

JACKSON COUNTY FIRE DISTRICT 3

White City, Oregon

A Rural Fire Protection District

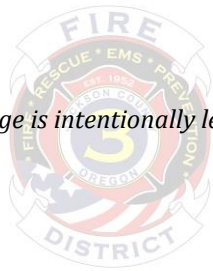
COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photograph taken by District Firefighter Jon Vait

**For the Fiscal Year Ended
June 30, 2015**

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JACKSON COUNTY FIRE DISTRICT 3



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Proudly Serving Beautiful Southern Oregon

In the communities of:

**Agate Lake
Central Point
Dodge Bridge
Eagle Point
Gold Hill
Sams Valley
White City**

Report Prepared by the Finance Department

Jackson County Fire District 3
A Rural Fire Protection District
8333 Agate Road
White City, Oregon 97503
(541) 826-7100 Phone
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JACKSON COUNTY FIRE DISTRICT 3
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2015

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INTRODUCTORY SECTION

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December 17, 2015

Board President Jim Gillin and Members of the Board of Directors of Jackson County Fire District 3

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Jackson County Fire District 3 (District) for the fiscal year ended June 30, 2015.

This report has been prepared in accordance with generally accepted accounting principles and follows guidelines recommended by Government Finance Officers Association of the United States and Canada. The annual audit is prepared to meet legal requirements in accordance with ORS 297.405 to 297.555. Richard W. Brewster, CPA has audited the attached financial statements. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. The auditors test transactions, verify the system, and assure accuracy. The independent auditor's report is presented as the first component of the financial section of this report.

This report is published to provide the District Board of Directors, our patrons, District Staff, and other readers with detailed information regarding the financial position and activities of the District. To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is organized in a manner designed to present fairly the financial position and results of operations as measured by the financial activity of the District's funds.

To provide a reasonable basis for making these representations, the District's management has established internal controls designed to compile sufficient reliable information and protect its assets from loss, theft, or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. We believe the internal accounting controls meet the material standards for audit and provide reasonable assurance that financial transactions are properly reported.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The financial statements are presented in a single program format, in which the fund financial and government-wide statements are combined together and include a reconciling column.

Profile of the District

Jackson County Fire District 3 is a special district operating under Oregon Revised Statutes (ORS) Chapter 478 as a separate municipal corporation. A Board of Directors, consisting of five elected members, manages the District. The Board hires a Fire Chief to manage the daily operations. The governing Board appoints members of the community to serve on the Budget Committee (five appointments) and the Civil Service Commission (three appointments).

The District was established in 1952 as the Central Point Rural Fire Protection District and in 1975 officially changed to its current name, Jackson County Fire District 3, which better described the growing area being protected. The “3” signifies the third rural fire protection district established under ORS 478 in Jackson County. Eight additional fire protection districts also operate in Jackson County, which is located in Southern Oregon.

The District provides a full range of fire protection and emergency medical response services to its approximately 52,000 citizens across 167 square miles. The District is committed to creating safer communities through education, prevention, preparedness, and emergency response.

The District encompasses an area of densely populated suburbs, rural farmlands, retail and commercial establishments, and growing industrial complexes. In addition, the geography is diverse with the national acclaimed Rogue River, low brush and grasslands, heavy, dense timber, rugged mountains, and two plateaus. To meet the demands of the diverse service area, the District performs specialized rescues such as river, high angle and confined space, in addition to wildland firefighting, structural suppression, and emergency medical response.

The District operates seven fire stations, three of which are staffed with paid personnel and four with volunteer personnel, and owns property on Table Rock Road for future development. Fire stations are strategically placed throughout the District to protect property and the citizens the District serves. The District utilizes defined response time standards, projected population densities, and urban growth, as well as actual and planned traffic conditions to determine the best station sites to optimize response times.

Over the years, the District has expanded its service area through the annexations of three cities; Gold Hill in 1995, Central Point in 2001, and Eagle Point in 2002. Fire stations are located within each of the city's boundaries. The District's administrative offices are adjacent to the White City fire station, located in an unincorporated industrial area of the County known as White City. A regional training facility is also at this location, which includes a training tower, burning simulation props, drafting pit, and a maintenance shop.

The District maintains a fleet of 29 emergency response vehicles consisting of fire engines, ambulances, water tenders, wildland brush engines, a ladder truck, and 18 command staff/support vehicles. In addition, the District has a wide range of equipment for specialized rescues. To perform and maintain these services the District employs 63 paid personnel and has on average 30 volunteers and student firefighters combined.

The District adopts annual goals and objectives that link to the overarching strategic priorities that ultimately drive the annual development of the budget document. The District annually appropriates a General Fund and a Capital Projects Fund. Within the General Fund the District has seven departments; Administration/Finance, Operations, Fire and Life Safety, Training, Maintenance, Volunteers, and Technology. Budgetary control is within the object classifications in each department and fund.

The District's funding is based upon a permanent tax rate of \$3.1194 per \$1,000 of assessed valuation, established by Ballot Measure 50 and passed by Oregon voters' in 1997. In addition to permanent tax rates, Ballot Measure 50 also limits assessed valuation growth and the amount property taxes can increase to three percent per year. The difference between mandated growth and actual growth is due to new construction and significant improvements to existing property, plant, and equipment. The District receives 98 percent of its revenue through the form of property tax.

Letter of Transmittal (Continued)

The District has not had to rely on any general obligation bonds or local option levies for operational support. The District has been and continues to be focused on providing its citizens with the highest level of emergency services and the District continues to implement operational improvements in order to accomplish its strategic goals and objectives.

Economic condition and outlook

The District's assessed valuation increased from \$3.8 billion in the 2014/15 fiscal year to \$4 billion for the 2015/16 fiscal year, a 4.5 percent increase, and reflects positive growth and a strong rebound in housing values. The District had been suffering from declines in assessed valuation below the three percent allowed under State law from 2011 to 2013. A stipulation of Ballot Measure 50 is that the real market value (RMV) of a property continues to be tracked each year by the Jackson County Assessor along with the assessed value (MAV). If a residential property's real market value declines below the property's assessed value, then the property taxes are calculated on the lower of the two figures. Historically, between 2001 and 2007 real estate values had been appreciating at astonishing rates; on average 69 percent. The housing market in some locations was overinflated and new home construction was assessed with high values. When the housing market crashed and the economic recession occurred, housing prices plummeted. Consequently by 2012, the real market value on a property dropped below the taxable assessed value for 39 percent of the taxable properties within the County, thus creating a tax decrease for the property owner and a revenue reduction for taxing entities. For comparison, in 2009 only nine percent of the properties in Jackson County had real market value lower than assessed value. By the end of 2013, the majority of properties experienced an increase in value, or held their value and did not experience further decline. From 2013 on, real market values continue to increase, the economy continues to improve, and new residential and commercial construction is prevalent again.

From a forecasting and budgeting standpoint, the District continues to monitor property tax valuation matters closely and works with the county assessor to analyze property type trends and valuations. The District projects that valuation growth in future years will continue to be modest and close to the three percent as allowed for under State law. The District will continue to develop budgets on conservative revenue growth while maintaining modest expenditure increases.

Jackson County has a rich history and has grown and diversified considerably over the decades to be considered one of the most diversified economies in Oregon. Strong retail trade, health care, and tourism sectors have formed a regional hub, attracting customers and visitors from neighboring counties and beyond. Once heavily dependent on the wood products industry, it is now supplemented by the growing wine industry and specialty agriculture products.

Oregon has the second highest minimum wage rate in the nation at \$9.25 per hour for 2015. Oregon's minimum wage is adjusted annually by the increase in the U.S. Consumer Price Index. Although Oregon has a high minimum age, workers in Oregon tend to work fewer hours per week and, as a result, average weekly wage earnings are below the national level. Workers at Oregon businesses earned an average of \$759 in weekly earnings, compared with the national average of \$825 per week. The dominate factor is the high number of jobs in leisure, hospitality, and retail in Jackson County, which tends to pay lower on average and offer fewer hours then compared to industrial and high tech jobs that are more prevalent in northern parts of the state. Jackson County's per capita personal income did grow by five percent in 2014 to \$37,637. Jackson County ranks number 13 in per capita income out of the 36 counties in Oregon. Nationwide, personal income increased by 4.4 percent.

The District serves as the home to many prominent and internationally recognized businesses such as CareStream Health Imaging, CertainTeed, Amy's Kitchen, Linde Gasses, Erikson Air Crane, and Highway Products. Also located within the District is a satellite campus for Rogue Community College, in which the District works closely with by providing use of its training grounds for the fire science program. Jackson County offers renowned healthcare facilities, a university, diverse recreational opportunities, and cultural excellence with the home of Oregon Shakespeare and Britt Festivals.

Jackson County's unemployment rate in October 2015 was 7.1 percent, down from 8.5 percent for the same period a year ago. For comparison, the State of Oregon's average unemployment rate in September 2015 was 6.0 percent and the national unemployment rate was 5.0 percent. Over the past 12 months, private-sector payroll employment rose by 2,800 in Jackson County, a gain of 4.0 percent. Retail trade had the largest net job gain, followed by construction. Mining and logging was the only industry in the county not to show a change in growth. State wide Jackson County experienced annual job growth more than two percent along with 18 other counties in the state. Only two counties experienced a loss in growth.

The District's population is expected to continue to moderately increase in the next 10 years and Jackson County's population is growing at a rate of 1.2 percent annually, about the same pace as Oregon's overall increase. In 2014 Jackson County's population was 210,287 with the District encompassing 52,000 citizens. Staff will continue to work proactively with other governments and regional planning groups to ensure continue ability to serve this future population.

Long-term financial planning and major initiatives

Unrestricted fund balance (the total of assigned and unassigned components of fund balance) in the general fund at year end was 37 percent of total general fund revenues. This amount is well within the policy guidelines (24 percent) set forth by the Board of Directors and Staff for budgetary and financial planning purposes. The District is committed in providing four months of fund balance at year end that is adequate to cover operational expenditures from July through October, thus eliminating the need for short-term borrowing. The County Treasurer starts distributing current year property taxes the beginning of November.

The District is committed to maintaining a ten-year financial forecast, which estimates ending fund balance surpluses and shortfalls, and a ten-year capital equipment replacement plan that identifies vehicle and apparatus replacement, equipment purchases, facility improvements, and new development. The plan reflects the year the targeted capital purchase are to be made, the revenue sources budgeted for the fund, and the estimated ending fund balances. For the 2015/16 fiscal year, \$711,000 is budgeted for capital expenditures and includes the purchase of departmental equipment, a staff vehicle, improvements to the Table Rock facility including firefighter living quarters, and construction of a fire simulation house to be used for training. No debt issuance is planned for these expenditures.

The Board has adopted a three year strategic plan that identifies future initiatives including increasing the firefighter full time equivalents, response deployment and future fire station locations. In addition, annual goals and objectives are established that address current concerns and developments. These goals drive the funding priorities for the development of the annual budget and are measured quarterly on progress. Staff provides periodic updates to the Board and annually conducts a self-assessment of the plan, updating or modifying if needed.

The following five strategic goals provide the framework overarching the strategic plan. Each goal is defined with desired outcomes, the current quality of performance, the challenges and opportunities related to achieving the goal, and specific strategies that have been identified to advance the vision of reducing and eliminating the risk for our community.

1. Minimize the direct and indirect impacts associated with fire, EMS, and rescue emergencies.
2. Ensure sustainability of service delivery (people, facilities, fleet, and finance).
3. Promote, develop, and support craftsmanship, innovation, and excellence throughout the organization.
4. Promote community involvement and satisfaction.
5. Develop and strengthen collaborative strategic partnerships.

Of significant accomplishment for fiscal year end June 30, 2015 the District hired and increased the firefighter full-time equivalency by two, equipped and placed into service the two structural fire engines and battalion chief command vehicle, improved technology infrastructure by purchasing wireless routers for first-out engines, completed a financial software upgrade, received national recognition of a Fire Wise Community within the District, and received a \$250,000 grant from the State of Oregon for construction of a fire simulation house to improve firefighter training.

Relevant financial policies

The District has adopted financial policies to ensure its financial stability. Budget development is built around conservative revenues and expenditures that balance accordingly. In recent years, the District increased the level of budgeted contingency from six percent of property tax revenue to nine percent, as a tool to provide financial security should property tax revenue be less than estimated due to the assessed valuation fluctuations that occurred during the economic recession. The District will evaluate in future budget years if reducing back to six percent is prudent or not. In addition, the District has a policy that nonrecurring or one-time resource inflows not be used for operating purposes. This pertains specifically to grant proceeds the District is a recipient of.

Other Information

Independent Audit

Oregon Revised Statutes 297.405 to 297.555 requires an annual audit of the fiscal affairs of the District by an independent public accountant selected by the Board of Directors. An audit has been completed and the auditor's opinion is included in this report.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Jackson County Fire District 3 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the ninth consecutive year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2014 and is awaiting notification of the budget award for the fiscal year beginning July 1, 2015. To qualify for the Distinguished Budget Award, the District's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device. This was the tenth consecutive year the District received this award.

The dedication, commitment, and professional contribution made by the Board of Directors, Budget Committee, and all District members is sincerely appreciated and vital to the financial and operational stability and success of the District.

