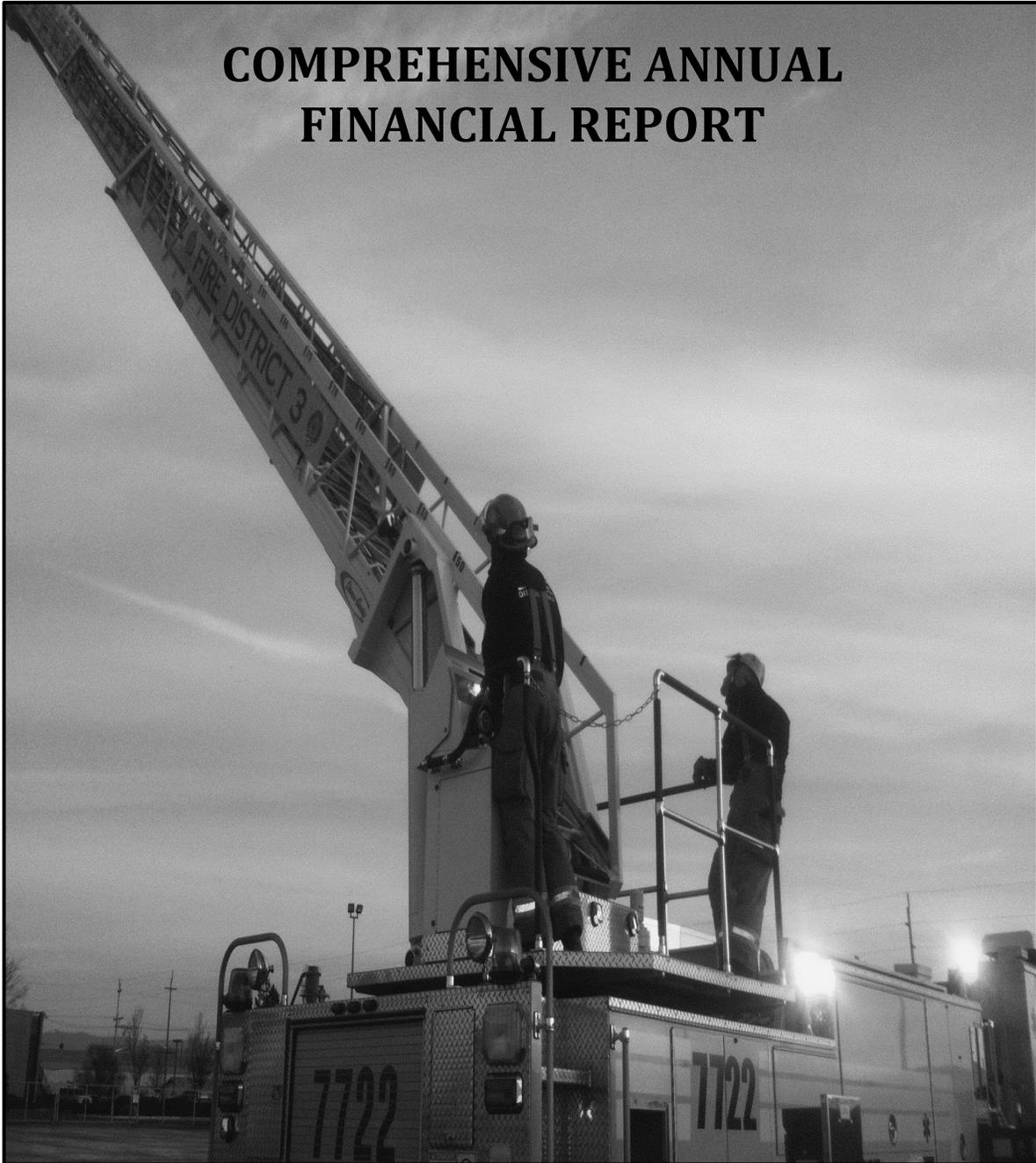


JACKSON COUNTY FIRE DISTRICT 3

White City, Oregon

A Rural Fire Protection District

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended
June 30, 2016**

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JACKSON COUNTY FIRE DISTRICT 3



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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
8383 Agate Road
White City, Oregon 97503
(541) 826-7100 Phone
(541) 826-4566 Fax
www.jcfd3.com

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JACKSON COUNTY FIRE DISTRICT 3
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2016

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JACKSON COUNTY FIRE DISTRICT 3
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2016

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INTRODUCTORY SECTION

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December 15, 2016

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, 2016.

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 eight fire stations, four of which are staffed with paid personnel and four with volunteer personnel. 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, fire simulation training house, and warehouse.

The District maintains a fleet of 28 emergency response vehicles consisting of fire engines, ambulances, water tenders, wildland brush engines, a ladder truck, and 19 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 25 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, Operations, Fire and Life Safety, Training, Support Services, 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 \$3.9 billion in the 2015/16 fiscal year to \$4.1 billion for the 2016/17 fiscal year, a 3.63 percent increase. This is down slightly from the prior year's growth of 4.47 percent. Economic growth projections for the entire county remain stronger than during the recessionary years, but has not gained the robustness that had once occurred during the mid-2000's. During the recessionary period from 2011 to early 2014, the District had been suffering from declines in assessed valuation below the three percent allowed under State law. 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.

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's minimum wage is one of the highest in the nation at \$9.25 per hour for 2016 and is adjusted annually by the increase in the U.S. Consumer Price Index and by county based on geographical area. Jackson County's per capita personal income did grow by 5.3 percent in 2015 to \$40,698, up from \$38,644. Jackson County ranks number 12 in per capita income out of the 36 counties in Oregon. Nationwide, personal income increased by 4.4 percent. Health care is the dominate industry in the area and provides adequate living wage jobs with an average wage of \$61,304.

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.

Letter of Transmittal (Continued)

Jackson County's unemployment rate in October 2016 was 6.6 percent, down from 7.1 percent for the same period a year ago. For comparison, the State of Oregon's average unemployment rate in October 2016 was 5.3 percent and the national unemployment rate was 4.9 percent. Over the past 12 months, private-sector payroll employment rose by 3,280 in Jackson County, a gain of 4.0 percent. Leisure and hospitality had the largest gain followed by education and health services. Construction was the fastest growing private sector industry, up 12.6 percent from a year ago, but continues to be far below the pre-recession peak. Mining and logging was the only industry in the county not to show a change in growth.

The District's population is expected to continue to moderately increase in the next 10 years. Between 2010 and 2015 Jackson County's population grew by 3.8 percent, but lagged in comparison to the statewide overall population growth rate of 4.8 percent for the same period. In 2015 Jackson County's population was 212,567 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 63 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 at least four months of fund balance at year end to cover operational expenditures from July through October when property tax revenue is minimal, 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 2016/17 fiscal year, \$608,800 is budgeted for capital expenditures and includes the purchase of departmental equipment, two staff vehicles, a tactical tender apparatus, and construction of live fire burn containers to be used for training purposes. No debt issuance is planned for these expenditures.

The Board adopted a three year strategic plan in which the District is in the third year. Several initiatives have been accomplished as identified in the plan such as increasing the firefighter full time equivalents, developing fire adapted communities, developing a home fire suppression sprinkler program for District residents, and the first phase of response deployment and analysis of future fire station locations.

In addition to long-term strategic priorities, the Strategic Plan also identifies annual goals and objectives 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.

Letter of Transmittal (Continued)

Of significant accomplishment for fiscal year end June 30, 2016 the District completed the warehouse remodel at the Table Rock location transitioning it to a response station. In addition, a manufactured home was installed for firefighter living quarters. This temporary station will be used while the District continues research and analysis on the most suitable permanent site for its eighth response location. The completion of the updated deployment standards and alarm activity mapping will aid in the decision.

Also accomplished was construction of the live-fire simulation training house that was funded entirely with a state grant. The District also pursued other grants by submitting for station seismic upgrades and Firewise community developments.

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. The District has maintained a budgeted contingency of nine percent from the minimum six percent established under policy, as a tool to help maintain financial stability. 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, 2015. 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, 2015 and is awaiting notification of the budget award for the fiscal year beginning July 1, 2016. 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 District 3
Oregon**

