	108,000	109,189	1,189
<b>Fund Balance - June 30, 2010</b>	<b>\$ 86,300</b>	<b>\$ 86,300</b>	<b>\$ 129,816</b>	<b>\$ 43,516</b>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND – BUDGETARY BASIS**

TILLAMOOK FIRE DISTRICT

*Fiscal year ended June 30, 2010*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Basis		
<b>Revenues</b>				
Current year taxes	\$ 203,368	\$ 203,368	\$ 197,816	\$ (5,552)
Prior years taxes	6,000	6,000	10,191	4,191
Interest income	1,000	1,000	607	(393)
Total revenues	<u>210,368</u>	<u>210,368</u>	<u>208,614</u>	<u>(1,754)</u>
<b>Expenditures</b>				
Bond principal- due 8/1/2009	185,000	185,000	185,000	0
Bond interest - due 8/1/2009	9,868	9,868	9,868	0
Bond interest - due 2/1/2010	5,150	5,150	5,150	0
Bank fees	200	200	0	200
Total expenditures	<u>200,218</u>	<u>200,218</u>	<u>200,018</u>	<u>200</u>
Excess of Revenues Over (Under) Expenditures	10,150	10,150	8,596	(1,554)
Fund Balance - July 1, 2009	<u>195,000</u>	<u>195,000</u>	<u>202,937</u>	<u>7,937</u>
<b>Fund Balance - June 30, 2010</b>	<u><u>\$ 205,150</u></u>	<u><u>\$ 205,150</u></u>	<u><u>\$ 211,533</u></u>	<u><u>\$ 6,383</u></u>

**SCHEDULE OF LONG-TERM DEBT**  
**TILLAMOOK FIRE DISTRICT**  
*For the fiscal year ended June 30, 2010*

**\$1,420,000**  
**General Obligation Bonds**  
**Series 2000**

Maturity Date	Principal	Interest Rate	Interest	Total
08-01-10	<u>\$ 200,000</u>	5.15%	<u>\$ 5,150.00</u>	<u>\$ 205,150.00</u>
	<u>\$ 200,000</u>		<u>\$ 5,150.00</u>	<u>\$ 205,150.00</u>

## SCHEDULE OF PROPERTY TAX TRANSACTIONS

### TILLAMOOK FIRE DISTRICT

*For the fiscal year ended June 30, 2010*

TAX YEAR	TAXES RECEIVABLE JULY 1, 2009	LEVY 2009-2010	COLLECTIONS	INTEREST DISCOUNTS ADJUSTMENTS	TAXES RECEIVABLE JUNE 30, 2010
2009-2010		\$ 807,039	\$ (747,928)	\$ (20,978)	\$ 38,133
2008-2009	\$ 36,404		(17,748)	(888)	17,768
2007-2008	14,372		(5,655)	(26)	8,691
2006-2007	6,676		(3,882)	(34)	2,760
Prior	2,841		(1,814)	(55)	972
	<u>\$ 60,293</u>	<u>\$ 807,039</u>	<u>\$ (777,027)</u>	<u>\$ (21,981)</u>	<u>\$ 68,324</u>

General Fund	\$ 50,075
Debt Service Fund	<u>18,249</u>
	<u><u>\$ 68,324</u></u>

**COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS  
TILLAMOOK FIRE DISTRICT  
*June 30, 2010***

Oregon Administrative Rules 162-10-000 through 162-16-000 of Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in the audit reports. The required statements and schedules are presented in the preceding sections of this report. Following are the required comments and disclosures related to my examination of the statements and schedules are set forth as follows:

I have audited the basic financial statements of the Tillamook Fire District, Tillamook, Oregon, as of and for the year ended June 30, 2010, and have issued my report dated October 31, 2010.

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 basic financial statements are free of material misstatement.

The management of Tillamook Fire District, Tillamook, Oregon, is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the basic financial statements of Tillamook Fire District, Tillamook, Oregon for the year ended June 30, 2010, I obtained an understanding of the internal control. With respect to the internal control, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide an opinion on the internal control. Accordingly, I do not express such an opinion.

**Accounting Records and Internal Control**

One individual is involved in handling District receipts, recording transactions in the accounting records and reconciling between the receipts and the accounting records. This lack of segregation of duties precludes the establishment of effective internal control procedures. However, based upon additional audit procedures, no qualification of my opinion with respect to the financial statements as a whole was deemed necessary.

The accounting records appear to have been adequately maintained and are auditable.

### **Budget Compliance**

The District's budgets for 2009-2010 and 2010-2011 were prepared and adopted and in all material respects the 2009-2010 budget was executed in compliance with local budget laws and administrative rules.

### **Bonded Debt Limitations**

The District's bonded debt is within the legal limit imposed by ORS 287.004.

### **Collateral Securing Depository Balances**

ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Public officials are required to verify that deposit accounts in excess of deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the State of Oregon Treasurer's web site. The District was in compliance with this requirement throughout 2009-2010.

### **Insurance Policy and Fidelity Bond Coverage**

I have reviewed the District's insurance and fidelity bond coverage at June 30, 2010. I ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

### **Investment of Public Funds**

The District's investment of public funds during the fiscal year ended June 30, 2010, complies with the statutory provisions of ORS Chapter 294.

### **Public Contract and Purchasing Compliance**

The District's procedures for awarding public contracts was reviewed and found to be in accordance with ORS 279.

### **Outstanding Warrants**

The District had no outstanding endorsed warrants at June 30, 2010.

### **Highway Funds**

The District does not receive highway funds.



This report is intended solely for the information of the Board of Directors, Management and the Oregon Secretary of State, Audit's Division, and is not intended to be and should not be used by anyone other than these specified parties.

Patrick G. Carney  
Certified Public Accountant