Respectfully submitted,



Stacy J. Maxwell
Chief Finance Officer
Jackson County Fire District 3



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Jackson County
Fire Protection District No. 3
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

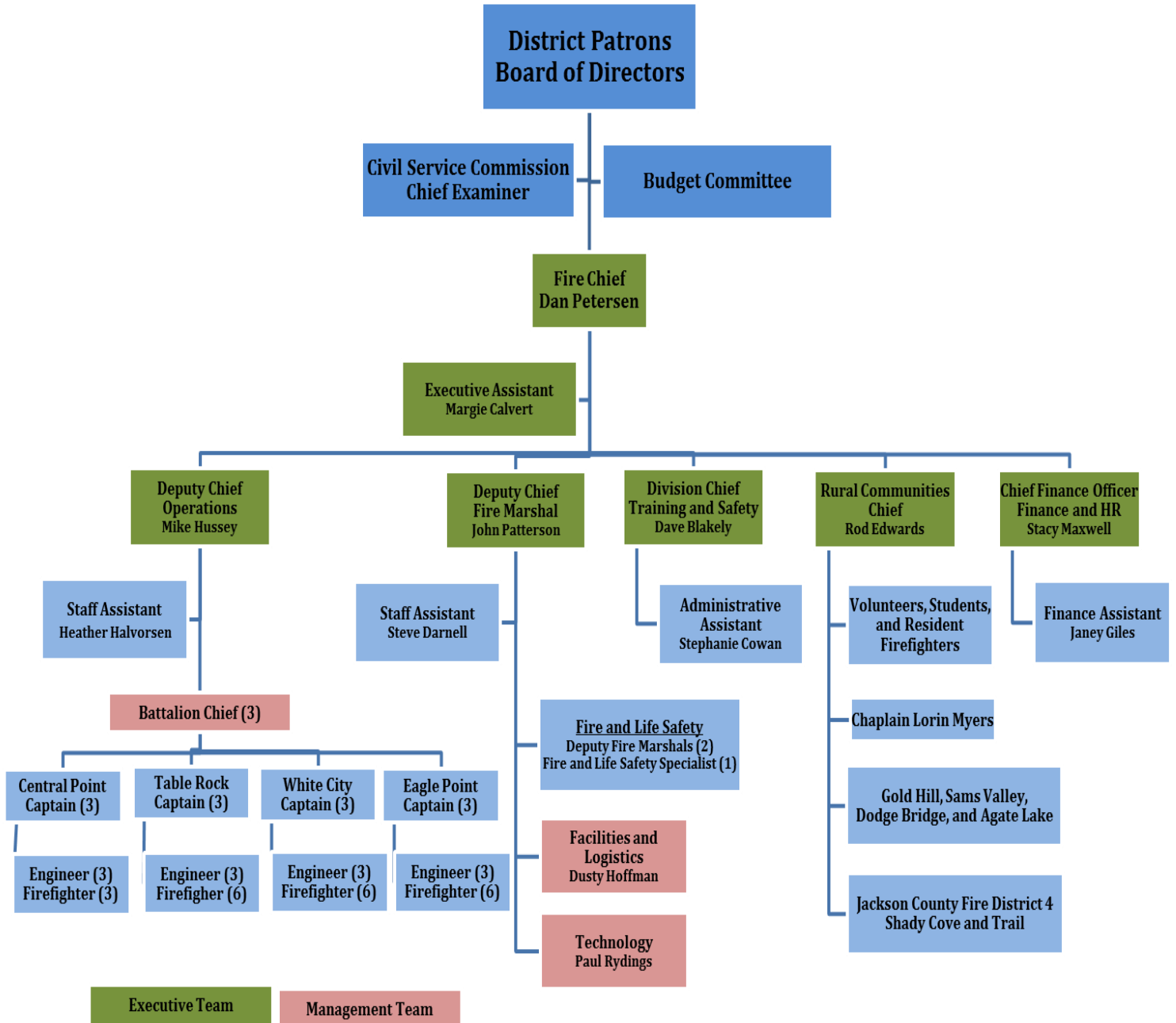
June 30, 2014

Executive Director/CEO

JACKSON COUNTY FIRE DISTRICT 3

June 30, 2015

ORGANIZATIONAL CHART



JACKSON COUNTY FIRE DISTRICT 3

June 30, 2015

ELECTED AND APPOINTED OFFICIALS

BOARD OF DIRECTORS

<u>Name</u>	<u>Position Number</u>	<u>Term Expires</u>	<u>Address</u>
Jim Gillin President	3	06/30/19	1153 Highlands Drive Eagle Point, OR 97524
Colin Fagan Vice President	4	06/30/17	P.O. Box 158 Medford, OR 97501
Cindy Hauser Secretary/Treasurer	2	06/30/17	2020 Bluegrass Drive Central Point, OR 97502
Harvey Tonn Director	1	06/30/19	1916 Old Military Road Central Point, OR 97502
John Dimick Director	5	06/30/19	12950 Agate Road Eagle Point, OR 97524

BUDGET COMMITTEE

Joe Strahl	12/31/15	9300 John Day Drive Gold Hill, OR 97525
Brenda Price	12/31/16	631 Oakwood Drive Eagle Point, OR 97524
Rob Hernandez	12/31/16	2056 Boes Avenue Central Point, OR 97502
Ken Cummings	12/31/17	4194 Old Stage Road Central Point, OR 97502
Alison Chan	12/31/17	5943 Highway 234 Central Point, OR 97502

LEGAL COUNSEL

John Blackhurst Hornecker, Cowling, Hassen, and Heysell	717 Murphy Road Medford, OR 97504
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REGISTERED AGENT

Dan Petersen	8333 Agate Road White City, OR 97503
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FINANCIAL SECTION



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RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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MEDFORD, OREGON 97504
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
JACKSON COUNTY FIRE DISTRICT 3
8333 Agate Road
White City, OR 97503

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Jackson County Fire District 3 (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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 from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jackson County Fire District No. 3, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note III-Q to the financial statements, in 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), as listed in the table of contents, and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the MD&A because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The RSI has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the RSI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County Fire District No. 3's basic financial statements. The introductory section, the supplementary information, and the statistical section 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 supplementary information (SI) is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the SI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, I have also issued my report dated December 9, 2015, on my consideration of Jackson County Fire District No. 3's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Richard W. Brewster
Certified Public Accountant
December 9, 2015

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

As management of Jackson County Fire District 3 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages one through five of this report.

FINANCIAL HIGHLIGHTS

- In the government-wide financial statements, the assets of the District exceeded its liabilities at June 30, 2015 by \$13,251,452 (net position). Of this amount, \$4,390,203 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$2,377,039, due now to recognizing the District's proportionate share of the Public Employees Retirement System (PERS) net pension liability under new GASB Statement 68 requirement.
- As of June 30, 2015 the District's governmental funds reported combined ending fund balances of \$7,549,372 an increase of \$942,347 in comparison with the prior year, the result of receiving more property tax revenue than budgeted and reserving monies in the Capital Fund. Approximately 62 percent of this amount (\$4,661,875) is available for spending at the District's discretion (unassigned fund balance).
- At June 30, 2015 unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$4,661,875 or approximately 43 percent of total general fund expenditures and the continuing achievement of meeting District policy to maintain four months of budgetary basis general fund expenditures as ending fund balance each year.
- The District's total long-term debt decreased by \$342,994 (18 percent) during the current fiscal year. This was due to principal payments on the District's bank financing agreement in the amount of \$1,908,510.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. The government-wide and fund financial statements are combined for presentation purposes. This report also contains required supplementary information (RSI) and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business and include the *statement of net position* and the *statement of activities*. They focus on an entity-wide presentation using the accrual basis of accounting and are designed to be more corporate-like in that all activities are consolidated.

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

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes. The governmental activities of the District include general government and fire protection.

The government-wide financial statements can be found on pages 19 and 21 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds are classified under the governmental fund category.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances for those funds that are considered significant (major) to the District taken as a whole. These financial statements report two major funds; the General Fund and Capital Projects Fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23-49 of this report.

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The RSI schedules include budgetary comparisons for the general fund. Required supplementary information can be found on pages 50-56 of this report.

Other Supplementary Information. The detail to the budgetary comparison schedules for the general and capital projects fund and the schedules of property tax and debt transactions follow the required supplementary information in this report. Other supplementary information can be found on pages 57-66 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$13,251,452 at June 30, 2015.

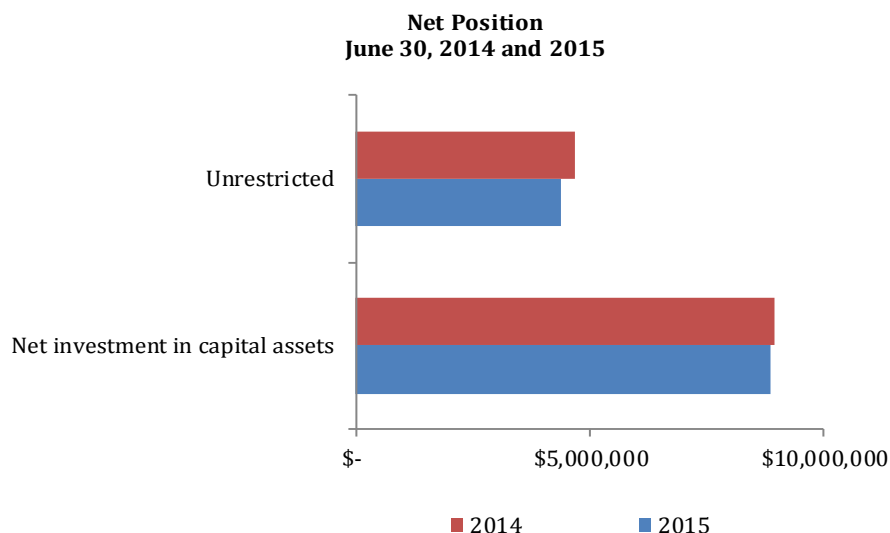
	Governmental Activities		
	2015	2014	Percent Change
Current and other assets	\$ 10,003,981	\$ 8,790,213	13.81 %
Capital assets	10,374,265	9,716,494	6.77
Total assets	20,378,246	18,506,707	10.11
Total deferred outflows of resources	664,271	60,000	1007.12
Current liabilities	325,155	362,686	(10.35)
Long-term liabilities outstanding	4,823,350	4,562,467	5.72
Total liabilities	5,148,505	4,925,153	4.53
Total Deferred inflows of resources	2,642,560	-	100.00
Net position:			
Net investment in capital assets	8,861,249	8,960,272	(1.11)
Unrestricted	4,390,203	4,681,282	(6.22)
Total net position	<u>\$ 13,251,452</u>	<u>\$ 13,641,554</u>	(2.86) %

The largest portion of the District's net position (67 percent) reflects its investment in capital assets (e.g. land, buildings, fire apparatus, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Assets consist mainly of cash and cash equivalents, property taxes receivable, PERS net pension asset, and prepaid items that are used to meet the District's ongoing obligations to its citizens. The District's largest liability (30 percent) is for the repayment of debt. GASB 45 reporting requirements for Other Post-Employment Benefits (OPEB) increased the District's liabilities by \$593,405. This liability is detailed on pages 43-46 of the Notes to Basic Financial Statements. Current liabilities of the District consist largely of accounts payable, salaries and benefits, and long term debt to be paid in the current year.

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

During the current fiscal year, the District's net position decreased by \$2,377,039 due largely in part to the recording of a PERS net pension liability as part of the District's implementation of GASB Statement 68. Total assets increased by \$1,871,539 from the prior year, and the recording of deferred outflows of resources in the amount of \$664,271 related to the amortization of a prior year advance refund of outstanding debt and PERS contributions made after the measurement date of June 30, 2014. Detailed information is provided on pages 36-43 of the Notes to Basic Financial Statements.



Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$2,377,039 from the prior fiscal year for an ending balance of \$13,251,452 or a decrease of 2.86 percent.

	Governmental Activities		
	2015	2014	Percent Change
Revenues			
Property taxes	\$ 11,618,842	\$ 12,103,232	(4.00) %
Earnings on investments	43,475	37,448	16.09
Grants and donations	263,311	750	35008.13
Gain on sale of assets	29,944	-	100.00
Miscellaneous	210,309	188,629	11.49
Total revenues	12,165,881	12,330,059	(1.33)
Expenses			
Fire protection	14,496,281	11,841,390	22.42
Interest on long-term debt	46,639	31,767	46.82
Total expenses	14,542,920	11,873,157	22.49
Change in net position	(2,377,039)	456,902	(620.25)
Net position - beginning of year	13,641,554	13,184,652	3.47
Restatement of beginning of year	1,986,937	-	100.00
Net position - July 1	15,628,491	13,184,652	18.54
Net position - June 30	\$ 13,251,452	\$ 13,641,554	(2.86) %

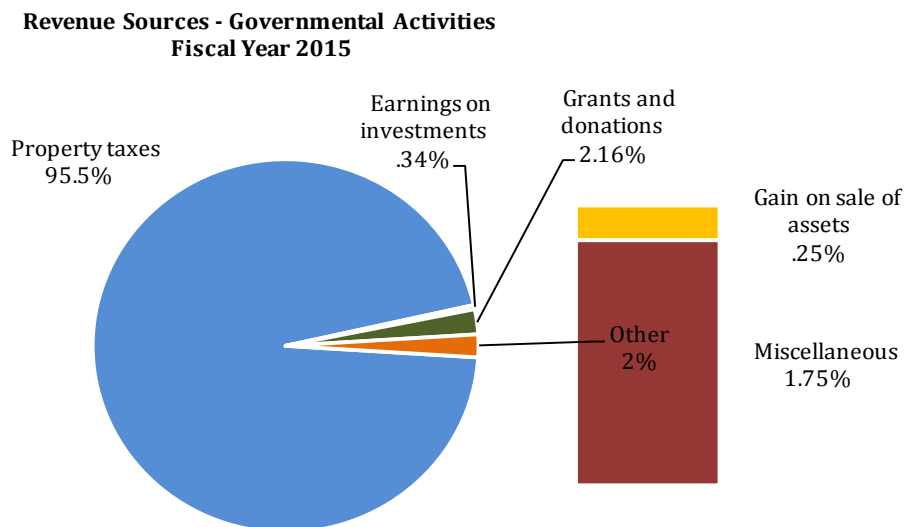
JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Key Elements of this decrease are as follows:

- As previously stated, the significant contributor to the decrease is the recognition of the District's proportionate share of the PERS net pension liability.
- Property taxes decreased by \$484,390 or four percent from the prior year, the result of revenue recognition of a one-time special property tax distribution of urban renewal funds in the prior year by the Jackson County Urban Renewal Agency.
- Interest on long-term debt increased by \$14,872 or 46.82 percent during the year, the timing result of scheduled payments after a debt refunding in the prior year and subsequent amortization of refunding charge.

Other factors that represented a positive position were:

- The District received a \$250,000 grant from the Oregon State Police and State Fire Marshal for the construction of a training fire simulation house. The proceeds will be expended in the 2015/16 fiscal year.
- Expenses for fire suppression increased 22.42 percent or \$2,662,263 from the prior fiscal year. Of this amount, \$2,632,353 consisted of the GASB 68 net pension expense. Other factors were increased labor and benefit costs and external contracts.



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

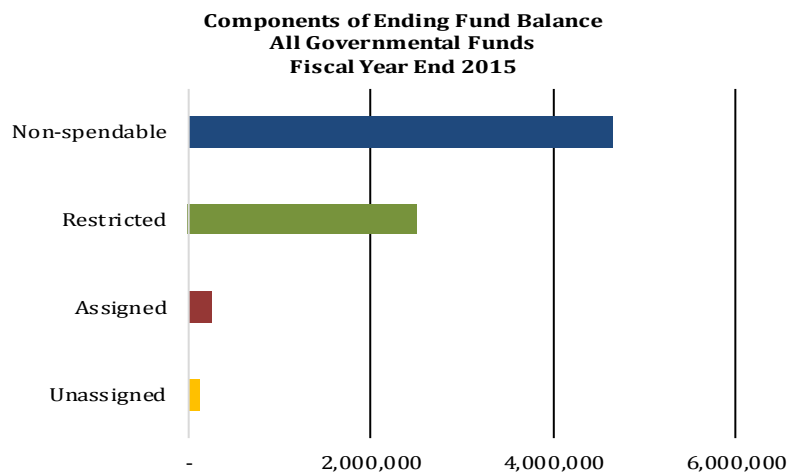
Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Directors.

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

At June 30, 2015, the District's governmental funds reported combined fund balances of \$7,549,372 an increase of \$942,347 in comparison with the prior year. Approximately 62 percent of this amount (\$4,661,875) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is considered nonspendable for prepaid expenses (\$131,845), restricted for a capital project from grant funds (\$250,000), and assigned for particular purposes (\$2,505,652).

The general fund is the chief operating fund of the District. At June 30, 2015 unassigned fund balance of the general fund was \$4,661,875 while total fund balance increased to \$4,793,720. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 43 percent of total general fund expenditures, while total fund balance represents approximately 44 percent of that same amount.

The fund balance of the District's general fund decreased by \$533,653 or ten percent during the current fiscal year. The key factor in this decrease was due to transferring over \$1 million to the capital projects fund.