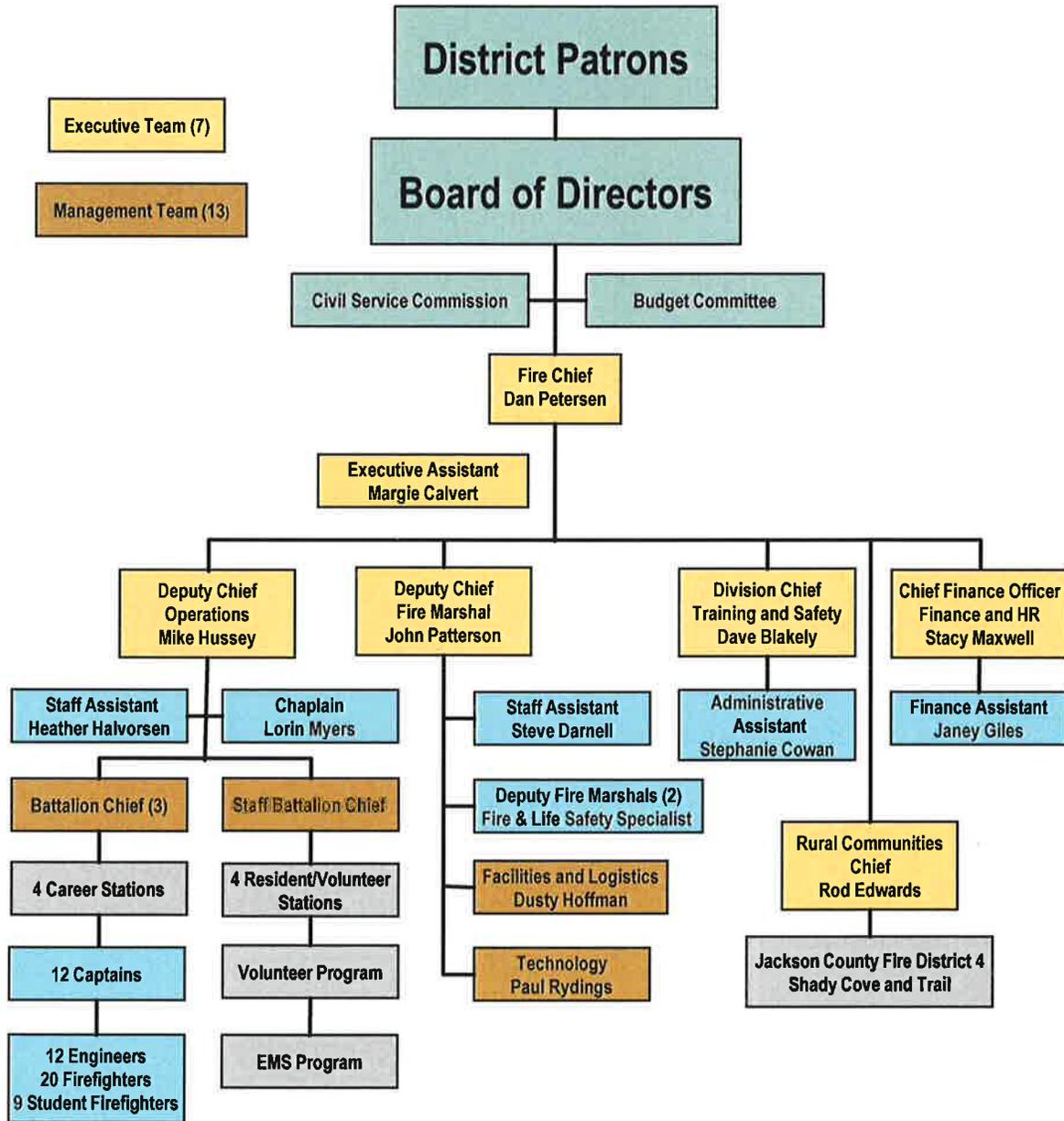
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

JACKSON COUNTY FIRE DISTRICT 3
June 30, 2016

ORGANIZATIONAL CHART



JACKSON COUNTY FIRE DISTRICT 3
June 30, 2016

ELECTED AND APPOINTED OFFICIALS

BOARD OF DIRECTORS



Jim Gillin
President
Position 3
Term Expires
06/30/19



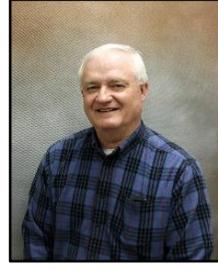
Colin Fagan
Vice President
Position 4
Term Expires
06/30/17



Cindy Hauser
Secretary/Treasurer
Position 2
Term Expires
06/30/17



Harvey Tonn
Director
Position 1
Term Expires
06/30/19



John Dimick
Director
Position 5
Term Expires
06/30/19

BUDGET COMMITTEE

Rob Hernandez	Term Expires 12/31/16
Brenda Price	Term Expires 12/31/16
Alison Chan	Term Expires 12/31/17
Ken Cummings	Term Expires 12/31/17
Joe Strahl	Term Expires 12/31/18

LEGAL COUNSEL

John Blackhurst
Hornecker, Cowling, LLP
14 North Central Avenue
Suite 104
Medford, OR 97501

REGISTERED AGENT

Dan Petersen
8383 Agate Road
White City, OR 97503

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

670 SUPERIOR COURT, #106
MEDFORD, OREGON 97504
(541) 773-1885 · FAX (541) 770-1430
www.rwbrewstercpa.com

INDEPENDENT AUDITOR'S REPORT

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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2016, 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.

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.

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 7, 2016, 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 7, 2016

FINANCIAL SECTION



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JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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, 2016. 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, 2016 by \$9,455,973 (net position). Of this amount, \$411,311 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$3,795,479, due to the District's proportionate share of the Public Employees Retirement System (PERS) net pension liability under GASB Statement 68. Net position of net investment in capital assets increased by \$183,413.
- As of June 30, 2016 the District's governmental funds reported combined ending fund balances of \$8,030,852 an increase of \$481,480 in comparison with the prior year, the result of receiving more property tax revenue than budgeted and reserving monies in the Capital Projects Fund. Approximately 60 percent of this amount (\$4,811,858) is available for spending at the District's discretion (unassigned fund balance).
- At June 30, 2016 unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the General Fund was \$4,811,858 or approximately 42 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 \$225,338 (14 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, 2016

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, 2016

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 50-55 of this report.

Other Supplementary Information. The detail to the budgetary comparison schedules for the General and Capital Project Funds 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 56-65 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 \$9,455,973 at June 30, 2016.

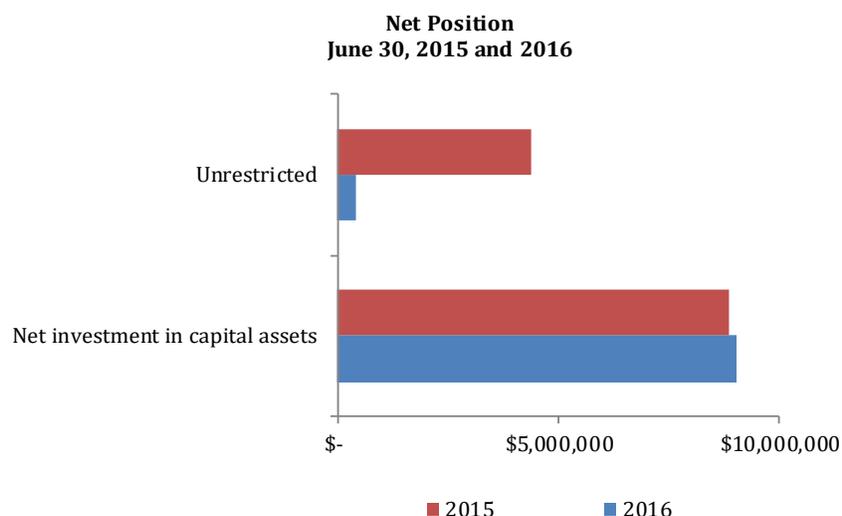
	Governmental Activities		
	2016	2015	Percent Change
Current and other assets	\$ 8,911,257	\$ 10,003,981	(10.92) %
Capital assets	10,339,840	10,374,265	(0.33)
Total assets	19,251,097	20,378,246	(5.53)
Total deferred outflows of resources	1,329,992	664,271	100.22
Current liabilities	112,768	325,155	(65.32)
Long-term liabilities outstanding	9,826,953	4,823,350	103.74
Total liabilities	9,939,721	5,148,505	93.06
Total Deferred inflows of resources	1,185,394	2,642,560	(55.14)
Net position:			
Net investment in capital assets	9,044,662	8,861,249	2.07
Unrestricted	411,311	4,390,203	(90.63)
Total net position	\$ 9,455,973	\$ 13,251,452	(28.64) %

The largest portion of the District's net position (96 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, and prepaid items that are used to meet the District's ongoing obligations to its citizens. The District's largest non-current liabilities (47 percent) are the District's proportionate share of the Oregon PERS net pension liability (\$4,586,488) and other post-employment benefits (\$3,038,645). These liabilities are detailed on pages 36-45 of the Notes to Basic Financial Statements. Current liabilities 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, 2016

During the current fiscal year, the District's net position decreased by \$3,795,479 due largely in part to the recording of the District's proportionate share of the OPERS net pension liability in compliance with GASB Statement 68. Total assets decreased by \$1,127,150 from the prior year and the recording of deferred outflows of resources increased by \$665,721 due primarily to OPERS differences between expected and actual experience, changes and differences in the District's proportionate share, and contributions made after the measurement date of June 30, 2015. Detailed information is provided on pages 36-43 of the Notes to Basic Financial Statements.



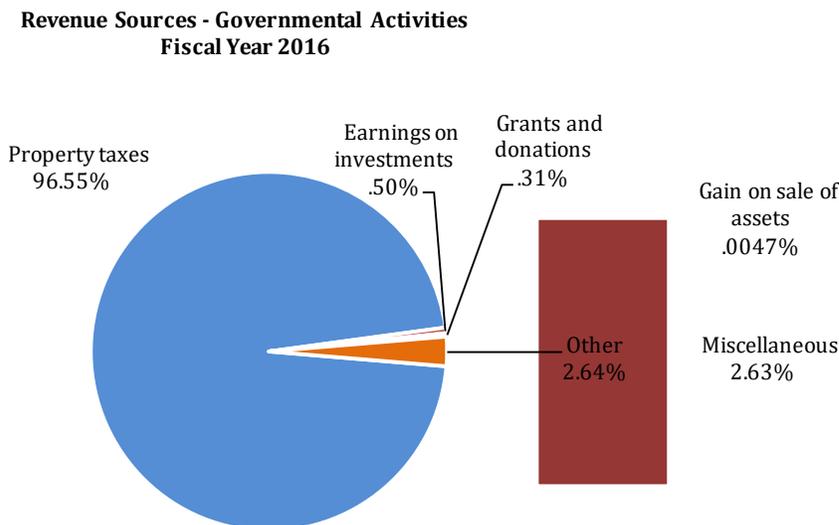
Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$3,795,479 from the prior fiscal year for an ending balance of \$9,455,973 or a decrease of 28.64 percent.

	Governmental Activities		
	2016	2015	Percent Change
Revenues			
Property taxes	\$ 12,155,021	\$ 11,618,842	4.61 %
Earnings on investments	63,274	43,475	45.54
Grants and donations	38,968	263,311	(85.20)
Gain on sale of assets	593	29,944	100.00
Miscellaneous	331,270	210,309	57.52
Total revenues	<u>12,589,126</u>	<u>12,165,881</u>	3.48
Expenses			
Fire protection	16,343,268	14,496,281	12.74
Interest on long-term debt	41,337	46,639	(11.37)
Total expenses	<u>16,384,605</u>	<u>14,542,920</u>	12.66
Change in net position	<u>(3,795,479)</u>	<u>(2,377,039)</u>	59.67
Net position - beginning of year	13,251,452	13,641,554	(2.86)
Restatement of beginning of year	-	1,986,937	100.00
Net position - July 1	<u>13,251,452</u>	<u>15,628,491</u>	(15.21)
Net position - June 30	<u>\$ 9,455,973</u>	<u>\$ 13,251,452</u>	(28.64) %

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Property tax revenue increased by 4.61 percent or \$536,179, reflecting an increase in assessed valuation growth and subsequent taxes levied. Grants and donations decreased \$224,343 or 85 percent. Miscellaneous increased by 57.52 percent or \$120,961 and includes revenue from various sources including fees, contracts, and State funds for wildland conflagration response.

Expenses for fire suppression increased 12.74 percent or \$1,846,987 from the prior fiscal year reflecting cost increases in benefits and pension expenses recorded as part of GASB Statement 68.



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

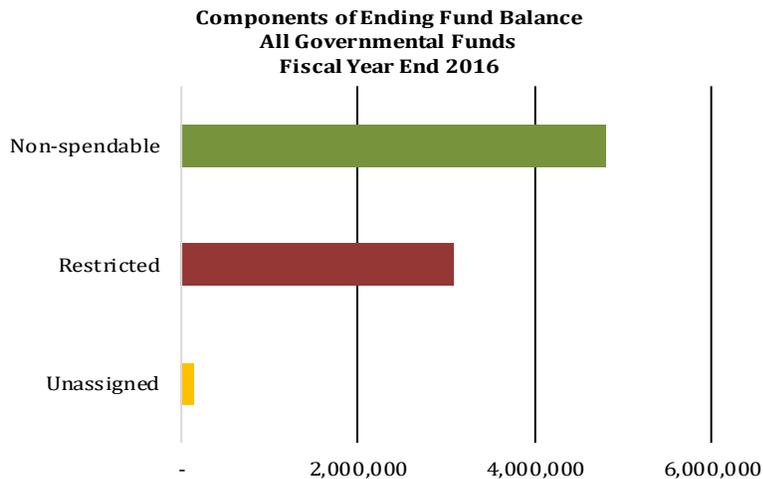
Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful 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, 2016

At June 30, 2016, the District's governmental funds reported combined fund balances of \$8,030,852 an increase of \$481,480 in comparison with the prior year. Approximately 60 percent of this amount (\$4,811,858) 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 (\$139,037), and assigned for particular purposes (\$3,079,957).

The General Fund is the chief operating fund of the District. At June 30, 2016 unassigned fund balance of the General Fund was \$4,811,858 while total fund balance increased to \$4,950,895. 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 42 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 increased by \$481,480 or 3.28 percent during the current fiscal year. The key factor in this increase was due to an increase in overall revenues compared to actual expenditures.



The Capital Projects Fund accounts for all capital outlay expenditures and experienced a \$324,305 increase in fund balance during the current fiscal year. The entire amount (\$3,079,957) was assigned to current and future capital expenditures. Budgeted expenditures made within the year consisted of improvements and upgrades made to the Table Rock fire station, the purchase of manufactured housing for volunteer residency response, improvements made to the Administrative Building, the purchase of technology equipment, and acquisition of a staff command vehicle.

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 two revenue appropriation resolutions in the amount of \$39,100 to account for a grant that provided incident command training and the purchase of life safety smoke detectors and bicycle helmets. In addition, the Board approved two resolutions reallocating funds from contingency within the capital projects fund. \$10,000 was transferred to account *Apparatus and Vehicles* to accommodate an increase in the cost of a staff command vehicle and \$15,000 was transferred to *Buildings and Improvements* to accommodate a remodel in the Administrative Building.

JACKSON COUNTY FIRE DISTRICT 3
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

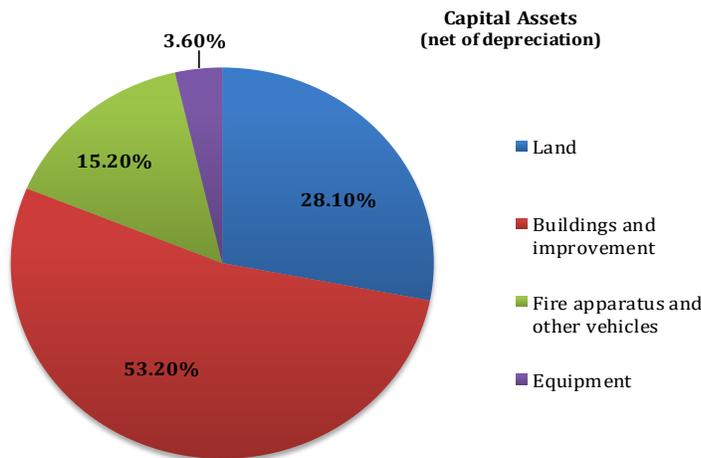
Final budget compared to actual results. The most significant difference between estimated revenues and actual revenues was in current year property taxes, where \$11,500,000 was budgeted but actual revenue received was \$11,792,665. This increase of \$292,665 was the result of the District forecasting 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 personnel services. Actual expenditures across personnel services accounts for all departments was \$9,178,049 whereas the final budget reflected estimated expenditures to be \$9,620,800. This difference of \$442,751 was the result of a reduction in overtime costs due to hiring an additional FTE in the prior year to help offset overtime, a savings across health insurance accounts due to a more favorable cost increase than originally budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for governmental activities as of June 30, 2016, was \$10,339,840, 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 slight reduction (.33 percent) or \$34,425, reflecting assets of \$711,895 added during the year, offset by \$746,320 of accumulated depreciation. Additionally, the District removed \$167,042 in assets that were fully depreciated.

	Governmental Activities		
	2016	2015	Percent Change
Land	\$ 2,901,276	\$ 2,901,276	0.00 %
Buildings and improvement	5,498,309	5,139,253	6.99
Fire apparatus and other vehicles	1,568,169	1,820,281	(13.85)
Equipment	372,086	513,455	(27.53)
Total capital assets	<u>\$ 10,339,840</u>	<u>\$ 10,374,265</u>	(0.33) %



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, 2016

Long-Term Debt. As of June 30, 2016, the District had total debt outstanding of \$1,340,178. This entire amount is debt comprised of one bank financing agreement. The District's total debt decreased by \$225,338 or 14.39 percent during the current fiscal year.

	Governmental Activities		
	2016	2015	Percent Change
Bank financing agreements	\$ 1,340,178	\$ 1,565,516	(14.39) %
Total outstanding debt	\$ 1,340,178	\$ 1,565,516	(14.39) %

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 \$68,714,024, 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

Population and demand for service continues to increase. As identified in the Strategic Plan, the District will continue analyzing the most viable location for the next future fire station.

The District anticipates modest increased property tax revenues in future years based upon projected assessed valuation increases. The local economy has shown positive growth in the past year and real market values are increasing. Assessed values under State 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 Rogue Valley Professional Firefighters Local 1817. The District is in the last year of a three year agreement, which provided for no cost of living increases but did provide implementation of employer contributions into an HRA-VEBA account and a deferred compensation 401(a) account.

The District will continue to plan for future rate increases into the Oregon Public Employees Retirement System (OPERS). The District's employer contribution rate will increase effective July 1, 2017 by 25 percent. Pension costs and potential reform continues to be a sensitive issue statewide and government employers are experiencing difficulty with the sustainability of pension funding. The District will continue to be proactive in budgeting and long-term forecasting, anticipating future rate increases.