The capital projects fund accounts for all capital outlay expenditures and experienced a \$1,476,000 increase in fund balance during the current fiscal year. Of this amount, \$250,000 was restricted for a capital project funded through a grant and \$2,505,652 was assigned to current and future capital expenditures. Budgeted expenditures made within the year consisted of medical equipment, technology, drainage for the fire training grounds, a battalion chief command vehicle, and the completion of equipping for service two structural fire engines.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there were needs for amendments to the original budget. The Board approved one revenue appropriation resolution in the amount of \$13,300 to account for a grant that provided incident command training. In addition, the Board approved two resolutions reallocating funds from contingency. Within the capital projects fund, \$22,000 was transferred to accommodate an increase in the cost of the battalion chief command vehicle, and within the general fund, \$26,000 was transferred to the operations department to accommodate the purchase of self-contained breathing masks rated for high temperature.

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Final budget compared to actual results. The most significant difference between estimated revenues and actual revenues was in current year property taxes, where \$10,965,000 was budgeted but actual revenue received was \$11,231,211. This increase of \$266,211 was the result of the District forecasting growth conservatively and thus budgeted revenue, however the economic improvement and the addition of new construction, provided the District with a higher total assessed valuation than expected.

A review of actual expenditures compared to the appropriations in the final budget yields one significant variance in personal services. Actual expenditures across personal services accounts for all departments was \$8,795,293 whereas the final budget reflected estimated expenditures to be \$9,202,400. This difference of \$407,107 was the result of deferring the hiring processes for three firefighter positions and the fire and life safety specialist position by several months. These positions however were fully staffed by fiscal year end. This, coupled with some other administrative staffing changes, resulted in reduced salary and benefits paid out.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for governmental activities as of June 30, 2015, was \$10,374,265, net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, fire apparatus, vehicles, and general fire suppression equipment. Investment of capital assets for the current fiscal year resulted in a four percent reduction or \$434,517, reflecting assets of \$1,354,489 added during the year, offset by \$696,718 of depreciation and \$30,788 of disposals, net of related depreciation. The work in progress from the prior year is now depreciated and reflected under fire apparatus and vehicles and consisted of two structural fire engines and the down payment on the battalion chief command vehicle.

	Governmental Activities		
	2015	2014	Percent Change
Land	\$ 2,901,276	\$ 2,901,276	0.00 %
Buildings and improvement	5,139,253	5,367,527	(4.25)
Fire apparatus and other vehicles	1,820,281	908,605	100.34
Equipment	513,455	539,086	(4.75)
Work in progress	-	1,092,288	(100.00)
Total capital assets	<u>\$ 10,374,265</u>	<u>\$ 10,808,782</u>	(4.02) %

Other major capital asset events during the current fiscal year consisted of the following:

- The purchase of vehicle extrication tools used in performing rescues for a total cost of \$16,399.
- The purchase of routers for all first-out fire engines that provide internet to operate mobile data computers for a total cost of \$33,601.
- The purchase of medical automatic external defibrillators for a total cost of \$18,056.
- The purchase of financial software upgrade for a total cost of \$34,479.
- The installation of a drain on the fire training grounds to capture toxic materials used in live fire training for a total cost of \$18,650.

Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 33 of this report.

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Long-Term Debt. As of June 30, 2015, the District had total debt outstanding of \$1,565,516. This entire amount is debt comprised of one bank financing agreement. The District's total debt decreased by \$342,994 or 17.97 percent during the current fiscal year.

	Governmental Activities		
	2015	2014	Percent Change
Bank financing agreements	\$ 1,565,516	\$ 1,908,510	(17.97) %
Total outstanding debt	\$ 1,565,516	\$ 1,908,510	(17.97) %

The State of Oregon mandates a debt limit of 1.25 percent of the real market value of assessed property. The current debt limitation for the District is \$59,681,253, which is significantly in excess of the District's outstanding debt. The District maintains an "Aaa" rating from Moody's Investors Service.

Additional information on the District's long-term debt can be found on pages 34 and 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors were considered in the development the 2015/16 fiscal year budget.

- The District is projecting that assessed valuations, the basis of how property tax revenues are calculated, will continue to be at or slightly above three percent. The housing market is making a comeback after the recession and real market values are increasing. Assessed values under Ballot Measure 50 are constitutionally allowed to increase three percent each year on existing property, however if real market values fall below the assessed value, the County Assessor calculates taxes on the lower of the two figures. The District will continue to be proactive and ensure that expenditures do not outpace revenue.
- Salaries and benefits for the majority of District employees are tied to a labor agreement with the International Association of Firefighters Local 1817. The District is in the second year of a three year agreement. During the term there will be no cost of living increases, however the District will continue to provide a monthly contribution into an HRA-VEBA account and an employer monthly contribution into a deferred compensation 401(a) account of one to four percent based on years of service. Commencing July 1, 2016 the HRA-VEBA contribution will increase \$128 per employee.
- The District will continue to plan for future rate increases into the Public Employees Retirement System (PERS), and thus, significant budgetary impact. Preliminary actuarial valuations depict that the District's employer rate could increase as much as 36 percent commencing at the next rate change on July 1, 2017. Pension costs and potential reform continues to be a sensitive issue statewide, and is always a concern, however the District will be proactive in budgeting and anticipating future rate impacts.

During the current fiscal year, the unassigned fund balance in the general fund was \$14,130,000. The District adopted a general fund budget of \$16,998,000 in which total estimated resources and expenditures balance. Of this amount, the District has appropriated \$13,004,500 for program spending, debt obligations, and capital funding.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Jackson County Fire District 3's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Finance Officer, Jackson County Fire District 3, 8333 Agate Road, White City, OR 97503.

BASIC FINANCIAL STATEMENTS

JACKSON COUNTY FIRE DISTRICT 3
Statement of Net Position and
Governmental Funds Balance Sheet
June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 4,868,557	\$ 2,755,652	\$ 7,624,209		\$ 7,624,209
Receivables, net	862,554		862,554		862,554
Prepaid items	131,845		131,845		131,845
PERS net pension asset				\$ 1,385,373	1,385,373
Capital assets not being depreciated:					
Land				2,901,276	2,901,276
Capital assets, net of accumulated depreciation				7,472,989	7,472,989
Total assets	5,862,956	2,755,652	8,618,608	11,759,638	20,378,246
DEFERRED OUTFLOWS OF RESOURCES					
Deferred refunding charge				52,500	52,500
Contributions after measurement date				611,771	611,771
Total deferred outflows of resources				664,271	664,271
Total assets and deferred outflows	<u>\$ 5,862,956</u>	<u>\$ 2,755,652</u>	<u>\$ 8,618,608</u>	<u>\$ 12,423,909</u>	<u>21,042,517</u>
LIABILITIES					
Accounts payable	\$ 27,637		\$ 27,637		27,637
Accrued salaries and benefits payable	278,777		278,777		278,777
Accrued interest payable				18,741	18,741
Accrued compensated absences					
Due within one year				558,124	558,124
Due in more than one year				186,041	186,041
Bonds and notes payable					
Due within one year				225,338	225,338
Due in more than one year				1,340,178	1,340,178
Other postemployment benefits					
Due in more than one year				2,513,669	2,513,669
Total liabilities	306,414	-	306,414	4,842,091	5,148,505
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	762,822	-	762,822	(762,822)	
Net pension changes (see notes)				2,642,560	2,642,560
Total deferred inflows of resources	762,822	-	762,822	1,879,738	2,642,560
FUND BALANCES					
Non-spendable	131,845		131,845	(131,845)	-
Restricted for capital project		\$ 250,000	250,000	(250,000)	
Assigned to capital projects		2,505,652	2,505,652	(2,505,652)	
Unassigned	4,661,875		4,661,875	(4,661,875)	-
Total fund balances	4,793,720	2,755,652	7,549,372	(7,549,372)	-
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,862,956</u>	<u>\$ 2,755,652</u>	<u>\$ 8,618,608</u>		
NET POSITION					
Net investment in capital assets				8,861,249	8,861,249
Unrestricted				4,390,203	4,390,203
Total Net Position				<u>\$ 13,251,452</u>	<u>\$ 13,251,452</u>

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

JACKSON COUNTY FIRE DISTRICT3
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances		\$ 7,549,372
The net pension asset is not an available resource and, therefore, is not reported as a resource in net position.		1,385,373
Pension contributions after the measurement date are recognized as a deferred outflow of resources.		611,771
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 2,901,276	
Other capital assets, net of accumulated depreciation	<u>7,472,989</u>	
Total capital assets		10,374,265
Deferred charges on refundings are not applicable to the District's governmental funds, but are recognized as a resource in net position. The deferred charge is depreciated over the life of the new debt issuance.		52,500
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.		762,822
The deferred pension investment is recognized as a deferred inflow and therefore, are not due and payable in the current period.		(2,642,560)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		
Due within one year	(558,124)	
Due after one year	(186,041)	
Accrued Interest	(18,741)	
Long-term debt		
Due within one year	(225,338)	
Due after one year	(1,340,178)	
Other postemployment benefits	<u>(2,513,669)</u>	
Total long-term liabilities		<u>(4,842,091)</u>
Net position of governmental activities		<u><u>\$ 13,251,452</u></u>

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

JACKSON COUNTY FIRE DISTRICT 3
Statement of Activities and
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ending June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Activities
REVENUES					
Property taxes	\$ 11,614,390		\$ 11,614,390	\$ 4,452	\$ 11,618,842
Earnings on investments	43,475		43,475		43,475
Contract receipts	130,656		130,656		130,656
Grants and donations	13,311	\$ 250,000	263,311		263,311
Gain on sale of capital assets				29,944	29,944
Miscellaneous	79,653		79,653		79,653
Total revenues	11,881,485	250,000	12,131,485	34,396	12,165,881
EXPENDITURES/EXPENSES					
Fire Protection					
Current					
Personnel services	8,795,293		8,795,293	3,236,230	12,031,523
Materials and services	1,768,040		1,768,040		1,768,040
Depreciation				696,718	696,718
Capital outlay		262,200	262,200	(262,200)	-
Debt service					
Principal	342,995		342,995	(342,995)	-
Interest	50,554		50,554	(3,915)	46,639
Total expenditures/expenses	10,956,882	262,200	11,219,082	3,323,838	14,542,920
Excess (deficiency) of revenues over expenditures	924,603	(12,200)	912,403		
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	15,544	14,400	29,944	(29,944)	
Interfund transfers (from) to	(1,473,800)	1,473,800	-		
Total other financing sources (uses)	(1,458,256)	1,488,200	29,944	(29,944)	-
Net change in fund balances	(533,653)	1,476,000	942,347	(942,347)	
Change in net position				(2,377,039)	(2,377,039)
FUND BALANCES/NET POSITION					
Beginning of year - July 1, 2014	5,327,373	1,279,652	6,607,025	7,034,529	13,641,554
Restatement of beginning of year				1,986,937	1,986,937
Beginning of year, as restated				9,021,466	15,628,491
End of year - June 30, 2015	<u>\$ 4,793,720</u>	<u>\$ 2,755,652</u>	<u>\$ 7,549,372</u>	<u>\$ 5,702,080</u>	<u>\$ 13,251,452</u>

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

JACKSON COUNTY FIRE DISTRICT 3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ending June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances		\$ 942,347
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		4,452
The Statement of Activities recognizes net pension expense in personnel services, however governmental funds do not recognize this as an expenditure.		(2,632,353)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 262,200	
Depreciation	(696,718)	
Total capital assets		(434,518)
In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		
Proceeds from the sale of assets	(29,944)	
Gain (loss) from sale of capital assets	29,944	0
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		342,995
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(10,472)	
Accrued interest on bonds	3,915	
Accrual of other postemployment benefits which are not reported as an expenditure in governmental funds	(593,405)	(599,962)
Change in net position of governmental activities		<u><u>\$ (2,377,039)</u></u>

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

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jackson County Fire District 3 (the District), a rural fire protection district in the State of Oregon, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting entity

Jackson County Fire District 3 was formed as a result of a special election held on July 21, 1952. The District operates under Oregon Revised Statutes Chapter 478 as a Rural Fire Protection District and provides fire protection and medical response within the northern part of Jackson County including the communities of White City, Agate Lake, Gold Hill, Sams Valley, Eagle Point, and Central Point.

The District is governed by a Board of Directors, consisting of five elected members for a period of four years. The Board of Directors has the statutory authority to adopt and modify the budget; levy taxes; control all assets; sign contracts, and authorizes borrowing or debt issuances. The responsibility and accountability over all funds and fiscal matters are vested in the Board of Directors. The District is responsible for its debts and is entitled to surpluses.

The Board of Directors appoints the Fire Chief to manage the day-to-day activities within the scope of the District. The Fire Chief is accountable to the Board of Directors for the activities being managed.

The District is the primary, special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the government-wide financial statements. The District's financial statements represent those of a stand-alone government, as there are no component units.

B. Government-wide and fund financial statements

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

The entity-wide statements and governmental fund statements have been combined as allowed for single-purpose governmental activities. The Statement of Net Position and the Governmental Funds Balance Sheet have been combined into a single presentation, with adjustments indicated to move from fund totals to the entity-wide totals. Similarly, the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance have also been combined.

In the government-wide financial statements, information is displayed about the reporting government as a whole. The primary focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. The District does not allocate indirect costs.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

The fund financial statements provide information about the District's funds and the financial transactions of the District are reported at the individual fund level. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

The District reports the following governmental funds:

- The *General Fund* is the District's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Principal sources of revenues are property taxes, charges for services, and earnings on investments. Primary expenditures are for personal services, materials and services, and debt service.
- The *Capital Projects Fund* accounts for the revenue and expenditures related to construction of new or existing District facilities and the acquisition of apparatus, vehicles, and large scale equipment. Principal sources of revenue are transfers from the General Fund, or at times loan proceeds and grant revenue. Interest earned in this fund is recorded in the General Fund.

Both funds are reported as separate columns in the fund financial statements. Although the Capital Projects Fund is considered a non-major fund because the expenditures in this fund typically do not constitute more than 10% of the expenditures of the total appropriated budget (except for fiscal years with capital construction), the District has elected to report it as a major fund because we believe it is important to financial statement users.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position.

The Statement of Activities demonstrates the degree to which the direct expense of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers who purchase, use, or directly benefit

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

The governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 31 days after the end of the current fiscal period. The exception to this is investment income, which is recognized when earned. Significant revenues that were measurable and available at June 30, 2015 were property taxes.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgetary information

1. Budgetary basis of accounting

The District budgets all funds in accordance with requirements under state law and on a basis consistent with generally accepted accounting principles. All funds are budgeted on the modified accrual basis of accounting.

The appropriated budget is prepared by fund, function, and department. The Board of Directors adopts the original budget by resolution prior to the beginning of the District's fiscal year (July 1 through June 30). The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, transfers out, and contingencies are the levels of control established by the resolution. The General Fund also defines those same appropriation levels by seven departmental levels. The District's department heads may request transfers of appropriations within their department or between other departments. Such transfers of appropriations however require support from the Fire Chief and then final approval by the Board of Directors via a resolution. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10 percent of the fund's original budget may be adopted by the Board of Directors at a regular Board meeting. A supplemental budget greater than 10 percent of the fund's original budget requires hearings before the public, publication of proposed change, and approval by the Board of Directors.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders). Encumbrance accounting is utilized to the extent necessary to

JACKSON COUNTY FIRE DISTRICT 3
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assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which are expected to be performed in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Budgetary information is provided in the Required Supplementary Information section under the Notes to the Budgetary Comparison Schedules.