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, 8383 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, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 4,746,226	\$ 3,115,465	\$ 7,861,691	\$ -	\$ 7,861,691
Receivables, net	910,529		910,529		910,529
Prepaid items	139,037		139,037		139,037
Capital assets not being depreciated:					
Land				2,901,276	2,901,276
Capital assets, net of accumulated depreciation				7,438,564	7,438,564
Total assets	<u>5,795,792</u>	<u>3,115,465</u>	<u>8,911,257</u>	<u>10,339,840</u>	<u>19,251,097</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred refunding charge				45,000	45,000
Pension related deferred outflows				1,284,992	1,284,992
Total deferred outflows of resources				<u>1,329,992</u>	<u>1,329,992</u>
Total assets and deferred outflows	<u>\$ 5,795,792</u>	<u>\$ 3,115,465</u>	<u>\$ 8,911,257</u>	<u>11,669,832</u>	<u>20,581,089</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 55,452	\$ 35,508	\$ 90,960		90,960
Accrued salaries and benefits payable	5,660		5,660		5,660
Accrued interest payable				16,148	16,148
Non current liabilities:					
Accrued compensated absences				861,642	861,642
Long-term debt					
Due within one year				230,808	230,808
Due in more than one year				1,109,370	1,109,370
Other postemployment benefits				3,038,645	3,038,645
Net pension liability (PERS)				4,586,488	4,586,488
Total liabilities	<u>61,112</u>	<u>35,508</u>	<u>96,620</u>	<u>9,843,101</u>	<u>9,939,721</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	783,785	-	783,785	(783,785)	
Pension related deferred inflows				1,185,394	1,185,394
Total deferred inflows of resources	<u>783,785</u>	<u>-</u>	<u>783,785</u>	<u>401,609</u>	<u>1,185,394</u>
FUND BALANCES					
Non-spendable	139,037		139,037	(139,037)	-
Assigned to capital projects		3,079,957	3,079,957	(3,079,957)	-
Unassigned	4,811,858		4,811,858	(4,811,858)	-
Total fund balances	<u>4,950,895</u>	<u>3,079,957</u>	<u>8,030,852</u>	<u>(8,030,852)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,795,792</u>	<u>\$ 3,115,465</u>	<u>\$ 8,911,257</u>		
NET POSITION					
Net investment in capital assets				9,044,662	9,044,662
Unrestricted				411,311	411,311
Total Net Position				<u>\$ 9,455,973</u>	<u>\$ 9,455,973</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, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances		\$ 8,030,852
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>7,438,564</u>	
Total capital assets		10,339,840
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.		
		45,000
Pension contributions after the measurement date are recognized as a deferred outflow of resources.		
		1,284,992
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.		
Accrued Interest	(16,148)	
Compensated absences	(861,642)	
Long-term debt		
Due within one year	(230,808)	
Due after one year	(1,109,370)	
Other postemployment benefits	(3,038,645)	
Net pension liability (PERS)	<u>(4,586,488)</u>	
Total long-term liabilities		(9,843,101)
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.		
		783,785
The deferred pension investment is recognized as a deferred inflow and therefore, are not due and payable in the current period.		
		(1,185,394)
		<hr/>
Net position of governmental activities		<u><u>\$ 9,455,973</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, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Activities
REVENUES					
Property taxes	\$12,134,058		\$12,134,058	\$ 20,963	\$12,155,021
Earnings on investments	63,274		63,274		63,274
Contract receipts	134,544		134,544		134,544
Grants and donations	38,968		38,968		38,968
Gain on sale of capital assets				593	593
Miscellaneous	196,726		196,726		196,726
Total revenues	<u>12,567,570</u>	<u>-</u>	<u>12,567,570</u>	<u>21,556</u>	<u>12,589,126</u>
EXPENDITURES/EXPENSES					
Fire Protection					
Current					
Personnel services	9,178,049		9,178,049	4,483,927	13,661,976
Materials and services	1,934,972		1,934,972		1,934,972
Depreciation				746,320	746,320
Capital outlay		711,895	711,895	(711,895)	-
Debt service				-	
Principal	225,337		225,337	(225,337)	-
Interest	36,430		36,430	4,907	41,337
Total expenditures/expenses	<u>11,374,788</u>	<u>711,895</u>	<u>12,086,683</u>	<u>4,297,922</u>	<u>16,384,605</u>
Excess (deficiency) of revenues over expenditures	<u>1,192,782</u>	<u>(711,895)</u>	<u>480,887</u>		
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	593	-	593	(593)	
Interfund transfers (from) to	(1,036,200)	1,036,200	-		
Total other financing sources (uses)	<u>(1,035,607)</u>	<u>1,036,200</u>	<u>593</u>	<u>(593)</u>	-
Net change in fund balances	157,175	324,305	481,480	(481,480)	
Change in net position				(3,795,479)	(3,795,479)
FUND BALANCES/NET POSITION					
Beginning of year - July 1, 2015	4,793,720	2,755,652	7,549,372	5,702,080	13,251,452
End of year - June 30, 2016	<u>\$ 4,950,895</u>	<u>\$ 3,079,957</u>	<u>\$ 8,030,852</u>	<u>\$ 1,425,121</u>	<u>\$ 9,455,973</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, 2016

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

Net Changes in Fund Balances		\$ 481,480
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		20,963
The Statement of Activities recognizes net pension expense in personnel services, however governmental funds do not recognize this as an expenditure.		
		(3,841,474)
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	\$ 711,895	
Depreciation	(746,320)	
Total capital assets	(34,425)	(34,425)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		225,337
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 capital assets	(593)	
Gain (loss) from sale of capital assets	593	-
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	(117,477)	
Accrued interest on bonds	(4,907)	
Accrual of other postemployment benefits which are not reported as an expenditure in governmental funds	(524,976)	(647,360)
Change in net position of governmental activities		\$ (3,795,479)

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, 2016

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, 2016

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, deferred outflows, liabilities, deferred inflows, 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 personnel 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 in terms of financial statement presentation 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, 2016

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 District 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, 2016 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 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.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

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, 2016 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. Fair value is based on current market prices. 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.

GASB Statement 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value and establishes a reporting hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This Statement had no material impact to the financial statements for the year ended June 30, 2016.

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.

JACKSON COUNTY FIRE DISTRICT 3
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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 Net Position reports 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 two items that qualify for reporting in this category. One deferred outflow relates to the District's pension plan and consist of employer contributions to OPERS after the measurement date, experience differences, and changes in proportion. The second 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 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 two types of items that qualify for reporting in this category, which arise only under the modified accrual basis of accounting. Property taxes are reported as *unavailable revenue* only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period in which it becomes available. The other deferred inflow item relates to the District's pension plan and consist of a deferred pension investment and a pension contribution difference. This consists of differences between projected and actual investment earnings and changes in employer proportion and differences between employer contributions and the District's proportionate share of system contributions. In the Statement of Net Position, a deferred inflow of resources related the District's pension plan is recognized.

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).

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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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 classifications, as reported in the governmental funds, comprise a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed on the use of the resources reported. 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. Both the Fire Chief and the Chief Financial Officer have been given this authority by resolution by the Board.
- 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 has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned, or unassigned) 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. To preserve a sound financial system and to provide a stable financial base, the Board has adopted a minimum ending fund balance policy specifying in the budgetary basis General Fund targeted at four months of operating expenditures. 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
June 30, 2016

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 and Compensatory Time

Accumulated accrued vacation absences and compensatory time are accrued when incurred and earned in the Statement of Net Position and Statement of Activities. Due to the current financial resources focus of the governmental funds, a liability for those amounts are only reported on the governmental funds balance sheet if the liability has matured as the result of employee retirements and resignations. The entire balance is reported on the Statement of Net Position. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

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.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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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.

In accordance with GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the District’s total pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been actuarially determined and reported.

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, 2016.

B. Deficit fund equity

The District did not have a deficit of fund equity in any of its funds as of June 30, 2016.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

As of June 30, 2016, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 500
Deposits with financial institutions	209,306
Investments:	
State of Oregon Local Government Investment Pool	<u>7,651,885</u>
Total cash and cash equivalents	<u>\$ 7,861,691</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, 2016 was \$209,306 and the total bank balance was \$413,963. 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.

As of June 30, 2016, the District had \$7,651,885 invested in the Local Government Investment Pool.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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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, 2016 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, 2016 were as follows:

	General Fund	Total Governmental Activities
Receivables:		
Property taxes	\$ 899,876	\$ 899,876
Other	10,653	10,653
Total Receivables	\$ 910,529	\$ 910,529

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
Notes to Basic Financial Statements
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D. Capital assets

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

Description	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,901,276	\$ -	\$ -	\$ 2,901,276
Total non-depreciable assets	<u>2,901,276</u>	<u>-</u>	<u>-</u>	<u>2,901,276</u>
Capital assets, being depreciated:				
Buildings and improvements	8,974,241	613,165	-	9,587,406
Fire apparatus and other vehicles	5,609,698	45,589	-	5,655,287
Equipment	2,013,625	53,141	(167,042)	1,899,724
Total depreciable capital assets	<u>16,597,564</u>	<u>711,895</u>	<u>(167,042)</u>	<u>17,142,417</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,834,987)	(254,110)	-	(4,089,097)
Fire apparatus and other vehicles	(3,789,418)	(297,700)	-	(4,087,118)
Equipment	(1,500,170)	(194,510)	167,042	(1,527,638)
Total accumulated depreciation	<u>(9,124,575)</u>	<u>(746,320)</u>	<u>167,042</u>	<u>(9,703,853)</u>
Total capital assets, net of depreciation	<u>\$ 10,374,265</u>	<u>\$ (34,425)</u>	<u>\$ -</u>	<u>\$ 10,339,840</u>

E. Compensated absences

Compensated absences activity for the year ended June 30, 2016, was as follows:

Government-wide	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Compensated absences	\$ 744,165	\$ 521,053	\$ 403,576	\$ 861,642	\$ 646,231

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, 2016. 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.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

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, 2016 is as follows:

	Transfers In	Transfers Out
General Fund		\$ 1,036,200
Capital Projects Fund	\$ 1,036,200	
Total transfers	\$ 1,036,200	\$ 1,036,200

The transfer to the Capital Projects Fund was identified in the budget process 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, 2016:

- 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 life 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.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
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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, 2016 that amount was \$68,714,024. As of June 30, 2016 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, 2016 are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Bank Financing Agreement 2013 Issuance	\$ 1,565,516	-	\$ 225,338	\$ 1,340,178	\$ 230,808
Total	<u>\$ 1,565,516</u>	<u>-</u>	<u>\$ 225,338</u>	<u>\$ 1,340,178</u>	<u>\$ 230,808</u>

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

Year Ended June 30,	<u>Financing Agreement</u> <u>Issued 2013</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	248,062	13,729	248,062	13,729
2021	254,084	7,732	254,084	7,732
2022	128,572	1,539	128,572	1,539
Total	<u>\$ 1,340,178</u>	<u>\$ 98,998</u>	<u>\$ 1,340,178</u>	<u>\$ 98,998</u>

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

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
Notes to Basic Financial Statements
June 30, 2016

- 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 was capped at 1.5 percent for all benefit recipients. The cap on COLA was restored to 2.0 percent for fiscal years 2016 and beyond.

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.

JACKSON COUNTY FIRE DISTRICT 3
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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 was capped at 1.5 percent for all benefit recipients. The cap on COLA was restored to 2.0 percent for fiscal years 2016 and beyond.

3. OPSRP Individual Account Program (IAP)

In the 2003 legislative session, the Oregon Legislative Assembly created a new successor plan for OPERS. Beginning January 1, 2004 all OPERS member contributions go into the IAP portion of OPERS. Existing members’ retain their OPERS accounts. Earnings are based on actual market returns.

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 for the two-year period were based on the December 31, 2013 actuarial valuation. The rates are based on a percentage of payroll and became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$741,502. The rates in effect for the fiscal year ended June 30, 2016 were 14.17 percent of payroll for both Tier One/Tier Two general service and police and fire members, 5.26 percent of payroll for OPSRP pension program general service members, 9.37 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, 2016

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

Proportionate Share Allocation Methodology - The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the *Moro* decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon legislature made to future system cost of living adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the *Moro* decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50% from 8.00%, effective January 1, 2016 which will be used for rates beginning July 1, 2017.

At June 30, 2016, the District reported a liability of \$4,586,488 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 and updated for the effect of the *Moro* decision. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016 the District's proportion was 0.07988363 percent and at June 30, 2015 the proportion was .06111810 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$4,543,629 for the defined benefit portion of the pension plan. At June 30, 2016, 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	\$ 247,327	\$ -
Net difference between projected and actual earnings on pension plan investments		961,432
Changes in District's proportionate share	322,188	
Differences between District contribution and proportionate share of system contributions	23,986	223,962
District contributions subsequent to the measurement date	691,491	
Total	\$ 1,284,992	\$ 1,185,394

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense/ (income) as follows:

Year ended June 30:	
2017	\$ (373,534)
2018	(373,534)
2019	(373,534)
2020	497,295
2021	31,414
Total	\$ (591,893)

Actuarial Valuations - The employer contribution rates effective July 1, 2015, through June 30, 2016, were set using the entry age normal actuarial cost method.

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. Amortization periods are closed.
Asset Valuation Method	Market value of assets

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

Actuarial Assumptions:

Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of living adjustment	Blend of 2.00% COLA and graded COLA (1.25% to 0.15%) in accordance with Moro decision, based on service.
Mortality	<p><u>Healthy retirees and beneficiaries:</u> RP-2000 sex-distinct, generational per scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><u>Active members:</u> mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><u>Disabled retirees:</u> males 65% and females 90% of the RP-2000 statistic combined disabled table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. 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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments 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	\$ 11,069,317	\$ 4,586,488	\$ (876,835)

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

Long-Term Expected Rate of Return – The long-term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. 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. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the flowing tables.

Asset Class	Target Allocation		Total
	Low Range	High Range	
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	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 Market Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Hedge Funds/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, 2016

Depletion Date Projection – GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. GASB 68 does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Pension Plan Fiduciary Net Position – Based on the depletion date projection, it is the independent actuary’s opinion that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Payables to the Pension Plan – At June 30, 2016, the District’s payable to OPERS for defined benefit contributions was \$565. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

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. So long as the employee is contributing to the 457(g) plan the District will make a contribution after four years of service into a 401(a) plan ranging from one to four percent calculated on base salary and based on the number of years of service. For non-represented employees, the District will make an additional contribution into the 401(a) plan of either four percent, 2.5 percent, or one percent depending on the position and providing that the employee is contributing at least the equivalent. The District’s total contribution for the year ending June 30, 2016 was \$114,663.

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.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

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.

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, 2016, the District's retiree age adjusted plan contributions made were \$70,040.

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, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 615,961
Interest on net OPEB obligation	62,844
Adjustment to annual required contribution	<u>(83,789)</u>
Annual OPEB cost (expense)	595,016
Age adjusted contributions made	<u>(70,040)</u>
Increase in net OPEB obligation	524,976
Net OPEB obligation - beginning of year	<u>2,513,669</u>
Net OPEB obligation - end of year	<u><u>\$ 3,038,645</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:

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/16	\$ 595,016	\$ 70,040	11.8%	\$ 3,038,645

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

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

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	\$ 615,961	\$ 70,040	11.8%	\$ 3,038,645
06/30/14	\$ 674,102	\$ 110,993	16.5%	\$ 1,920,264
06/30/13	\$ 666,796	\$ 99,188	14.9%	\$ 1,357,155

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]
06/30/16	\$ 5,184,652	\$ -	\$ 5,184,652	0%	\$ 6,436,958	80.55%
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, 2016, the actuarial accrued liability for benefits was \$5,184,652, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,436,958 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 81 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.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

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.
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 three liability insurance claims for the year ended June 30, 2016 with claims totaling \$38,342. One claim was for damage incurred on a citizen vehicle and the other two claims covered damage incurred to District apparatus.

The District had six smaller workers' compensation claims for the year ended June 30, 2016, 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, 2016

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. Schools are computed under a different category. 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 districts 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, 2016 the total local government tax rates within the District had some areas that exceeded the \$10.00 rate limit after the Assessors calculation between each property's real and assessed value. This "compression" value equated to \$24,064.

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. The District was in compliance with this policy for fiscal year ended June 30, 2016.

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, 2016.

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, 2016.

The District has agreements with student firefighters to reside in manufactured housing at three 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, 2016

The District's Board of Directors ratified a 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 \$3,841 annually for all employees. The District also contributes 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 96 percent of health and dental insurance premiums and the employee contributes four percent.

On July 21, 2016 the District approved an emergency communications contract with Emergency Communications of Southern Oregon (ECSO) covering the year ending June 30, 2017. The amount of the contract is \$383,684 which requires quarterly payments of \$95,921.

On June 16, 2016 the District renewed a financial services contract with Jackson County Fire District No. 4 (JCFD4) covering the year ending June 30, 2017. The District provides accounting, budgeting, and financial reporting services for JCFD4 for an annual fee of \$24,000.

The District will provide the remaining six months 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 December 31, 2016. 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 a fee of \$57,288.

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 several small grants from private foundations for the promotion of fire and life safety awareness. Such grants totaled \$11,000 and were used to purchase bicycle helmets and smoke detectors.

The District received a grant in the amount of \$27,968 from the Oregon Department of Public Safety and Training (DPSST) to facilitate an S-420 training course on Command and General Staff Incident Commander. The grant was a reimbursement grant after actual expenditures were made.

In June 2016, the District was awarded a Title 3 U.S. Department of Agriculture grant administered through the Jackson County Commissioners for promoting Firewise Communities. The grant period is from July 1, 2016 through June 30, 2018 for a total of \$150,000. The purpose of the grant is to create Firewise communities throughout the District by educating homeowners and providing fuels reduction assistance.

JACKSON COUNTY FIRE DISTRICT 3
Notes to Basic Financial Statements
June 30, 2016

Q. New Accounting Pronouncements

The District does not have other pension plans that would be subject to GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, that became effective for financial statements for fiscal years beginning after June 15, 2015.

R. Subsequent events

The Fire Chief for the District provided notice of pending retirement effective December 31, 2016. Formal decision and notice will be provided no later than December 15, 2016.

The District has evaluated subsequent events through December 7, 2016. December 7, 2016 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 7, 2016 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
2007 ¹					
2008 ¹					
2009 ¹					
2010 ¹					
2011 ¹					
2012 ¹					
2013 ¹					
2014 ¹					
2015 ²	0.0611181	\$ (1,385,373)	\$ 6,248,033	(22.17) %	103.6 %
2016 ²	0.0798836	4,586,488	6,298,572	72.82	91.9

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
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 %
2016 ²	691,491	741,502	(50,011)	6,436,958	11.52

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

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf.

Changes in Assumption

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf. Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>.

Changes in Actuarial Methods and Allocation Procedures

There were no changes to actuarial methods and procedures in the 2013 actuarial valuation.

Changes in Economic Assumptions

There were no changes to economic assumptions in the 2013 actuarial valuation.

Changes in Demographic Assumptions

There were no changes to demographic assumptions in the 2013 actuarial valuation.