2. *Excess of expenditures over appropriations*

For the year ended June 30, 2015 the District's expenditures did not exceed appropriations by department and by fund.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

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

2. *Investments*

Investments for the District are maintained in the Oregon Local Government Investment Pool (LGIP) and are carried at cost, which approximates fair value. Fair value of the investments in the LGIP is the same as the value of the pool shares. The LGIP operates in conformity with Oregon Revised Statute 293.726 and is subject to regulatory oversight by the Oregon State Treasurer. The LGIP is not required to be registered with the SEC.

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable government-wide financial statement. Capital assets are charged to expenditures as purchased in the governmental fund statements. Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at their 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 more 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.

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Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Land and construction in progress are not depreciated. Those assets that are subject to depreciation are calculated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Machinery and equipment	3-15
Vehicles and fire apparatus	7-10

Gains or losses from sales or retirements of capital assets are included in operations of the current period.

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, property taxes, that qualify for reporting in this category, which arises only under a modified accrual basis of accounting. Property taxes are reported as *unavailable revenue* only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that it becomes available.

6. *Net position flow assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. Restricted assets or resources are those subject to the constraints that are externally imposed by creditors, grantors, State laws and regulations, or imposed by law through constitutional provisions or enabling legislation. Such restricted assets are segregated on the government-wide statement of net position. In order to calculate the amounts to report as restricted, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to use restricted resources first (net position to have been depleted before unrestricted) then unrestricted resources as they are needed (net position is applied).

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7. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to spend restricted resources first when both restricted and unrestricted resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

8. Fund balance policies

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

The components of fund balance as defined by GASB Statement No. 54 are:

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (enabling legislation).
- Committed fund balance represents funds formally set aside by a governing body for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- 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.

The Board of Directors through resolution has authorized the Fire Chief and Chief Financial Officer to assign fund balance. In addition, to preserve a sound financial system, the Board has adopted a minimum ending fund balance policy to be a balance sufficient to meet four months of operating costs within the General Fund. This amount is intended to provide "dry-period financing" during the first four months of each fiscal year before the receipt of property taxes each November.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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F. Revenues and expenditures/expenses

1. *Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is billed to citizens who own taxable assessed property in October of each year with the first collection date as November 15th. Those who pay in full by this date are allowed to take a three percent discount. Those who elect to pay in installments are required to pay the remaining balance either on the second installment due date of February 15 to receive a one percent discount, or the remaining balance on the third installment due date of May 15. Those who pay by the later date receive no discount. Taxes unpaid and outstanding on May 16 are considered delinquent. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property and penalties and interest are assessed.

2. *Compensated absences*

Vacation

It is the District's policy to permit employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from District service. All vacation pay and compensatory time is accrued when incurred in the statement of net position and statement of activities. A liability for those amounts is reported in the governmental funds only if the liability has matured as a result of employee resignations and retirements. The liability for compensated absences includes salary related benefits, where applicable.

Sick Leave

Accumulated sick leave does not vest and is therefore recorded when leave is taken.

3. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as an expense.

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

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4. *Interfund transactions*

Interfund activity is reported as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

5. *Use of estimates*

The preparation of these general purpose financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

G. Pension obligations

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, the District's measurement of the net pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been determined based on information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS), and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Violations of legal or contractual provisions

The District did not have any legal or contractual violations in any of its funds as of June 30, 2015.

B. Deficit fund equity

The District did not have a deficit of fund equity in any of its funds as of June 30, 2015.

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III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

As of June 30, 2015, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 673
Deposits with financial institutions	57,475
Investments:	
State of Oregon Local Government Investment Pool	7,566,061
Total cash and cash equivalents	<u>\$ 7,624,209</u>

The District maintains a separate accountability by fund for cash, cash equivalents, and investment accounts. Deposits with financial institutions include bank demand deposits. The combined total book balance at June 30, 2015 was \$57,475 and the total bank balance was \$184,164. The District's demand deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). When deposits exceed the \$250,000 FDIC limit, they are secured in accordance with Oregon Revised Statutes 295 under Oregon Public Funds Collateralization Program. The remainder is collateralized with securities held by financial institutions acting as the agents of the District in the District's name.

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the Oregon statutes for custodial risk. Oregon Revised Statutes require the custodian bank to hold collateral pledged by the depository institutions. The Oregon State Treasurer (OST) provides the custodian the maximum liability for each bank. Banks will request security pledges, releases, and substitutions through OST's Public Funds Collateralization Program, who will approve such transactions and maintain an inventory of pledged securities and monitor that collateral is pledged at all times and that banks comply with ORS 295. A bank depository is required to pledge collateral valued at least 10% of their quarter-end fund deposits if they are well capitalized, 25% if they are adequately capitalized, or 110% if they are undercapitalized.

B. Investments

The Oregon Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Short-Term Fund Board and the Oregon Investment Council. Cost approximates the District's fair value in the LGIP.

The Oregon State Treasury Finance Division administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or had control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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As of June 30, 2015, the District had \$7,566,061 invested in the Local Government Investment Pool.

Interest rate risk. In accordance with its investment policy, the District manages its exposure to fair value loss from increasing interest rates to maturities of 12 months or less.

Credit risk. State statutes govern the District's investment policies. Permissible investments include bankers' acceptances, bank repurchase agreements, time deposits, general obligations of the United States Government and its agencies, obligations of the State of Oregon and the Oregon Local Government Investment Pool (LGIP).

The State of Oregon Local Government Investment Pool is unrated for credit quality and is not registered with the U.S. Securities and Exchange Commission as an investment company. The Pool investments are not categorized into credit risk since they are not evidenced by specific securities. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer and responsible for all funds in the Pool. Investments in the fund are further governed by portfolio guidelines which establish diversification percentages and specify the types and maturities. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2015 was unqualified.

Custodial credit risk-investments. The District's investments in the Local Government Investment Pool (LGIP) are not evidenced by securities that exist in physical or book entry form and thus are not subject to custodial credit risk disclosures.

C. Receivables

Receivables recorded for the District's governmental funds for the year ended June 30, 2015 were as follows:

	General Fund	Total Governmental Activities
Receivables:		
Property taxes	\$ 861,868	\$ 861,868
Other	686	686
Total Receivables	<u>\$ 862,554</u>	<u>\$ 862,554</u>

Governmental funds report deferred inflows of resources as unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Significant unavailable revenue in the governmental funds is for property taxes.

JACKSON COUNTY FIRE DISTRICT 3
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D. Capital assets

Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

Description	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,901,276	-	-	\$ 2,901,276
Work in progress	1,092,288	-	\$ (1,092,288)	-
Total non-depreciable assets	<u>3,993,564</u>	<u>-</u>	<u>(1,092,288)</u>	<u>2,901,276</u>
Capital assets, being depreciated:				
Buildings and improvements	8,944,467	\$ 29,773	-	8,974,240
Fire apparatus and other vehicles	4,451,822	1,188,665	(30,788)	5,609,699
Equipment	1,877,574	136,051	-	2,013,625
Total depreciable capital assets	<u>15,273,863</u>	<u>1,354,489</u>	<u>(30,788)</u>	<u>16,597,564</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,576,939)	(258,048)	-	(3,834,987)
Fire apparatus and other vehicles	(3,543,217)	(276,989)	30,788	(3,789,418)
Equipment	(1,338,489)	(161,681)	-	(1,500,170)
Total accumulated depreciation	<u>(8,458,645)</u>	<u>(696,718)</u>	<u>30,788</u>	<u>(9,124,575)</u>
Total capital assets, net of depreciation	<u>\$ 10,808,782</u>	<u>\$ 657,771</u>	<u>\$ (1,092,288)</u>	<u>\$ 10,374,265</u>

E. Compensated absences

Compensated absences activity for the year ended June 30, 2015, was as follows:

Government-wide	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Compensated absences	<u>\$ 733,693</u>	<u>\$ 450,574</u>	<u>\$ 440,102</u>	<u>\$ 744,165</u>	<u>\$ 558,124</u>

Due to the current financial resources focus of the governmental funds, only the portion of the accrued compensated absences related to current year retirements or resignations is recorded on the balance sheet. However, there was no pending amount as of June 30, 2015. The entire balance is reported on the government-wide Statement of Net Position. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

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Notes to Basic Financial Statements
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F. Interfund transfers

Interfund activity is reported as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. Interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In	Transfers Out
General Fund		\$ 1,473,800
Capital Projects Fund	\$ 1,473,800	
Total transfers	<u>\$ 1,473,800</u>	<u>\$ 1,473,800</u>

The transfer to the Capital Projects Fund was made to help offset the expenditures of budgeted apparatus and to provide funding for future identified capital expenditures and projects. No interfund receivables or payables resulted from the transfers presented above.

G. Long-term liabilities

The District had the following long-term liability for the fiscal year ended June 30, 2015:

- On November 4, 2013 the District refunded existing debt and acquired a full faith and credit note in the form of a single bank financing agreement through Wells Fargo Bank, National Association. The debt was for the repayment of constructing and furnishing a new administrative office building, land acquisition, and specialized equipment. The original amount of the new note was \$1,908,510. The interest rate on this note is 2.38% and is for an eight year term. Principal and interest payments are due January 1 and July 1 through July 1, 2021.

Advance Refunding

The District issued \$1,908,510 in a bank financing agreement with an interest rate of 2.38%. The proceeds were used to advance refund \$1,810,011 of outstanding 2005 and 2007 financing agreements which had interest rates ranging from 4.57 to 4.65%.

There were no premiums or discounts associated with the refunding. Underwriting fees and other issuance costs were \$38,500 resulting in net proceeds of \$1,870,010. A portion of the proceeds were used to satisfy existing debt (2005 note) immediately by escrow. Remaining funds were deposited into an irrevocable trust with an escrow agent to provide funds for the payoff of the 2007 note within 60 days. As a result, both notes are considered defeased and the liability for those notes have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$60,000. This amount is being netted against the new debt and amortized over the remaining live of the refunding debt. The District advance refunded the 2005 and 2007 notes to reduce its total debt service payments by six months and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$100,122.

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Legal debt margin

The District is subject to a debt limit of 1.25 percent of the real market value of all taxable property within its jurisdictional boundaries. At June 30, 2015 that amount was \$62,598,571. As of June 30, 2015 the District did not have any outstanding debt applicable to the limit.

Changes in long-term liabilities

Changes in the District's long-term liabilities for the year ended June 30, 2015 are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Bank Financing Agreement 2013 Issuance	\$ 1,908,510	-	\$ 342,994	\$ 1,565,516	\$ 225,338
Total	<u>\$ 1,908,510</u>	<u>-</u>	<u>\$ 342,994</u>	<u>\$ 1,565,516</u>	<u>\$ 225,338</u>

Principal and interest obligations for each of the next five years and five year increments after that are as follows:

	<u>Financing Agreement</u> <u>Issued 2013</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ended June 30,				
2016	\$ 225,338	\$ 36,430	\$ 225,338	\$ 36,430
2017	230,808	31,041	230,808	31,041
2018	236,456	25,349	236,456	25,349
2019	242,196	19,608	242,196	19,608
2020	248,063	13,729	248,063	13,729
2021-22	382,656	9,270	382,656	9,270
Total	<u>\$ 1,565,516</u>	<u>\$ 135,427</u>	<u>\$ 1,565,516</u>	<u>\$ 135,427</u>

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H. Pension Plan

General Information about the Pension Plan

Plan description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the system are established by the legislature pursuant to ORS Chapters 238 and 238A. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003.

OPERS issues a publicly available Comprehensive Annual Financial Report and actuarial valuations that can be obtained at <http://www.oregon.gov/pers/pages/section/financialreports/financials.aspx>, or by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, or by calling (503) 598-7377.

Benefits provided

1. ORS Chapter 238 Tier One/Tier Two Retirement Benefits

Pension benefits – The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or became an active member at age 50.

For general service employees in Tier One the retirement age is 58 and for Tier Two employees the retirement age is 60, or 30 years of service, whichever comes first. For police and fire employees in both Tier One and Two plans, the minimum retirement age is 55 or age 50 with 25 years of service. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

- The member was employed by a PERS employer at the time of death,
- The member died within 120 days after terminations of PERS-covered employment,

JACKSON COUNTY FIRE DISTRICT 3
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- The member died as a result of injury sustained while employed in a PERS-covered position, or
- The member was on an official leave of absence from a PERS-covered position at time of death.

Disability benefits – A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit changes after retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. ORS Chapter 238a OPSRP Retirement Benefits

Pension benefits – This portion of the defined benefit pension plan of OPERS provides benefits to member hired on or after August 29, 2003. Benefits under this portion of OPSRP provided a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

Police and fire members: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

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

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

Benefit changes after retirement – Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (IAP)

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

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

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

Recordkeeping – OPERS contracts with VOYA Financial to maintain IAP participant account records.

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$642,406. The rates in effect for the fiscal year ended June 30, 2015 were 13.15 percent of payroll for both Tier One/Tier Two general service and police and fire members, 4.50 percent of payroll for OPSRP pension program general service members, 7.23 percent for OPSRP pension program police and fire members, and six percent of payroll for the OPSRP individual account program.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the District reported an asset of \$1,385,373 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was .06111810 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense (income) of (\$1,271,735). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		2,673,209
Changes in proportion and differences between District contributions and proportionate share of contributions		(30,649)
District contributions subsequent to the measurement date	611,771	
Total	<u>\$ 611,771</u>	<u>\$ 2,642,560</u>

\$611,771 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(661,639)
2017		(661,639)
2018		(661,639)
2019		(661,639)
2020		3,996
Total	<u>\$</u>	<u>(2,642,560)</u>

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period. Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets

Actuarial Assumptions:

Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 sex-distinct, generational per scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: mortality rates are a percentage of the RP-2000 statistic combined disable mortality sex-distinct table.</p>

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown on the previous page are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bond	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Fund/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation – Mean		2.75%

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

Discount rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension (asset)/liability	\$ 2,933,719	\$ (1,385,373)	\$ (5,038,312)

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2015, the District's payable to OPERS for defined benefit contributions was \$23,761. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Changes in plan provisions subsequent to measurement date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional (Moro decision). Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a two percent increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS. The District's approximate proportionate share of each is as shown in the following table:

	Prior to Moro	After Moro	Increase/(decrease) in net pension (asset)/liability
Total pension liability	\$ 38,583,857	\$ 41,590,867	\$ 3,007,011
Fudiciary net position	39,971,237	39,971,237	
Net pension (asset)/liability	<u>\$ (1,387,381)</u>	<u>\$ 1,619,630</u>	<u>\$ 3,007,011</u>

I. Deferred compensation plan

The District offers employees a deferred compensation plan in accordance with Internal Revenue Code Section 457(g). The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. For non-represented employees, the District will contribute a matching four (4) percent, 2.5 percent, or one (1) percent depending on position and providing that the employee is contributing at least the equivalent, into an Internal Revenue Code Section 401(a) plan. The District's contribution for the year ending June 30, 2015 was \$35,078.