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
District property taxes				
Current year's levy	\$ 11,500,000	\$ 11,500,000	\$ 11,792,665	\$ 292,665
Prior years' levy	450,000	450,000	341,393	(108,607)
Total taxes	<u>11,950,000</u>	<u>11,950,000</u>	<u>12,134,058</u>	<u>184,058</u>
Other receipts				
Earnings on investments	40,000	40,000	63,274	23,274
Contract receipts	134,600	134,600	134,544	(56)
Grants	100	39,100	38,968	(132)
Miscellaneous	62,600	62,600	196,726	134,126
Total other receipts	<u>237,300</u>	<u>276,300</u>	<u>433,512</u>	<u>157,212</u>
Total revenues	<u>12,187,300</u>	<u>12,226,300</u>	<u>12,567,570</u>	<u>341,270</u>
EXPENDITURES				
Current				
Fire Protection				
Personnel services	9,620,800	9,620,800	9,178,049	442,751
Materials and services	2,085,700	2,124,700	1,934,972	189,728
Debt service	261,800	261,800	261,767	33
Total expenditures	<u>11,968,300</u>	<u>12,007,300</u>	<u>11,374,788</u>	<u>632,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,000</u>	<u>219,000</u>	<u>1,192,782</u>	<u>973,782</u>
OTHER FINANCING SOURCES (USES)				
Operating contingency	(1,125,500)	(1,125,500)	-	1,125,500
Loan proceeds	100	100	-	(100)
Proceeds from sale of equipment	600	600	593	(7)
Transfer to Capital Projects Fund	(1,036,200)	(1,036,200)	(1,036,200)	-
Total other financing sources (uses)	<u>(2,161,000)</u>	<u>(2,161,000)</u>	<u>(1,035,607)</u>	<u>1,125,393</u>
Net change in fund balance	(1,942,000)	(1,942,000)	157,175	2,099,175
FUND BALANCES				
Beginning of year - July 1, 2015	4,810,000	4,810,000	4,793,720	(16,280)
End of year - June 30, 2016	<u>\$ 2,868,000</u>	<u>\$ 2,868,000</u>	<u>\$ 4,950,895</u>	<u>\$ 2,082,895</u>

JACKSON COUNTY FIRE DISTRICT 3
Notes to Budgetary Comparison Schedules
For the Fiscal Year Ending June 30, 2016

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, 2016

The District had four budgetary changes during the fiscal year ended June 30, 2016. The following represent those changes:

<u>Transfer Resolutions</u>	Original Budget	<u>Increase</u>	<u>Decrease</u>	Revised Budget
Resolution No. 15-08				
<u>Capital Projects Fund</u>				
Building Const and Improvements	\$ 573,100	\$ 15,000		\$ 588,100
Capital Contingency	71,000		\$ 15,000	56,000
Resolution No. 15-09				
<u>Capital Projects Fund</u>				
Apparatus and Vehicles	36,800	10,000		46,800
Capital Contingency	56,000		10,000	46,000
Total Budget Reallocation		<u><u>\$ 25,000</u></u>	<u><u>\$ 25,000</u></u>	

<u>Revenue Appropriation Resolutions</u>	Original Budget	<u>Revenue Increase</u>	<u>Expenditure Increase</u>	Revised Budget
Resolution No. 16-01				
<u>General Fund</u>				
REVENUE				
Grants; Local, State, Federal	\$ 100	\$ 36,000		\$ 36,100
EXPENDITURES				
Training Department				
Contractual Services	15,000		\$ 28,000	43,000
Fire and Life Safety Department				
Supplies; Prevention	14,500		8,000	22,500
Total Budget Reallocation		<u><u>\$ 36,000</u></u>	<u><u>\$ 36,000</u></u>	
Resolution No. 16-05				
<u>General Fund</u>				
REVENUE				
Grants; Local, State, Federal	\$ 36,100	\$ 3,000		\$ 39,100
EXPENDITURES				
Fire and Life Safety Department				
Supplies; Prevention	22,500		\$ 3,000	25,500
Total Budget Reallocation		<u><u>\$ 3,000</u></u>	<u><u>\$ 3,000</u></u>	

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, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
ADMINISTRATION AND FINANCE				
Personnel Services				
Fire Chief	\$ 140,000	\$ 140,000	\$ 137,456	\$ 2,544
Administrative Assistant	54,000	54,000	48,083	5,917
Finance Assistant	57,000	57,000	48,406	8,594
Chief Finance Officer	116,000	116,000	115,071	929
Part Time Employees	12,100	12,100	472	11,628
Overtime	2,000	2,000	-	2,000
Education Incentive	10,600	10,600	12,912	(2,312)
Longevity Pay	3,600	3,600	2,854	746
Car Allowance	9,500	9,500	9,374	126
Technology Stipend	1,400	1,400	1,650	(250)
Retirement (PERS)	46,500	46,500	43,235	3,265
Unemployment Insurance	500	500	-	500
ER Deferred Comp Contribution	17,000	17,000	14,062	2,938
Health and Life Insurance	75,000	75,000	69,156	5,844
HRA-VEBA Contribution	9,200	9,200	9,219	(19)
Payroll Taxes - FICA/Medicare	32,000	32,000	25,583	6,417
Worker's Comp Insurance	4,700	4,700	4,003	697
Total Personnel Services	<u>591,100</u>	<u>591,100</u>	<u>541,536</u>	<u>49,564</u>
Materials and Services				
Physicals and Vaccinations	700	700	565	135
Printing	2,500	2,500	3,949	(1,449)
Supplies	45,300	45,300	32,181	13,119
Contractual/Professional Services	457,500	457,500	415,150	42,350
Property/Casualty Insurance	74,000	74,000	71,795	2,205
Mileage Reimbursements	2,000	2,000	515	1,485
Membership Dues	5,900	5,900	5,824	76
Books/Subscriptions	1,000	1,000	2,029	(1,029)
Advertising	6,500	6,500	2,533	3,967
Hiring Processes and Backgrounds	7,000	7,000	7,285	(285)
Postage & Shipping	3,500	3,500	3,051	449
Interest - Bank loan	100	100	-	100
Total Materials and Services	<u>606,000</u>	<u>606,000</u>	<u>544,877</u>	<u>61,123</u>
Total Administration and Finance	<u>\$ 1,197,100</u>	<u>\$ 1,197,100</u>	<u>\$ 1,086,413</u>	<u>\$ 110,687</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATIONS				
Personnel Services				
Fire Captains	\$ 1,160,000	\$ 1,160,000	\$ 1,141,695	\$ 18,305
Fire Engineers	1,020,000	1,020,000	991,624	28,376
Firefighters	1,510,000	1,510,000	1,499,563	10,437
Deputy Chief of Operations	121,000	121,000	118,842	2,158
Battalion Chiefs	320,000	320,000	312,373	7,627
Rural Communities Chief	116,000	116,000	115,071	929
Staff Assistant	43,000	43,000	39,458	3,542
Part Time; Ops Prg Asst	100	100	-	100
Overtime	526,000	526,000	394,889	131,111
Out of Classification Pay	50,000	50,000	76,168	(26,168)
Education Incentive	104,700	104,700	102,800	1,900
EMS Incentive	215,000	215,000	206,700	8,300
Longevity Pay	61,000	61,000	58,729	2,271
Holiday Pay	105,000	105,000	105,459	(459)
Technology Stipend	4,000	4,000	4,030	(30)
Duty Accrual Payout	10,000	10,000	5,445	4,555
Retirement (PERS)	640,000	640,000	607,025	32,975
ER Deferred Comp Contribution	92,800	92,800	83,037	9,763
Health and Life Insurance	960,000	960,000	901,563	58,437
HRA-VEBA Contribution	115,200	115,200	114,099	1,101
Payroll Taxes - FICA/Medicare	415,000	415,000	377,544	37,456
Worker's Comp Insurance	144,400	144,400	138,007	6,393
Total Personnel Services	<u>7,733,200</u>	<u>7,733,200</u>	<u>7,394,121</u>	<u>339,079</u>
Materials and Services				
Physicals and Vaccinations	14,000	14,000	15,715	(1,715)
Supplies	9,000	9,000	4,493	4,507
Fire Suppression Equipment	170,300	170,300	153,580	16,720
M&R - Emergency Response Equipment	16,700	16,700	22,516	(5,816)
Contractual/Professional Services	37,100	37,100	34,501	2,599
Membership Dues	1,000	1,000	475	525
Books/Subscriptions	1,800	1,800	1,965	(165)
Total Materials and Services	<u>249,900</u>	<u>249,900</u>	<u>233,245</u>	<u>16,655</u>
Total Operations	<u>\$ 7,983,100</u>	<u>\$ 7,983,100</u>	<u>\$ 7,627,366</u>	<u>\$ 355,734</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FIRE AND LIFE SAFETY				
Personnel Services				
Fire Marshal	\$ 121,000	\$ 121,000	\$ 120,792	\$ 208
Deputy Fire Marshals	192,000	192,000	191,143	857
Fire and Life Safety Specialist	67,000	67,000	63,698	3,302
Staff Assistant	46,000	46,000	45,651	349
Overtime	15,000	15,000	15,229	(229)
Education/EMS Incentive	13,500	13,500	28,054	(14,554)
Longevity Pay	1,200	1,200	2,441	(1,241)
Technology Stipend	3,100	3,100	3,120	(20)
Fire Investigator On Call Pay	15,000	15,000	13,238	1,762
Duty Accrual Payout	5,700	5,700	7,838	(2,138)
Retirement (PERS)	63,000	63,000	62,316	684
ER Deferred Comp Contribution	8,800	8,800	5,095	3,705
Health and Life Insurance	102,000	102,000	92,560	9,440
HRA-VEBA Contribution	11,500	11,500	11,519	(19)
Payroll Taxes - FICA/Medicare	38,000	38,000	35,517	2,483
Worker's Comp Insurance	14,000	14,000	10,473	3,527
Total Personnel Services	<u>716,800</u>	<u>716,800</u>	<u>708,684</u>	<u>8,116</u>
Materials and Services				
Physicals and Vaccinations	1,500	1,500	1,542	(42)
Printing	1,000	1,000	-	1,000
Supplies; Fees	700	700	210	490
Supplies; FLS	14,500	25,500	20,570	4,930
Supplies; Community Fire Prevention	12,500	12,500	4,604	7,896
Contractual/Professional Services	31,000	31,000	31,261	(261)
Membership Dues	2,500	2,500	1,419	1,081
Books/Subscriptions	2,500	2,500	2,401	99
Advertising	1,500	1,500	2,800	(1,300)
Total Materials and Services	<u>67,700</u>	<u>78,700</u>	<u>64,807</u>	<u>13,893</u>
Total Fire and Life Safety	<u>\$ 784,500</u>	<u>\$ 795,500</u>	<u>\$ 773,491</u>	<u>\$ 22,009</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TRAINING				
Personnel Services				
Division Chief Training & Safety	\$ 116,000	\$ 116,000	\$ 115,070	\$ 930
Administrative Assistant	49,000	49,000	40,563	8,437
Overtime	76,000	76,000	60,649	15,351
Education/EMS Incentive	10,200	10,200	9,761	439
Technology Stipend	800	800	780	20
Duty Accrual Payout	5,700	5,700	3,953	1,747
Retirement (PERS)	25,000	25,000	20,031	4,969
ER Deferred Comp Contribution	6,700	6,700	6,181	519
Health and Life Insurance	28,000	28,000	25,799	2,201
HRA-VEBA Contribution	4,600	4,600	5,174	(574)
Payroll Taxes - FICA/Medicare	20,000	20,000	15,305	4,695
Worker's Comp Insurance	6,000	6,000	4,480	1,520
Total Personnel Services	<u>348,000</u>	<u>348,000</u>	<u>307,746</u>	<u>40,254</u>
Materials and Services				
Physicals and Vaccinations	300	300	514	(214)
Supplies; Fees	2,600	2,600	1,069	1,531
Supplies; Training & Safety	20,000	20,000	18,932	1,068
M&R; Training Equip & Props	1,500	1,500	-	1,500
Health and Wellness	12,000	12,000	8,282	3,718
Contractual/Professional Services	15,000	43,000	33,688	9,312
Membership Dues	500	500	340	160
Books/Subscriptions	12,000	12,000	8,035	3,965
Meeting Travel Expenses	5,000	5,000	4,871	129
Training/Conferences; Admin	26,000	26,000	30,091	(4,091)
Training/Conferences; Board	2,500	2,500	2,032	468
Training/Conferences; Operations	25,000	25,000	41,126	(16,126)
Training/Conferences; Fire Safety	10,000	10,000	9,140	860
Training/Conferences; Volunteers	5,000	5,000	3,084	1,916
Training/Conferences; Technology	2,000	2,000	-	2,000
Total Materials and Services	<u>139,400</u>	<u>167,400</u>	<u>161,204</u>	<u>6,196</u>
Total Training	<u>\$ 487,400</u>	<u>\$ 515,400</u>	<u>\$ 468,950</u>	<u>\$ 46,450</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
SUPPORT SERVICES				
Personnel Services				
Facilities/Logistics Manager	\$ 69,000	\$ 69,000	\$ 67,273	\$ 1,727
Longevity Pay	900	900	843	57
Technology Stipend	800	800	780	20
Retirement (PERS)	3,700	3,700	3,771	(71)
ER Deferred Comp Contribution	3,000	3,000	3,024	(24)
Health and Life Insurance	14,500	14,500	14,344	156
HRA-VEBA Contribution	2,300	2,300	2,305	(5)
Payroll Taxes - FICA/Medicare	5,500	5,500	5,249	251
Worker's Comp Insurance	2,000	2,000	1,627	373
Total Personnel Services	<u>101,700</u>	<u>101,700</u>	<u>99,216</u>	<u>2,484</u>
Materials and Services				
Uniforms	39,500	39,500	41,982	(2,482)
Janitorial & Laundry Services	18,000	18,000	26,138	(8,138)
Supplies; Medical	49,500	49,500	54,841	(5,341)
Supplies; Shop and Logistics Warehouse	3,000	3,000	1,734	1,266
Supplies; Station	5,800	5,800	5,130	670
Facility Furnishings & Appliances	50,300	50,300	42,281	8,019
Supplies; Facilities	7,000	7,000	12,494	(5,494)
Fuel and Lubricants	95,000	95,000	52,866	42,134
M&R - Vehicles	197,000	197,000	201,062	(4,062)
M&R - Bldgs and Grounds - WC	27,000	27,000	24,396	2,604
M&R - Bldgs and Grounds - CP	16,500	16,500	12,598	3,902
M&R - Bldgs and Grounds - DB	6,300	6,300	8,364	(2,064)
M&R - Bldgs and Grounds - SV	7,500	7,500	4,599	2,901
M&R - Bldgs and Grounds - GH	5,700	5,700	6,111	(411)
M&R - Bldgs and Grounds - AL	5,000	5,000	8,219	(3,219)
M&R - Bldgs and Grounds - EP	40,500	40,500	37,433	3,067
M&R - Bldgs and Grounds - TR	5,000	5,000	5,724	(724)
M&R - Bldgs and Grounds - TC	9,600	9,600	8,030	1,570
M&R - Bldgs and Grounds - ADM	31,000	31,000	31,482	(482)
M&R - Bldgs and Grounds - LOG WH	1,500	1,500	374	1,126
M&R - District Equipment	5,000	5,000	3,734	1,266
M&R - Appliances & Furnishings	2,500	2,500	2,024	476
Contractual/Professional Services	7,000	7,000	4,290	2,710
Membership and Certifications	100	100	-	100
Subscriptions	100	100	-	100
Utilities; WC Station	30,000	30,000	26,646	3,354
Utilities; CP Station	21,000	21,000	17,445	3,555
Utilities; DB Station	8,000	8,000	5,750	2,250
Utilities; SV Station	9,000	9,000	8,677	323
Utilities; GH Station	12,000	12,000	9,644	2,356
Utilities; AL Station	8,000	8,000	4,575	3,425
Utilities; EP Station	16,500	16,500	16,272	228
Utilities; TR Station	12,000	12,000	6,962	5,038
Utilities; Training Center	12,000	12,000	10,830	1,170
Utilities; Admin Bldg	36,000	36,000	34,722	1,278
Total Materials and Services	<u>799,900</u>	<u>799,900</u>	<u>737,429</u>	<u>62,471</u>
Total Support Services	<u>\$ 901,600</u>	<u>\$ 901,600</u>	<u>\$ 836,645</u>	<u>\$ 64,955</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
VOLUNTEER				
Materials and Services				
Vaccinations/Entrance Screenings	\$ 4,000	\$ 4,000	\$ 2,280	\$ 1,720
Workers' Compensation Insurance	3,400	3,400	3,255	145
Supplies	2,500	2,500	2,042	458
Contractual/Professional Services	1,000	1,000	191	809
Student Firefighter Program	48,000	48,000	33,062	14,938
LOSAP Contribution	18,000	18,000	8,150	9,850
Membership Dues	400	400	315	85
Books/Subscriptions	9,200	9,200	8,383	817
School Donations	1,000	1,000	1,000	-
Total Materials and Services	<u>87,500</u>	<u>87,500</u>	<u>58,678</u>	<u>28,822</u>
Total Volunteer	<u>\$ 87,500</u>	<u>\$ 87,500</u>	<u>\$ 58,678</u>	<u>\$ 28,822</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TECHNOLOGY				
Personnel Services				
Info Tech Administrator	\$ 95,000	\$ 95,000	\$ 93,712	\$ 1,288
Education Incentive	3,300	3,300	3,248	52
Technology Stipend	800	800	-	800
Retirement (PERS)	5,200	5,200	5,125	75
ER Deferred Comp Contribution	3,300	3,300	3,264	36
Health and Life Insurance	12,000	12,000	11,622	378
HRA-VEBA Contribution	2,300	2,300	2,305	(5)
Payroll Taxes - FICA/Medicare	7,600	7,600	7,400	200
Worker's Comp Insurance	500	500	70	430
Total Personnel Services	<u>130,000</u>	<u>130,000</u>	<u>126,746</u>	<u>3,254</u>
Materials and Services				
Supplies; Computers and Tech	33,000	33,000	33,295	(295)
Supplies; Communication Devices	17,000	17,000	20,928	(3,928)
Tech Support/Subscriptions	41,300	41,300	39,333	1,967
M&R; Office and Tech Equip	8,000	8,000	5,373	2,627
M&R; Communication Devices	3,000	3,000	5,821	(2,821)
Contractual/Professional Services	15,000	15,000	10,110	4,890
Communication Services	18,000	18,000	19,872	(1,872)
Total Materials and Services	<u>135,300</u>	<u>135,300</u>	<u>134,732</u>	<u>568</u>
Total Technology	<u>\$ 265,300</u>	<u>\$ 265,300</u>	<u>\$ 261,478</u>	<u>\$ 3,822</u>

JACKSON COUNTY FIRE DISTRICT 3
General Fund
Detail to Budgetary Comparison Schedule (continued)
For the Fiscal Year Ending June 30, 2016

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
DEBT SERVICE				
Principal	\$ 225,400	\$ 225,400	\$ 225,337	\$ 63
Interest	36,400	36,400	36,430	(30)
Total Debt Service	261,800	261,800	261,767	33
 TOTAL EXPENDITURES	\$ 11,968,300	\$ 12,007,300	\$ 11,374,788	\$ 632,512