J. Other postemployment benefit (OPEB) obligations

Plan description. The District provides a single-employer retiree benefit healthcare plan that provides postemployment health benefits (medical, dental, and vision coverage) to eligible retirees and their spouses/dependents. The plan is considered to have an open amortization period in that it is recalculated at each actuarial valuation date. The level of benefits provided by the plan is the same as those afforded to active employees. As of June 30, 2015 there was 63 active employees and eight retirees included in the plan. In order for the retiree to be eligible to receive benefits they must retire and receive a pension from Oregon Public Employees Retirement System (PERS). Eligibility requirements for retirement under Oregon PERS are as follows: General Service Tier One or Tier Two employees - age 60 or any age with 30 years; Police and Fire Tier One or Tier Two employees - age 50 with 25 years or age 55; OPSRP General Service employees - age 65 or 58 with 30 years of service, and OPSRP Police and Fire – age 53 with 25 years of service or age 60.

The District's post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. Due to the effect of age, retiree claim costs are generally higher than claim costs for all members as a whole. The difference between retiree claims cost and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The benefit duration covers all retirees and eligible dependents until Medicare eligibility, typically age 65.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding policy. The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance, therefore no funds within the general fund have been used to liquidate other postemployment benefit obligations. As of June 30, 2015, the District's retiree age adjusted plan contributions made were \$88,323.

Annual OPEB cost and Net OPEB obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 702,709
Interest on net OPEB obligation	48,006
Adjustment to annual required contribution	<u>(68,987)</u>
Annual OPEB cost (expense)	681,728
Age adjusted contributions made	<u>(88,323)</u>
Increase in net OPEB obligation	593,405
Net OPEB obligation - beginning of year	<u>1,920,264</u>
Net OPEB obligation - end of year	<u><u>\$ 2,513,669</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/15	\$ 681,728	\$ 88,323	13.0%	\$ 2,513,669

The District's annual OPEB costs for the three preceding fiscal years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14	\$ 674,102	\$ 110,993	16.5%	\$ 1,920,264
06/30/13	\$ 666,796	\$ 99,188	14.9%	\$ 1,357,155
06/30/12	\$ 343,881	\$ 81,747	23.8%	\$ 789,547

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The District performs an Alternative Measurement Method (AMM) valuation every three years. No funding progress was available prior to the fiscal year ending June 30, 2010.

Actuarial Valuation Date	Actuarial Accrued Liability-- Simplified Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
06/30/13	\$ 5,495,642	\$ -	\$ 5,495,642	0%	\$ 5,905,950	93.05%
06/30/10	\$ 2,594,006	\$ -	\$ 2,594,006	0%	\$ 5,403,729	48.00%

Funding Status and Funding Progress. As of June 30, 2013, the actuarial accrued liability for benefits was \$5,495,642, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,905,950 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 93 percent.

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

The actuarial cost method used to determine the annual required contribution (ARC) for this plan was the Entry Age Normal (EAN) method. Under this method, the District utilized the Level Percentage of Payroll, which calculates amortization payments as a constant percentage of projected payrolls over a given number of years. This method generally results in level inflation adjusted payments over time. The actuarial assumptions included a discount rate of 2.5 percent and a 50 percent assumption of participants who elect medical coverage at retirement.

The following other simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

Mortality – Life expectancies were based on the most recent mortality tables from the National Center for Health Statistics.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Getzen model promulgated by the Society of Actuaries. A rate of eight (8) percent initially, decreased to an ultimate rate of 4.70 percent after ten years, was used.

Healthcare insurance premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll growth rate – The expected long-term payroll growth rate was assumed to be two (2) percent, based on the District's historical trend.

K. Risk management

The District is exposed to various risk of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the District, through its General Fund, purchases workers' compensation and commercial liability insurance.

During the current year, there were no significant reductions of insurance coverage from the prior year in any major category of coverage. In addition, insurance settlements have not exceeded insurance coverage during any of the past three fiscal years. The District had one liability insurance claim for the year ended June 30, 2015, with a claims total of \$7,368. The claim involved damage sustained to a fire apparatus by a volunteer member while responding to an alarm.

The District had six workers' compensation claims for the year ended June 30, 2015, with a total of all claims paid out at \$12,731.

L. 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 local government and those for public schools. The limitation, known as Measure 5 and passed by Oregon voters in 1990, specifies a maximum rate for all local government operations of \$10.00 per \$1,000 of real market value and for school operations \$5.00 per \$1,000 of real market value.

In May 1997 voters approved Measure 50 which created an assessed valuation for each property that property tax calculations have now since been based on. The base threshold was determined by rolling back the real market value of a property in 1997 to 90 percent of the real market value for the 1995-96 tax year and limited future increases of the new taxable assessed value to three (3) percent per year, except for major improvements. Measure 50 also has a stipulation that if the real market value on a property falls below the assessed value, then the property taxes calculated and charged to the property owner is the lower of the two.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

The County Assessor is required to keep both the real market value, for Measure 5 computations, and the assessed value, for Measure 50 computations, of each property within the County. The County Assessor does a computation based on that property's real market value and then compares that to the total tax imposed by all taxing districts in that category to determine the amount of tax allowed under the Measure 5 limit. Under Measure 50, taxes are levied on the assessed value of the property. If a property has a real market value and an assessed value that are close together, and there are several taxing district imposing rates, then the Assessor must compress the rates down proportionally to keep under the \$10.00 limit as required for under Measure 5.

At June 30, 2015 the total local government tax rates within the District did not exceed the \$10.00 rate limit after the Assessors calculation, however this limitation could affect the availability of future tax revenues for the District.

M. Fund balance

Minimum fund balance policy. The District Board of Directors has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at 24 percent of the budgeted year's property tax revenue. This amount is intended to provide for four (4) months of general fund operating expenditures until property taxes are received in November, thus eliminating the need for short-term borrowing. The District does not have a policy that will allow it to fall below this minimum threshold.

N. Related party transactions

A related party is an entity that can control or significantly influence the management or operating policies of another entity to the extent one of the entities may be prevented from pursuing its own interests. A related party may be any party the entity deals with that can exercise control. Examples of related parties include (a) affiliates, (b) investments accounted for under the equity method, (c) trusts for the benefit of employees (for example, pension or profit sharing trusts), and (d) principal owners and members of management and their immediate families.

There was no material related party transactions during the fiscal year ended June 30, 2015.

O. Commitments and contingencies

The District has adopted the reimbursement method of contributions to the Oregon State Employment Department in lieu of unemployment contributions at a set rate of payroll. Under this method, the District reimburses directly to the Oregon Unemployment Fund the actual amount of regular benefits paid to former District employees. The District did not have any unemployment claims and therefore, was not required to make any reimbursements to the State Employment Department for the fiscal year ended June 30, 2015.

The District has agreements with student firefighters to reside in manufactured housing at two rural fire stations. The students are under a college tuition program in exchange for emergency response. In addition, two District volunteers have agreements for their personal mobile homes to be located at two of the District's rural fire stations in exchange for emergency response.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

The District's Board of Directors ratified a new three year labor agreement on May 28, 2014 with the Rogue Valley Professional Firefighters (RVPFF) Local 1817 covering the employment of the District's firefighters. The contract is for the period July 1, 2014 to June 30, 2017. The contract represents a zero percent wage increase for the entire term of the agreement. The District will contribute to a Health Reimbursement Arrangement Plan (HRA-VEBA) of \$2,305 annually for all employees. Commencing July 1, 2015 the District will contribute into an IRS Section 401(a) plan based on member's years of service, so long as the member is also contributing into a 457(g) plan. The District provides 98 percent of health and dental insurance premiums and the employee contributes two percent. Commencing July 1, 2016 the employee will start contributing four percent and the District 96 percent.

On July 16, 2015 the District approved an emergency communications contract with Emergency Communications of Southern Oregon (ECSO) covering the year ending June 30, 2016. The amount of the contract is \$367,267 which requires quarterly payments of \$91,817.

On June 18, 2015 the District renewed a financial services contract with Jackson County Fire District No. 4 (JCFD4) covering the year ending June 30, 2016. The District provides accounting, budgeting, and financial reporting services for JCFD4 for an annual fee of \$23,300.

The District is in the second year of an Intergovernmental Agreement with Jackson County Fire District No. 4 to provide management and chief officer response services for the period July 1, 2014 through June 30, 2017. The District provides all aspects of fire chief services and personnel management, as well as provide for an on-duty battalion chief response to significant emergency situations, for an annual fee of \$111,300. The contract increases three percent each fiscal year.

The District entered into a five year lease agreement on a color copier in October 2013 for the Administration Building. The lease payments are \$155 per month. The lease is set to expire in October 2018. The District owns outright all other copiers located at the fire stations.

P. Grants and donations

The District received grant proceeds in the amount of \$13,312 from the Oregon Department of Public Safety and Training (DPSSST) to facilitate an Incident Commander for All Hazards training. The grant was a reimbursement grant after actual expenditures.

The District received a grant in the amount of \$250,000 from the Oregon State Police and State Fire Marshal's Office (OSP-SFM) in June 2015 for the construction of fire simulation house to be used as a regional fire training prop. The District has until June 30, 2017 to complete the project. Any excess funds are to be returned to the OSP-SFM.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2015

Q. Change in accounting principle / restatement of beginning net position

Based in implementation of GASB Statement No. 68 and 71, the District is now required to record its relative share of pension related amounts in its statement of net position and statement of activities. This statement includes the definitions of balances to be included in deferred inflows and deferred outflows of resources. Those definitions include the following:

Net pension (asset)/liability – Previous standards defined pension liabilities in terms of the annual required contribution. GASB Statement 68 defines the net pension asset or liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Deferred inflows and deferred outflows of resources related to pensions – GASB Statement 68 includes recognition of deferred inflows and deferred outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

The District's net pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS) and are now reflected in the District's statement of net position and statement of activities for fiscal year ended June 30, 2015. This new guidance required the restatement of the prior year net position.

Accordingly, in accordance with the requirements of GASB Statement 68, below are the restated balances of net position as of July 1, 2014:

Net position as of July 1, 2014 as previously reported	13,641,554
Restatement of prior period net position for the net effect of implementing GASB 68:	
Net pension (liability)/asset as of June 30, 2014	1,385,373
Contributions during measurement period through June 30, 2014	<u>601,564</u>
Total restatement	1,986,937
Net position as of July 1, 2014, as restated	15,628,491

R. Subsequent events

The District has evaluated subsequent events through December 17, 2015. December 17, 2015 is the same date as the accountant's report which is based upon the completion of the Management's Discussion and Analysis section of the financial statements. The report was available to be issued on December 17, 2015 after the completion of the Management's Discussion and Analysis section.

REQUIRED SUPPLEMENTARY INFORMATION

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JACKSON COUNTY FIRE DISTRICT 3
Schedule of the District's Proportionate Share of the Net Pension (Asset)/Liability
 Last Ten Fiscal Years
 Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2006 ¹					
2007 ¹					
2008 ¹					
2009 ¹					
2010 ¹					
2011 ¹					
2012 ¹					
2013 ¹					
2014 ¹					
2015 ²	0.0611181	\$ (1,385,373)	\$ 6,298,572	(22.00) %	103.6 %

¹ Data not available. Ten-year trend information required by GASB Statement 68 will be presented prospectively.

² Actuarial information provided by the actuary for OPERS.

JACKSON COUNTY FIRE DISTRICT 3
Schedule of the District's Pension Plan Contributions
 Last Ten Fiscal Years
 Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency/(Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2006 ¹					
2007 ¹					
2008 ¹					
2009 ¹					
2010 ¹					
2011 ¹					
2012 ¹					
2013 ¹					
2014 ¹					
2015 ²	\$ 611,771	\$ 642,406	\$ 30,635	\$ 6,298,572	10.20 %

¹ Data not available. Ten-year trend information required by GASB Statement 68 will be presented prospectively.

² Actuarial information provided by the actuary for OPERS.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Required Supplementary Information
Oregon Public Employee Retirement Pension Plan (OPERS)

Changes in Plan Provisions Subsequent to Measurement Date

Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA on benefits. The Oregon Supreme Court on April 30, 2015, overturned certain elements of the law as they were deemed unconstitutional. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a two percent increase annually. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

Pursuant to GASB Statements 67 and 68, the total pension asset or liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. Due to the change in benefit terms as described above subsequent to the measurement date of June 30, 2014, the effect of the decision will not be included in the net pension liability (asset) proportionate shares provided to employers as of June 2015. It is estimated that this change will increase the District's net pension liability by \$3 million.

Changes in Assumptions

Below is a summary of key changes implemented with the December 31, 2012 valuation which was used in the pension amounts reported for fiscal year ended June 30, 2015. Additional detail and a comprehensive list of changes in methods and assumptions can be found at:

<http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>.

Changes in Actuarial Methods and Allocation Procedures

Actuarial Cost Method

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

Tier One/Tier Two UAL Amortization

In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier One/Tier Two UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method

The "grade-in-range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%.

Allocation of Liability for Service Segments

For purposes of allocating Tier One/Tier Two members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the money match methodology and the full formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2011 valuation, the money match was weighted 40 percent for general service members and ten percent for police and fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for general service members and five percent for police and fire members, based on a projection of the proportion of liability attributable to money match benefits at those valuation dates.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Required Supplementary Information
Oregon Public Employee Retirement Pension Plan (OPERS)

Changes in Economic Assumptions

Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to the variable account balances was 8.25%.

OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation

The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Mortality

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. General-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions

Merit Increases, Unused Sick Leave, and Vacation Pay

Assumed merit increases were lowered for some members. Unused sick leave and vacation pay rates were adjusted.

Retiree Healthcare Participation

The RHIA participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
District property taxes				
Current year's levy	\$ 10,965,000	\$ 10,965,000	\$ 11,231,211	\$ 266,211
Prior years' levy	465,000	465,000	383,179	(81,821)
Total taxes	11,430,000	11,430,000	11,614,390	184,390
Other receipts				
Earnings on investments	50,000	50,000	43,475	(6,525)
Contract receipts	130,600	130,600	130,656	56
Grants	100	13,400	13,311	(89)
Miscellaneous	31,100	31,100	79,653	48,553
Total other receipts	211,800	225,100	267,095	41,995
Total revenues	11,641,800	11,655,100	11,881,485	226,385
EXPENDITURES				
Current				
Fire Protection				
Personnel services	9,202,400	9,202,400	8,795,293	407,107
Materials and services	2,002,600	2,041,900	1,768,040	273,860
Debt service	393,600	393,600	393,549	51
Total expenditures	11,598,600	11,637,900	10,956,882	681,018
Excess (deficiency) of revenues over (under) expenditures	43,200	17,200	924,603	907,403
OTHER FINANCING SOURCES (USES)				
Operating contingency	(1,075,000)	(1,049,000)	-	1,049,000
Loan proceeds	100	100	-	(100)
Proceeds from sale of equipment	12,500	12,500	15,544	3,044
Transfer to Capital Projects Fund	(1,473,800)	(1,473,800)	(1,473,800)	-
Total other financing sources (uses)	(2,536,200)	(2,510,200)	(1,458,256)	1,051,944
Net change in fund balance	(2,493,000)	(2,493,000)	(533,653)	1,959,347
FUND BALANCES				
Beginning of year - July 1, 2014	5,233,000	5,233,000	5,327,373	94,373
End of year - June 30, 2015	<u>\$ 2,740,000</u>	<u>\$ 2,740,000</u>	<u>\$ 4,793,720</u>	<u>\$ 2,053,720</u>

JACKSON COUNTY FIRE DISTRICT 3
Notes to Budgetary Comparison Schedules
For the Fiscal Year Ending June 30, 2015

I. BUDGETARY INFORMATION

The District budgets all funds consistent with Oregon Revised Statutes 294; Local Budget Law and generally accepted accounting principles. The District is required to budget all funds. The District's budget is prepared for each fund on the modified accrual basis of accounting consistent with generally accepted accounting principles.

Each April, the budget officer (appointed by the Board of Directors) submits a proposed budget to the Budget Committee (consisting of the Board of Directors and an equal number of citizens of the District). For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and object classification. 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 District Board for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by the Board without returning to the Budget Committee for a second approval.

The Board of Directors adopts the budget by resolution prior to the beginning of the District's fiscal year of July 1 through June 30. After the Board adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year. The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The levels of budgetary control established by the resolution in the General Fund are at the department level, in which amounts are allocated for each object classification (i.e., personnel services, materials and services, and capital outlay). Appropriations lapse at the end of the fiscal year.

The District 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, publication in newspapers and approval by the District Board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted and for debt service on new debt issues during the budget year. Management may transfer budget amounts between individual line items within the object classification, but cannot make changes to the object groups themselves, which is the legal level of control.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Budgetary Comparison Schedules
For the Fiscal Year Ending June 30, 2015

The District had three budgetary changes during the fiscal year ended June 30, 2015. The following represent those changes:

<u>Transfer Resolutions</u>	Original Budget	<u>Increase</u>	<u>Decrease</u>	Revised Budget
Resolution No. 14-10				
<u>Capital Projects Fund</u>				
Apparatus and Vehicles	\$ 75,000	\$ 22,000		\$ 97,000
Capital Contingency	79,900		\$ 22,000	57,900
Resolution No. 15-02				
<u>General Fund</u>				
Operations Department				
Safety Equipment	16,500	26,000		42,500
Operating Contingency	1,025,000		26,000	999,000
Total Budget Reallocation		\$ 48,000	\$ 48,000	

<u>Revenue Appropriation Resolutions</u>	Original Budget	<u>Increase</u>	Revised Budget
Resolution No. 15-05			
<u>General Fund</u>			
REVENUE			
Grants; Local, State, Federal	\$ 100	\$ 13,300	\$ 13,400
EXPENDITURES			
Training Department			
Contractual Services	15,000	13,300	28,300



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SUPPLEMENTARY INFORMATION

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JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
ADMINISTRATION AND FINANCE				
Personnel Services				
Fire Chief	\$ 140,000	\$ 140,000	\$ 136,931	\$ 3,069
Administrative Assistant	54,000	54,000	60,905	(6,905)
Finance Assistant	54,000	54,000	63,445	(9,445)
Chief Finance Officer	116,000	116,000	114,631	1,369
Part Time Employees	12,100	12,100	11,142	958
Overtime	10,000	10,000	1,994	8,006
Education Incentive	10,600	10,600	10,688	(88)
Longevity Pay	3,600	3,600	2,854	746
Car Allowance	9,000	9,000	9,113	(113)
Retirement (PERS)	43,600	43,600	40,553	3,047
Unemployment Insurance	500	500	524	(24)
ER Deferred Comp Contribution	11,200	11,200	10,946	254
Health and Life Insurance	58,400	58,400	52,480	5,920
HRA-VEBA Contribution	11,400	11,400	14,047	(2,647)
Payroll Taxes - FICA/Medicare	31,600	31,600	28,648	2,952
Worker's Comp Insurance	4,700	4,700	3,727	973
Total Personnel Services	570,700	570,700	562,628	8,072
Materials and Services				
Physicals and Vaccinations	700	700	565	135
Uniforms	300	300	324	(24)
Printing	2,500	2,500	1,968	532
Supplies	53,500	53,500	45,654	7,846
Contractual/Professional Services	69,000	69,000	49,782	19,218
Property/Casualty Insurance	69,000	69,000	72,292	(3,292)
Mileage Reimbursements	2,000	2,000	794	1,206
Membership Dues	6,000	6,000	5,644	356
Books/Subscriptions	1,000	1,000	1,886	(886)
Advertising	6,500	6,500	2,748	3,752
Postage & Shipping	3,000	3,000	3,432	(432)
Interest - Bank loan	100	100	-	100
Total Materials and Services	213,600	213,600	185,089	28,511
Total Administration and Finance	\$ 784,300	\$ 784,300	\$ 747,717	\$ 36,583

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
OPERATIONS				
Personnel Services				
Fire Captains	\$ 1,150,000	\$ 1,150,000	\$ 1,132,591	\$ 17,409
Fire Engineers	1,010,000	1,010,000	1,007,628	2,372
Firefighters	1,415,000	1,415,000	1,397,386	17,614
Deputy Chief of Operations	120,000	120,000	75,529	44,471
Battalion Chiefs	318,000	318,000	244,594	73,406
Rural Communities Chief	115,000	115,000	86,664	28,336
Staff Assistant	46,000	46,000	36,706	9,294
Part Time; Ops Prg Asst	100	100	-	100
Overtime	512,000	512,000	592,375	(80,375)
Out of Classification Pay	40,000	40,000	72,899	(32,899)
Education Incentive	100,000	100,000	93,524	6,476
EMS Incentive	205,000	205,000	194,092	10,908
Longevity Pay	53,000	53,000	49,951	3,049
Holiday Pay	106,000	106,000	92,230	13,770
Duty Accrual Payout	5,000	5,000	2,196	2,804
Retirement (PERS)	577,000	577,000	525,748	51,252
ER Deferred Comp Contribution	22,300	22,300	11,046	11,254
Health and Life Insurance	880,000	880,000	803,764	76,236
HRA-VEBA Contribution	182,600	182,600	175,592	7,008
Payroll Taxes - FICA/Medicare	406,000	406,000	366,761	39,239
Worker's Comp Insurance	137,000	137,000	118,668	18,332
Total Personnel Services	<u>7,400,000</u>	<u>7,400,000</u>	<u>7,079,944</u>	<u>320,056</u>
Materials and Services				
Physicals and Vaccinations	14,000	14,000	24,664	(10,664)
Uniforms	23,700	23,700	11,304	12,396
Janitorial and Laundry	18,000	18,000	21,245	(3,245)
Supplies	46,600	46,600	44,413	2,187
Fire Suppression Equipment	174,700	200,700	158,069	42,631
M&R - Equipment/Appliances	25,700	25,700	29,800	(4,100)
Contractual/Professional Services	387,200	387,200	393,831	(6,631)
Membership Dues	1,000	1,000	360	640
Books/Subscriptions	1,800	1,800	1,134	666
Utilities; WC Station	30,000	30,000	24,995	5,005
Utilities; CP Station	21,000	21,000	17,976	3,024
Utilities; DB Station	8,000	8,000	4,124	3,876
Utilities; SV Station	9,000	9,000	5,267	3,733
Utilities; GH Station	12,000	12,000	9,674	2,326
Utilities; AL Station	8,000	8,000	3,969	4,031
Utilities; EP Station	16,500	16,500	14,774	1,726
Utilities; TR Station	500	500	366	134
Utilities; Training Center	12,000	12,000	9,610	2,390
Utilities; Admin Bldg	36,000	36,000	33,633	2,367
Total Materials and Services	<u>845,700</u>	<u>871,700</u>	<u>809,208</u>	<u>62,492</u>
Total Operations	<u>\$ 8,245,700</u>	<u>\$ 8,271,700</u>	<u>\$ 7,889,152</u>	<u>\$ 382,548</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FIRE AND LIFE SAFETY				
Personnel Services				
Fire Marshal	\$ 119,000	\$ 119,000	\$ 116,956	\$ 2,044
Deputy Fire Marshals	189,000	189,000	186,011	2,989
Fire and Life Safety Specialist	31,000	31,000	15,803	15,197
Staff Assistant	45,000	45,000	44,187	813
Overtime	15,000	15,000	11,396	3,604
Education/EMS Incentive	26,500	26,500	26,704	(204)
Longevity Pay	1,200	1,200	1,322	(122)
Fire Investigator On Call Pay	15,000	15,000	13,421	1,579
Duty Accrual Payout	5,700	5,700	7,838	(2,138)
Retirement (PERS)	53,000	53,000	50,502	2,498
ER Deferred Comp Contribution	5,100	5,100	4,440	660
Health and Life Insurance	85,800	85,800	77,993	7,807
HRA-VEBA Contribution	15,200	15,200	15,619	(419)
Payroll Taxes - FICA/Medicare	34,000	34,000	31,081	2,919
Worker's Comp Insurance	12,000	12,000	8,515	3,485
Total Personnel Services	<u>652,500</u>	<u>652,500</u>	<u>611,788</u>	<u>40,712</u>
Materials and Services				
Physicals and Vaccinations	1,500	1,500	1,474	26
Uniforms	1,500	1,500	1,493	7
Printing	1,000	1,000	-	1,000
Supplies	15,700	15,700	13,422	2,278
Contractual/Professional Services	35,000	35,000	37,565	(2,565)
Membership Dues	2,500	2,500	1,782	718
Books/Subscriptions	2,500	2,500	1,879	621
Advertising	2,500	2,500	3,201	(701)
Total Materials and Services	<u>62,200</u>	<u>62,200</u>	<u>60,816</u>	<u>1,384</u>
Total Fire and Life Safety	<u>\$ 714,700</u>	<u>\$ 714,700</u>	<u>\$ 672,604</u>	<u>\$ 42,096</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
TRAINING				
Personnel Services				
Division Chief Training & Safety	\$ 116,000	\$ 116,000	\$ 114,851	\$ 1,149
Staff Assistant	44,000	44,000	40,063	3,937
Overtime	76,000	76,000	71,836	4,164
Education/EMS Incentive	10,100	10,100	9,884	216
Duty Accrual Payout	5,700	5,700	2,635	3,065
Retirement (PERS)	22,000	22,000	17,358	4,642
ER Deferred Comp Contribution	5,000	5,000	4,631	369
Health and Life Insurance	38,500	38,500	24,669	13,831
HRA-VEBA Contribution	7,600	7,600	8,402	(802)
Payroll Taxes - FICA/Medicare	19,500	19,500	16,738	2,762
Worker's Comp Insurance	5,900	5,900	4,406	1,494
Total Personnel Services	350,300	350,300	315,473	34,827
Materials and Services				
Physicals and Vaccinations	300	300	514	(214)
Uniforms	300	300	480	(180)
Supplies	18,000	18,000	17,804	196
Health and Wellness	17,000	17,000	9,325	7,675
Contractual/Professional Services	15,000	28,300	20,975	7,325
Membership Dues	500	500	440	60
Books/Subscriptions	12,000	12,000	8,639	3,361
Training/Conferences; ADM	26,000	26,000	33,636	(7,636)
Training/Conferences; BOD	2,500	2,500	869	1,631
Training/Conferences; OPS	20,000	20,000	18,972	1,028
Training/Conferences; FLS	8,000	8,000	8,221	(221)
Training/Conferences; MAINT	1,500	1,500	-	1,500
Training/Conferences; VOL'S	3,000	3,000	992	2,008
Training/Conferences; TECH	2,000	2,000	460	1,540
Entrance/Promotional Exams	5,000	5,000	9,136	(4,136)
Total Materials and Services	131,100	144,400	130,463	13,937
Total Training	\$ 481,400	\$ 494,700	\$ 445,936	\$ 48,764

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
MAINTENANCE				
Personnel Services				
Facilities/Logistics Manager	\$ 69,000	\$ 69,000	\$ 68,456	\$ 544
Longevity Pay	900	900	843	57
Retirement (PERS)	3,100	3,100	2,994	106
ER Deferred Comp Contribution	1,700	1,700	1,680	20
Health and Life Insurance	13,500	13,500	13,483	17
HRA-VEBA Contribution	3,800	3,800	3,777	23
Payroll Taxes - FICA/Medicare	5,500	5,500	5,282	218
Worker's Comp Insurance	2,000	2,000	1,537	463
Total Personnel Services	99,500	99,500	98,052	1,448
Materials and Services				
Uniforms	300	300	209	91
Supplies	6,000	6,000	7,141	(1,141)
Facility Furnishings & Appliances	27,500	27,500	14,690	12,810
Fuel and Lubricants	95,000	95,000	73,413	21,587
M&R - Vehicles	197,000	197,000	166,852	30,148
M&R - Bldgs and Grounds - WC	12,700	12,700	15,468	(2,768)
M&R - Bldgs and Grounds - CP	12,400	12,400	14,903	(2,503)
M&R - Bldgs and Grounds - DB	9,200	9,200	6,009	3,191
M&R - Bldgs and Grounds - SV	7,100	7,100	10,099	(2,999)
M&R - Bldgs and Grounds - GH	7,700	7,700	8,439	(739)
M&R - Bldgs and Grounds - AL	7,100	7,100	8,583	(1,483)
M&R - Bldgs and Grounds - EP	18,100	18,100	19,330	(1,230)
M&R - Bldgs and Grounds - TR	500	500	40	460
M&R - Bldgs and Grounds - TC	6,000	6,000	5,838	162
M&R - Bldgs and Grounds - ADM	27,200	27,200	14,255	12,945
M&R - Bldgs and Grounds - SHOP	11,300	11,300	9,231	2,069
M&R - Shop Equipment	1,500	1,500	5,322	(3,822)
M&R - Appliances	1,000	1,000	1,379	(379)
Contractual/Professional Services	7,000	7,000	4,540	2,460
Membership and Certifications	200	200	-	200
Subscriptions	1,700	1,700	-	1,700
Total Materials and Services	456,500	456,500	385,741	70,759
Total Maintenance	\$ 556,000	\$ 556,000	\$ 483,793	\$ 72,207

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
VOLUNTEER				
Materials and Services				
Physicals and Vaccinations	\$ 4,000	\$ 4,000	\$ 1,697	\$ 2,303
Uniforms	18,400	18,400	12,120	6,280
Personal Protective Equipmnet	4,200	4,200	2,262	1,938
Workers' Compensation Insurance	3,400	3,400	2,757	643
Supplies	2,500	2,500	304	2,196
Contractual/Professional Services	1,000	1,000	1,207	(207)
Student Firefighter Program	80,000	80,000	27,357	52,643
LOSAP Contribution	18,000	18,000	15,700	2,300
Membership Dues	300	300	312	(12)
Books/Subscriptions	10,000	10,000	7,618	2,382
School Donations	1,000	1,000	1,000	-
Total Materials and Services	<u>142,800</u>	<u>142,800</u>	<u>72,334</u>	<u>70,466</u>
Total Volunteer	<u>\$ 142,800</u>	<u>\$ 142,800</u>	<u>\$ 72,334</u>	<u>\$ 70,466</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
TECHNOLOGY				
Personnel Services				
Info Tech Administrator	\$ 94,200	\$ 94,200	\$ 93,355	\$ 845
Education Incentive	3,300	3,300	3,198	102
Retirement (PERS)	5,800	5,800	5,251	549
ER Deferred Comp Contribution	2,400	2,400	2,335	65
Health and Life Insurance	11,000	11,000	10,961	39
HRA-VEBA Contribution	3,800	3,800	3,970	(170)
Payroll Taxes - FICA/Medicare	8,400	8,400	8,032	368
Worker's Comp Insurance	500	500	306	194
Total Personnel Services	129,400	129,400	127,408	1,992
Materials and Services				
Supplies; Computers and Tech	36,000	36,000	31,179	4,821
Supplies; Communication Devices	19,000	19,000	13,287	5,713
Tech Support/Subscriptions	32,700	32,700	31,991	709
M&R; Office and Tech Equip	8,000	8,000	6,188	1,812
M&R; Communication Devices	3,000	3,000	4,304	(1,304)
Contractual/Professional Services	25,000	25,000	13,457	11,543
Communication Services	27,000	27,000	23,983	3,017
Total Materials and Services	150,700	150,700	124,389	26,311
Total Technology	\$ 280,100	\$ 280,100	\$ 251,797	\$ 28,303

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
DEBT SERVICE				
Principal	\$ 343,000	\$ 343,000	\$ 342,995	\$ 5
Interest	50,600	50,600	50,554	46
Total Debt Service	393,600	393,600	393,549	51
 TOTAL EXPENDITURES	 \$ 11,598,600	 \$ 11,637,900	 \$ 10,956,882	 \$ 681,018

JACKSON COUNTY FIRE DISTRICT 3
Capital Projects Fund
Budgetary Comparison Schedule
For the Fiscal Year Ending June 30, 2015

	Budget Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Grants	\$ 100	\$ 100	-	\$ (100)
Donations	100,000	100,000	\$ 250,000	150,000
Total revenues	<u>100,100</u>	<u>100,100</u>	<u>250,000</u>	<u>149,900</u>
EXPENDITURES				
Capital Outlay				
Department Equipment	170,000	170,000	136,050	33,950
Apparatus and Vehicles	75,000	97,000	96,377	623
Land and Improvements	100	100	-	100
Building Const and Improvements	567,000	567,000	29,773	537,227
Total expenditures	<u>812,100</u>	<u>834,100</u>	<u>262,200</u>	<u>571,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(712,000)</u>	<u>(734,000)</u>	<u>(12,200)</u>	<u>(422,000)</u>
OTHER FINANCING SOURCES (USES)				
Operating contingency	79,900	57,900	-	(57,900)
Loan proceeds	100	100	-	(100)
Proceeds from sale of capital assets	500	500	14,400	13,900
Transfer from General Fund	1,473,800	1,473,800	1,473,800	-
Total other financing sources (uses)	<u>1,554,300</u>	<u>1,532,300</u>	<u>1,488,200</u>	<u>(44,100)</u>
Net change in fund balances	842,300	798,300	1,476,000	(466,100)
FUND BALANCES				
Beginning of year - July 1, 2014	<u>1,280,000</u>	<u>1,280,000</u>	<u>1,279,652</u>	<u>(348)</u>
End of year - June 30, 2015	<u>\$ 2,122,300</u>	<u>\$ 2,078,300</u>	<u>\$ 2,755,652</u>	<u>\$ (466,448)</u>

JACKSON COUNTY FIRE DISTRICT 3
Schedule of Property Tax Transactions
June 30, 2015

Fiscal Years	Property Taxes Receivable at July 1, 2014	Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest	Add/ (Deduct) Adjustments	Deduct Collections	Property Taxes Receivable at June 30, 2015
14-15		\$ 11,909,282	\$ (300,409)	\$ 2,597	\$ 92,876	\$ 11,292,333	\$ 412,013
13-14	\$ 437,298			9,459	(76,133)	178,682	191,942
12-13	204,868			9,456	(13,485)	76,765	124,074
11-12	129,787			9,606	(12,970)	48,042	78,381
10-11	59,623			6,934	(19,782)	30,914	15,861
09-10	17,327			1,233	(3,207)	4,515	10,838
08-09	9,845			823	(597)	2,460	7,611
Prior	<u>21,133</u>			<u>1,332</u>	<u>1,827</u>	<u>3,144</u>	<u>21,148</u>
Totals	<u>\$ 879,881</u>	11,909,282	<u>\$ (300,409)</u>	<u>\$ 41,440</u>	<u>\$ (31,471)</u>	11,636,855	<u>\$ 861,868</u>
	Less discounts	(300,409)			Less received July 2014	(121,511)	
	Plus interest	41,440			Plus received July 2015	99,046	
	Less adjustments	<u>(31,471)</u>					
Total Government-wide property tax revenue		<u>\$ 11,618,842</u>			Total governmental fund property tax revenue	<u>\$ 11,614,390</u>	

STATISTICAL SECTION

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JACKSON COUNTY FIRE DISTRICT 3

June 30, 2015

STATISTICAL SECTION

This part of Jackson County Fire District 3's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and other supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	68-71
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	72-75
<i>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</i>	
Debt Capacity	76-78
<i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	79-80
<i>These schedules offer demographic and economic indicators to help the reader understand how the information in the District's financial report relates to the services the District provides.</i>	
Operating Information	81-83
<i>These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	

JACKSON COUNTY FIRE DISTRICT 3
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 6,479,007	\$ 6,451,071	\$ 6,237,552	\$ 6,893,349	\$ 8,240,191	\$ 8,018,212	\$ 8,560,980	\$ 8,125,512	\$ 8,960,272	\$ 8,861,249
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>3,151,882</u>	<u>3,729,594</u>	<u>4,256,643</u>	<u>3,698,866</u>	<u>3,348,473</u>	<u>4,705,805</u>	<u>4,971,429</u>	<u>5,059,140</u>	<u>6,668,219</u>	<u>4,390,203</u>
Total governmental activities net position	<u>\$ 9,630,889</u>	<u>\$ 10,180,665</u>	<u>\$ 10,494,195</u>	<u>\$ 10,592,215</u>	<u>\$ 11,588,664</u>	<u>\$ 12,724,017</u>	<u>\$ 13,532,409</u>	<u>\$ 13,184,652</u>	<u>\$ 15,628,491</u>	<u>\$ 13,251,452</u>

JACKSON COUNTY FIRE DISTRICT 3
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
Fire protection	\$ 6,641,592	\$ 7,458,501	\$ 7,983,870	\$ 8,300,319	\$ 9,135,542	\$ 9,139,313	\$ 9,884,973	\$ 10,459,191	\$ 11,201,021	\$ 13,799,563
Interest on long-term debt	80,476	72,800	133,956	145,330	131,211	116,841	101,642	89,860	31,767	46,639
Depreciation	584,267	557,830	571,222	640,987	648,128	678,676	644,331	649,242	640,369	696,718
Total Expenses	<u>7,306,335</u>	<u>8,089,131</u>	<u>8,689,048</u>	<u>9,086,636</u>	<u>9,914,881</u>	<u>9,934,830</u>	<u>10,630,946</u>	<u>11,198,293</u>	<u>11,873,157</u>	<u>14,542,920</u>
Program Revenues										
Governmental Activities:										
Operating grants and contributions	4,150	261,404	195,207	1,592	4,696	1,800	213,625	18,943	750	13,311
Capital grants and contributions	-	-	-	-	-	-	-	-	-	250,000
Total Program Revenues	<u>4,150</u>	<u>261,404</u>	<u>195,207</u>	<u>1,592</u>	<u>4,696</u>	<u>1,800</u>	<u>213,625</u>	<u>18,943</u>	<u>750</u>	<u>263,311</u>
Net (Expense)/Revenue										
Governmental Activities										
Total Net Expense	<u>(7,302,185)</u>	<u>(7,827,727)</u>	<u>(8,493,841)</u>	<u>(9,085,044)</u>	<u>(9,910,185)</u>	<u>(9,933,030)</u>	<u>(10,417,321)</u>	<u>(11,179,350)</u>	<u>(11,872,407)</u>	<u>(14,279,609)</u>
General Revenues										
Governmental Activities:										
Property taxes	7,446,474	8,117,873	8,517,764	9,022,101	10,779,357	10,969,367	11,111,760	10,731,151	12,103,232	11,618,842
Investment earnings	149,426	218,212	253,129	92,210	35,014	29,484	33,878	43,134	37,448	43,475
Gain(loss) on sale of capital assets	9,412	-	-	-	38,123	-	204	1,250	-	29,944
Contract receipts	16,308	17,400	18,000	18,600	19,600	20,500	21,000	21,500	52,000	130,656
Miscellaneous	35,822	24,017	18,478	50,153	34,540	49,032	58,871	34,558	136,629	79,653
Total General Revenues	<u>7,657,442</u>	<u>8,377,502</u>	<u>8,807,371</u>	<u>9,183,064</u>	<u>10,906,634</u>	<u>11,068,383</u>	<u>11,225,713</u>	<u>10,831,593</u>	<u>12,329,309</u>	<u>11,902,570</u>
Change in Net Position										
Governmental Activities										
Total Change in Net Position	<u>\$ 355,257</u>	<u>\$ 549,775</u>	<u>\$ 313,530</u>	<u>\$ 98,020</u>	<u>\$ 996,449</u>	<u>\$ 1,135,353</u>	<u>\$ 808,392</u>	<u>\$ (347,757)</u>	<u>\$ 456,902</u>	<u>\$ (2,377,039)</u>

JACKSON COUNTY FIRE DISTRICT 3
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Nonspendable	\$ 99,888	\$ 103,754	\$ 110,445	\$ 115,181	\$ 116,579	\$ 126,478	\$ 126,921	\$ 136,371	\$ 125,407	\$ 131,845
Unassigned	2,534,912	2,599,728	2,414,720	2,754,040	2,968,146	4,203,728	4,557,076	3,710,314	5,201,966	4,661,875
Total general fund	<u>\$ 2,634,800</u>	<u>\$ 2,703,482</u>	<u>\$ 2,525,165</u>	<u>\$ 2,869,221</u>	<u>\$ 3,084,725</u>	<u>\$ 4,330,206</u>	<u>\$ 4,683,997</u>	<u>\$ 3,846,685</u>	<u>\$ 5,327,373</u>	<u>\$ 4,793,720</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 622	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	250,000
Assigned	637,390	1,133,733	1,797,119	906,636	549,009	878,961	937,259	2,488,826	1,279,652	2,505,652
Total all other governmental funds	<u>\$ 637,390</u>	<u>\$ 1,133,733</u>	<u>\$ 1,797,119</u>	<u>\$ 906,636</u>	<u>\$ 549,009</u>	<u>\$ 879,583</u>	<u>\$ 937,259</u>	<u>\$ 2,488,826</u>	<u>\$ 1,279,652</u>	<u>\$ 2,755,652</u>

JACKSON COUNTY FIRE DISTRICT 3
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Property taxes	\$ 7,574,642	\$ 7,987,801	\$ 8,443,491	\$ 8,890,330	\$ 10,663,907	\$ 10,855,422	\$ 11,132,544	\$ 10,816,180	\$ 12,113,147	\$ 11,614,390
Investment earnings	149,426	218,212	253,129	92,210	35,014	29,484	33,878	43,134	37,448	43,475
Contracts	16,308	17,400	18,000	18,600	19,600	20,500	21,000	21,500	52,000	130,656
Grants	4,150	261,404	195,207	1,592	4,696	1,800	213,625	18,943	750	263,311
Miscellaneous	35,822	24,017	18,478	50,153	34,540	49,032	58,871	34,558	136,629	79,653
Total revenues	<u>7,780,348</u>	<u>8,508,834</u>	<u>8,928,305</u>	<u>9,052,885</u>	<u>10,757,757</u>	<u>10,956,238</u>	<u>11,459,918</u>	<u>10,934,315</u>	<u>12,339,974</u>	<u>12,131,485</u>
EXPENDITURES										
Current:										
Fire Protection	6,618,362	7,337,292	7,992,510	8,151,740	8,805,231	8,800,124	9,751,752	9,913,965	10,548,910	10,563,333
Capital Outlay	464,422	319,656	2,096,340	991,483	1,676,692	120,049	842,758	44,133	1,448,234	262,200
Debt Service										
Principal	215,611	210,237	273,221	305,301	318,278	336,648	350,430	169,641	76,046	342,995
Interest	77,233	76,623	92,166	150,788	137,802	123,984	109,182	93,571	43,681	50,554
Total Expenditures	<u>7,375,628</u>	<u>7,943,808</u>	<u>10,454,237</u>	<u>9,599,312</u>	<u>10,938,003</u>	<u>9,380,805</u>	<u>11,054,122</u>	<u>10,221,310</u>	<u>12,116,871</u>	<u>11,219,082</u>
Excess (Deficiency) of Revenues over Expenditures	404,720	565,026	(1,525,932)	(546,427)	(180,246)	1,575,433	405,796	713,005	223,103	912,403
OTHER FINANCING SOURCES (USES)										
Loan Proceeds	-	-	2,011,000	-	-	-	-	-	-	-
Proceeds from sale of equipment	16,212	-	-	-	38,123	-	6,293	1,250	9,911	29,944
Refunding bond issuance costs	-	-	-	-	-	-	-	-	38,500	-
Transfers in	325,000	575,000	510,000	86,900	1,300,000	450,000	750,000	1,595,700	230,600	1,473,800
Transfers out	(325,000)	(575,000)	(510,000)	(86,900)	(1,300,000)	(450,000)	(750,000)	(1,595,700)	(230,600)	(1,473,800)
Total Other Financing Sources (Uses)	<u>16,212</u>	<u>-</u>	<u>2,011,000</u>	<u>-</u>	<u>38,123</u>	<u>-</u>	<u>6,293</u>	<u>1,250</u>	<u>48,411</u>	<u>29,944</u>
Net change in fund balances	<u>\$ 420,932</u>	<u>\$ 565,026</u>	<u>\$ 485,068</u>	<u>\$ (546,427)</u>	<u>\$ (142,123)</u>	<u>\$ 1,575,433</u>	<u>\$ 412,089</u>	<u>\$ 714,255</u>	<u>\$ 271,514</u>	<u>\$ 942,347</u>
Debt service as a percentage of noncapital expenditures	4.24%	3.76%	4.37%	5.30%	4.92%	4.97%	4.50%	2.59%	1.12%	3.59%

JACKSON COUNTY FIRE DISTRICT 3
MARKET AND ASSESSED VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year Ended	Real Property		Personal Property		Public Utilities		Total		Total Assessed to Total Market Value	Total Direct Tax Rate
	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value		
2006	\$ 4,146,362,194	\$ 2,589,085,472	\$ 145,935,660	\$ 134,989,270	\$ 135,257,660	\$ 91,700,660	\$ 4,427,555,514	\$ 2,815,775,402	63.60%	3.12
2007	5,338,318,029	2,829,030,193	179,037,000	162,555,260	134,039,190	97,136,000	5,651,394,219	3,088,721,453	54.65%	3.12
2008	5,882,845,258	3,045,501,666	178,251,090	161,085,960	120,209,521	98,734,200	6,181,305,869	3,305,321,826	53.47%	3.12
2009	5,753,668,938	3,218,533,538	190,122,330	175,341,216	125,794,821	110,368,120	6,069,586,089	3,504,242,874	57.73%	3.12
2010	5,115,061,253	3,322,246,134	176,646,820	148,783,971	130,665,897	125,579,810	5,422,373,970	3,596,609,915	66.33%	3.12
2011	4,681,327,241	3,345,461,980	156,822,110	157,677,325	111,067,738	136,249,680	4,949,217,089	3,639,388,985	73.53%	3.12
2012	3,830,202,573	3,334,321,558	147,327,070	141,942,558	124,595,950	120,804,600	4,102,125,593	3,597,068,716	87.69%	3.12
2013	3,796,232,112	3,321,757,204	134,697,590	130,178,016	112,588,855	110,005,050	4,043,518,557	3,561,940,270	88.09%	3.12
2014	4,359,147,204	3,621,045,946	149,353,550	144,171,709	121,862,697	119,645,585	4,630,363,451	3,884,863,240	83.90%	3.12
2015	4,720,519,001	3,780,916,755	156,818,690	152,727,683	130,547,978	124,804,400	5,007,885,669	4,058,448,838	81.04%	3.12

Source: Jackson County Assessment Department.

Notes: Decline in real market values between 2010 and 2013 was due to the economic recession and declining real estate values.
 Tax rates are per \$1,000 of assessed value.

JACKSON COUNTY FIRE DISTRICT 3
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years
 (Rate per \$1,000 of Assessed Value)

Jackson County Fire District 3

Overlapping Government Tax Rates

Direct Tax Rate															Total Direct & Overlapping
Derived from Property Tax															
Fiscal Year End	General Fund	Jackson County	School District 6	School District 9	Rogue Community College	Education Service District	City of Central Pt	City of Eagle Pt	City of Gold Hill	R.V. Transport	White City Law Enforce	Soil & Water	Library District		
2006	\$ 3.12	\$ 2.01	\$ 4.41	\$ 4.72	\$ 0.51	\$ 0.35	\$ 4.47	\$ 2.46	\$ 1.68	\$ 0.18	\$ 2.02	-	-	\$	25.93
2007	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.02	-	-		25.93
2008	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.02	0.05	-		25.98
2009	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.02	0.05	-		25.98
2010	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.02	0.05	-		25.98
2011	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.02	0.05	-		25.98
2012	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.49	0.05	-		26.44
2013	3.12	2.01	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.42	0.05	-		26.37
2014	3.12	2.06	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.42	0.05	0.52		26.94
2015	3.12	2.00	4.41	4.72	0.51	0.35	4.47	2.46	1.68	0.18	2.37	0.05	0.52		26.84

Source: Jackson County Assessment Department.

Notes: The District's permanent direct tax rate of \$3.12 (along with the permanent rates of other taxing entities) may be increased only by majority vote of the District's residents. Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all of the District's property owners.

JACKSON COUNTY FIRE DISTRICT 3
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	Rank	2015		Rank	2006	
			Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation		Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation
Boise Cascade Wood Products	Wood Manufacturer	1	\$ 64,727,820	1.62 %	2	\$ 62,330,530	2.34 %
Carestream Health Inc	Medical Mfg Plant	2	58,261,020	1.46			
Amy's Kitchen	Organic Food Mfg	3	47,155,160	1.18	6	25,046,000	0.94
Pacific Corp	Electric Utilities	4	46,335,000	1.16	5	26,162,000	0.98
Avista Corp	Natural Gas Utilities	5	23,689,000	0.59	8	14,248,900	0.53
Linde LLC	Industrial Gases	6	22,482,080	0.56			
Plycem Usa Inc	Construction Material	7	18,504,630	0.46			
Table Rock Group LLC	Limited Liability	8	18,171,560	0.45			
CenturyLink	Telephone	9	15,465,000	0.39			
Biomass One, Ltd	Industrial Mill	10	14,832,000	0.37	4	27,591,600	1.03
Eastman Kodak Company	Film Mfg Plant		-	-	1	122,092,700	4.57
BOC Group	Industrial Gases		-	-	6	19,004,520	0.71
Georgia-Pacific Resins	Industrial Wood Mill		-	-	10	8,412,720	0.32
United Tel Northwest	Telephone		-	-	7	14,047,100	0.53
Certainteed Corp	Wood Siding Plant		-	-	3	41,222,320	1.54
Erickson Air Crane Inc	Tranportation		-	-	9	9,173,050	0.34
Total			<u>\$329,623,270</u>	<u>8.24 %</u>		<u>\$369,331,440</u>	<u>13.84 %</u>

Source: Jackson County Assessment Department.

JACKSON COUNTY FIRE DISTRICT 3
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied by Assessor</u>	<u>Current Tax Collections</u>	<u>Current Tax Collections as Percent of Current Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes as Percent of Current Levy</u>
2006	\$ 7,694,418	\$ 7,219,884	93.83 %	330,709	\$ 7,550,593	98.13 %	385,778	5.01 %
2007	8,364,597	7,671,071	91.71	261,581	7,932,652	94.84	570,998	6.83
2008	8,792,558	8,112,598	92.27	381,977	8,494,575	96.61	594,187	6.76
2009	9,291,810	8,545,870	91.97	343,252	8,889,122	95.67	727,166	7.83
2010	11,157,420	10,200,135	91.42	414,255	10,614,390	95.13	892,133	8.00
2011	11,254,507	10,379,903	92.23	504,410	10,884,313	96.71	977,187	8.68
2012	11,412,597	10,550,044	92.44	571,623	11,121,667	97.45	967,281	8.48
2013	11,112,431	10,386,202	93.46	453,829	10,840,031	97.55	858,401	7.72
2014	11,424,300	10,674,658	93.44	547,547	11,222,205	98.23	879,881	7.70
2015	11,909,282	11,292,333	94.82	344,522	11,636,855	97.71	861,868	7.24

Source: Jackson County Treasurer's Office and Jackson County Fire District 3 Finance Department.

JACKSON COUNTY FIRE DISTRICT 3
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Debt	Debt as a Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Financing Agreements				
2006	\$ -	\$ 1,040,000	\$ 798,811	\$	1,838,811	0.000278	9.37
2007	-	885,000	736,534		1,621,534	0.000236	8.14
2008	-	720,000	2,646,354		3,366,354	0.000474	16.73
2009	-	550,000	2,511,053		3,061,053	0.000458	15.13
2010	-	375,000	2,367,775		2,742,775	0.000402	13.48
2011	-	190,000	2,216,127		2,406,127	0.000338	11.75
2012	-	-	2,055,698		2,055,698	0.000278	9.96
2013	-	-	1,886,057		1,886,057	0.000252	9.06
2014	-	-	1,908,510		1,908,510	0.000241	9.08
2015	-	-	1,565,516		1,565,516	0.000191	7.38

Source: Bureau of Economic Analysis and Jackson County Fire District 3 Finance Department.

Notes: Details regarding the District's debt can be found in the notes to the financial statements.

(a) See page 79, Demographic and Economic Statistics, for personal income and population data. These ratios are calculated using estimated personal income and population from the prior calendar year.

JACKSON COUNTY FIRE DISTRICT 3
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2015

Taxing Jurisdiction	Debt Outstanding	Estimated Percentage Applicable (a)	District's Estimated Share of Direct and Overlapping Debt
City of Eagle Point	\$ 840,598	100.000%	\$ 840,598
City of Central Point	7,951,409	100.000%	7,951,409
City of Gold Hill	393,772	100.000%	393,772
Jackson County School District #6	14,467,255	89.790%	12,990,148
Jackson County School District #9	17,375,000	66.020%	11,470,975
Jackson County	18,468,154	20.830%	3,846,916
Jackson County Housing Authority	3,434,474	20.830%	715,401
Rogue Community College	17,790,000	14.880%	2,647,152
Jackson County School District 549C	<u>191,940,000</u>	6.270%	<u>12,034,638</u>
Subtotal, overlapping debt			52,891,010
Fire District 3 direct debt			<u>1,565,516</u>
Total direct and overlapping debt			<u>\$ 54,456,526</u>

Source: Oregon Municipal Debt Department of the Oregon State Treasurer.

Notes: Overlapping taxing jurisdictions are those that coincide, at least in part, with the geographic boundaries of the District.

(a) The percentage of overlapping debt applicable is estimated using real market property values. Applicable percentages were estimated by determining the portion of the overlapping taxing jurisdictions real market value that is within the District's boundaries and dividing it by their total real market value.

JACKSON COUNTY FIRE DISTRICT 3
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year Ending 2015

Real market value	\$ 5,007,885,669
Debt limit (.0125 of RMV)	62,598,571
Debt applicable to limit:	
Certificates of Participation	-
Less: Amount set aside for current repayment	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 62,598,571</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$46,722,262	\$58,177,530	\$82,341,506	\$79,752,251	\$70,823,131	\$67,779,050	\$52,495,541	\$54,182,873	\$59,681,253	\$62,598,571
Total net debt applicable to limit	1,040,000	885,000	720,000	550,000	375,000	190,000	-	-	-	-
Legal debt margin	<u>\$45,682,262</u>	<u>\$57,292,530</u>	<u>\$81,621,506</u>	<u>\$79,202,251</u>	<u>\$70,448,131</u>	<u>\$67,589,050</u>	<u>\$52,495,541</u>	<u>\$54,182,873</u>	<u>\$59,681,253</u>	<u>\$62,598,571</u>
Total net debt applicable to the limit as a percentage of debt limit	2.23%	1.52%	0.87%	0.69%	0.53%	0.28%	0.00%	0.00%	0.00%	0.00%

Source: Real market value information from the Jackson County Assessment Department. All other information obtained from District financial statements.

Note: Oregon revised statute 478 limits fire protection districts to a debt limit of 1.25% of real market value of all taxable property with the District's boundaries. Debt issued through financing agreements are not required to be used in the calculation.

JACKSON COUNTY FIRE DISTRICT 3
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Calendar Years

Calendar Year	Jackson County Population (a)	Total Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2005	192,054	\$ 6,072,400	\$ 31,287	8,884	5.8%
2006	195,719	6,619,201	33,743	8,958	5.6%
2007	198,978	6,859,383	34,443	9,070	6.1%
2008	201,538	7,095,393	35,272	8,973	10.2%
2009	202,807	6,690,586	33,072	8,819	13.5%
2010	203,421	6,819,499	33,524	8,729	11.6%
2011	204,754	7,117,888	34,763	8,638	10.7%
2012	206,363	7,382,454	35,774	8,523	10.8%
2013	208,091	7,481,426	35,953	8,366	9.7%
2014	210,287	7,914,576	37,637	8,440	8.5%

Sources: Personal income and per capita personal income information provided by the Bureau of Economic Analysis. Population information provided by the U.S. Census Bureau. School enrollment provided by the Oregon State Department of Education. Unemployment data provided by the Oregon Employment Department.

Notes: Population, personal income, per capita income, and unemployment data is for entire Jackson County. School enrollment is based on the census of the two school district's within the Fire District at the start of the school year.

JACKSON COUNTY FIRE DISTRICT 3
PRINCIPAL INDUSTRIES
Current Year and Nine Years Ago

Industry	2014			2005		
	Employment	Rank	Percentage of Total District Employment	Employment	Rank	Percentage of Total District Employment
Trade, Transportation, and Utilities	18,190	1	303.17 %	19,620	1	338.28 %
Educational & Health Services	14,010	2	233.50 %	11,460	4	197.59 %
Health Care & Social Assistance	13,250	3	220.83 %	10,870	5	187.41 %
Retail Trade	12,820	4	213.67 %	14,380	2	247.93 %
Federal, State, Local Government	11,720	5	195.33 %	11,870	3	204.66 %
Leisure & Hospitality	9,880	6	164.67 %	9,110	6	157.07 %
Manufacturing	7,370	7	122.83 %	7,380	8	127.24 %
Professional & Business Services	6,930	8	115.50 %	7,480	7	128.97 %
Financial Activities	3,700	9	61.67 %	4,480	10	77.24 %
Construction	3,300	10	55.00 %	5,370	9	92.59 %
TOTAL	101,170		1686.17 %	102,020		1758.97 %

Sources: Oregon Employment Department - Quality Informational Statistics.

Note: Information on the number of employees at specific businesses within the District's boundaries is not tracked by Jackson County or the Employment Department.

JACKSON COUNTY FIRE DISTRICT 3
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY PROGRAM
 Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Program</u>										
Administration/Finance	8	8	8	8	8	4	4	4	4	4
Emergency Operations	44	44	44	43	43	44	48	48	48	50
Fire and Life Safety	3	4	4	4	3	4	4	4	4	5
Training	1	1	1	1	1	2	2	2	2	2
Maintenance	2	2	2	3	2	2	2	1	1	1
Volunteer	0	0	0	1	1	1	0	0	0	0
Technology	0	0	0	0	0	1	1	1	1	1
Total	<u>58</u>	<u>59</u>	<u>59</u>	<u>60</u>	<u>58</u>	<u>58</u>	<u>61</u>	<u>60</u>	<u>60</u>	<u>63</u>

Source: Jackson County Fire District 3 Finance Department.

JACKSON COUNTY FIRE DISTRICT 3
OPERATING INDICATORS BY PROGRAM
 Last Nine Fiscal Years

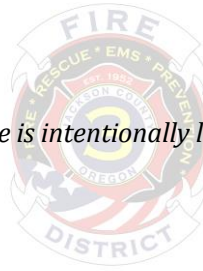
	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Program</u>										
Emergency Operations										
Number of fire incidents	188	217	187	189	268	192	184	189	237	225
Number of medical incidents	3,290	3,391	3,603	3,665	3,792	3,578	3,829	3,641	4,350	4,128
Number of all incidents	4,612	4,754	5,044	5,001	5,215	5,074	5,451	5,735	6,517	6,713
<i>(also includes fire and medical above)</i>										
Fire and Life Safety										
Number of building inspections	872	925	942	250	518	468	485	829	1,052	1,210
Number of plan reviews and consultations	425	390	250	29	27	46	20	133	260	262
Number of fire investigations	146	188	189	15	32	26	163	192	322	297
Training										
Training hours for personnel	12,941	14,745	14,651	12,837	14,526	13,190	11,372	11,985	16,000	12,355

Source: Various Jackson County Fire District 3 Departments.

JACKSON COUNTY FIRE DISTRICT 3
CAPITAL ASSET STATISTICS BY PROGRAM
 Last Nine Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Program</u>										
Emergency Operations										
Fire Engines	12	12	13	13	11	11	10	10	11	13
Wildland Engine	10	11	11	12	10	10	10	10	9	9
Water Tenders	5	5	5	5	5	5	7	7	5	5
Rescue Equipment	4	4	5	5	3	3	2	2	2	2
Command Staff/Support Vehicles	14	13	12	13	15	17	19	17	18	18
Maintenance										
Number of District facilities maintained	8	8	8	8	8	8	8	8	8	8

Source: Jackson County Fire District 3 Finance Department.



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**REPORTS ON OTHER LEGAL AND
REGULATORY REQUIREMENTS**



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Required by State Regulation

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standard 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, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report Required by Oregon State Regulations

Board of Directors
Jackson County Fire District 3
8333 Agate Road
White City, OR 97503

I have audited the basic financial statements of Jackson County Fire District 3, as of and for the year ended June 30, 2015, and have issued my report thereon dated December 9, 2015. 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 Jackson County Fire District 3'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, 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).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with my testing, nothing came to my attention that caused me to believe Jackson County Fire District 3 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 Jackson County Fire District 3's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County Fire District 3's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Jackson County Fire District 3's internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of Jackson County Fire District 3 and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Richard W. Brewster
Certified Public Accountant

December 9, 2015

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