JACKSON COUNTY FIRE DISTRICT 3
Capital Projects Fund
Budgetary Comparison Schedule
For the Fiscal Year Ending June 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 100	\$ 100	\$ -	\$ (100)
Donations	100	100	-	(100)
Total revenues	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
EXPENDITURES				
Capital Outlay				
Department Equipment	101,000	101,000	53,141	47,859
Apparatus and Vehicles	36,800	46,800	45,589	1,211
Land and Improvements	100	100	-	100
Building Const and Improvements	573,100	588,100	613,165	(25,065)
Total expenditures	<u>711,000</u>	<u>736,000</u>	<u>711,895</u>	<u>24,105</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(710,800)</u>	<u>(735,800)</u>	<u>(711,895)</u>	<u>(24,305)</u>
OTHER FINANCING SOURCES (USES)				
Operating contingency	(71,000)	(46,000)	-	46,000
Loan proceeds	100	100	-	(100)
Proceeds from sale of capital assets	500	500	-	(500)
Transfer from General Fund	1,036,200	1,036,200	1,036,200	-
Total other financing sources (uses)	<u>965,800</u>	<u>990,800</u>	<u>1,036,200</u>	<u>45,400</u>
Net change in fund balances	255,000	255,000	324,305	21,095
FUND BALANCES				
Beginning of year - July 1, 2015	2,756,000	2,756,000	2,755,652	(348)
End of year - June 30, 2016	<u>\$ 3,011,000</u>	<u>\$ 3,011,000</u>	<u>\$ 3,079,957</u>	<u>\$ 20,747</u>

JACKSON COUNTY FIRE DISTRICT 3
Schedule of Property Tax Transactions
June 30, 2016

Fiscal Years	Property Taxes Receivable at July 1, 2015	Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest	Add/ (Deduct) Adjustments	Deduct Collections	Property Taxes Receivable at June 30, 2016
15-16		\$ 12,458,556	\$ (313,859)	\$ 2,969	\$ 73,179	\$ 11,808,325	\$ 412,520
14-15	\$ 412,013			8,426	(62,930)	158,675	198,834
13-14	191,942			7,508	(9,640)	60,332	129,478
12-13	124,074			8,923	(8,376)	48,066	76,555
11-12	78,381			5,900	(14,575)	26,469	43,237
10-11	15,861			1,851	(1,550)	6,223	9,939
09-10	10,838			1,298	(899)	3,823	7,414
Prior	28,759			2,067	(3,827)	5,100	21,899
Totals	<u>\$ 861,868</u>	12,458,556	<u>\$ (313,859)</u>	<u>\$ 38,942</u>	<u>\$ (28,618)</u>	12,117,013	<u>\$ 899,876</u>
	Less discounts	(313,859)			Less received July 2015	(99,046)	
	Plus interest	38,942			Plus received July 2016	116,091	
	Less adjustments	(28,618)					
Total Government-wide property tax revenue		<u>\$ 12,155,021</u>			Total governmental fund property tax revenue	<u>\$ 12,134,058</u>	

STATISTICAL SECTION



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JACKSON COUNTY FIRE DISTRICT 3

June 30, 2016

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, and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends	67-70
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	71-74
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	75-77
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.	
Demographic and Economic Information	78-79
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.	
Operating Information	80-82
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.	

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 9,044,662
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,729,594	4,256,643	3,698,866	3,348,473	4,705,805	4,971,429	5,059,140	6,668,219	4,390,203	411,311
Total primary government net position	<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>	<u>\$ 9,455,973</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
Fire protection	\$ 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	\$ 15,596,948
Interest on long-term debt	72,800	133,956	145,330	131,211	116,841	101,642	89,860	31,767	46,639	41,337
Depreciation	557,830	571,222	640,987	648,128	678,676	644,331	649,242	640,369	696,718	746,320
Total Expenses	<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>	<u>16,384,605</u>
Program Revenues										
Governmental Activities:										
Operating grants and contributions	261,404	195,207	1,592	4,696	1,800	213,625	18,943	750	13,311	38,968
Capital grants and contributions	-	-	-	-	-	-	-	-	250,000	-
Total Program Revenues	<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>	<u>38,968</u>
Net (Expense)/Revenue										
Governmental Activities										
Total Net Expense	<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>	<u>(16,345,637)</u>
General Revenues										
Governmental Activities:										
Property taxes	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	12,155,021
Investment earnings	218,212	253,129	92,210	35,014	29,484	33,878	43,134	37,448	43,475	63,274
Gain(loss) on sale of capital assets	-	-	-	38,123	-	204	1,250	-	29,944	593
Contract receipts	17,400	18,000	18,600	19,600	20,500	21,000	21,500	52,000	130,656	134,544
Miscellaneous	24,017	18,478	50,153	34,540	49,032	58,871	34,558	136,629	79,653	196,726
Total General Revenues	<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>	<u>12,550,158</u>
Change in Net Position										
Governmental Activities										
Total Change in Net Position	<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>	<u>\$ (3,795,479)</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Nonspendable	\$ 103,754	\$ 110,445	\$ 115,181	\$ 116,579	\$ 126,478	\$ 126,921	\$ 136,371	\$ 125,407	\$ 131,845	\$ 139,037
Unassigned	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	4,811,858
Total general fund	<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>	<u>\$ 4,950,895</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 622	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	250,000	-
Assigned	1,133,733	1,797,119	906,636	549,009	878,961	937,259	2,488,826	1,279,652	2,505,652	3,079,957
Total all other governmental funds	<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>	<u>\$ 3,079,957</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Property taxes	\$ 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	\$ 12,134,058
Investment earnings	218,212	253,129	92,210	35,014	29,484	33,878	43,134	37,448	43,475	63,274
Contracts	17,400	18,000	18,600	19,600	20,500	21,000	21,500	52,000	130,656	134,544
Grants	261,404	195,207	1,592	4,696	1,800	213,625	18,943	750	263,311	38,968
Miscellaneous	24,017	18,478	50,153	34,540	49,032	58,871	34,558	136,629	79,653	196,726
Total revenues	<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>	<u>12,567,570</u>
EXPENDITURES										
Current:										
Fire Protection	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	11,113,021
Capital Outlay	319,656	2,096,340	991,483	1,676,692	120,049	842,758	44,133	1,448,234	262,200	711,895
Debt Service										
Principal	210,237	273,221	305,301	318,278	336,648	350,430	169,641	76,046	342,995	225,337
Interest	76,623	92,166	150,788	137,802	123,984	109,182	93,571	43,681	50,554	36,430
Total Expenditures	<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>	<u>12,086,683</u>
Excess (Deficiency) of Revenues over Expenditures	565,026	(1,525,932)	(546,427)	(180,246)	1,575,433	405,796	713,005	223,103	912,403	480,887
OTHER FINANCING SOURCES (USES)										
Loan Proceeds	-	2,011,000	-	-	-	-	-	-	-	-
Proceeds from sale of equipment	-	-	-	38,123	-	6,293	1,250	9,911	29,944	593
Refunding bond issuance costs	-	-	-	-	-	-	-	38,500	-	-
Transfers in	575,000	510,000	86,900	1,300,000	450,000	750,000	1,595,700	230,600	1,473,800	1,036,200
Transfers out	(575,000)	(510,000)	(86,900)	(1,300,000)	(450,000)	(750,000)	(1,595,700)	(230,600)	(1,473,800)	(1,036,200)
Total Other Financing Sources (Uses)	<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>	<u>593</u>
Net change in fund balances	<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>	<u>\$ 481,480</u>
Debt service as a percentage of noncapital expenditures	3.76%	4.37%	5.30%	4.92%	4.97%	4.50%	2.59%	1.12%	3.59%	2.30%

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		
2007	\$ 5,338,318,029	\$ 2,409,265,241	\$ 179,037,000	\$ 162,555,260	\$ 134,039,190	\$ 97,136,000	\$ 5,651,394,219	\$ 2,668,956,501	47.23%	3.12
2008	5,882,845,258	2,552,532,418	178,251,090	161,085,960	120,209,521	98,734,200	6,181,305,869	2,812,352,578	45.50%	3.12
2009	5,753,668,938	2,687,366,939	190,122,330	175,341,216	125,794,821	110,368,120	6,069,586,089	2,973,076,275	48.98%	3.12
2010	5,115,061,253	3,294,967,366	176,646,820	148,783,971	130,665,897	125,579,810	5,422,373,970	3,569,331,147	65.83%	3.12
2011	4,681,327,241	3,311,673,891	156,822,110	157,677,325	111,067,738	136,249,680	4,949,217,089	3,605,600,896	72.85%	3.12
2012	4,140,281,308	3,359,603,702	163,919,360	154,394,810	143,762,367	140,906,766	4,447,963,035	3,654,905,278	82.17%	3.12
2013	3,830,202,573	3,294,925,381	147,327,070	141,942,558	124,595,950	120,804,600	4,102,125,593	3,557,672,539	86.73%	3.12
2014	3,796,232,112	3,416,760,761	134,697,590	130,178,016	112,588,855	110,005,050	4,043,518,557	3,656,943,827	90.44%	3.12
2015	4,359,147,204	3,564,866,680	149,353,550	144,171,709	121,862,697	119,645,585	4,630,363,451	3,828,683,974	82.69%	3.12
2016	4,730,489,999	3,720,215,430	156,818,710	152,727,683	130,545,978	126,804,400	5,017,854,687	3,999,747,513	79.71%	3.12

Source: Jackson County Assessment Department.

Notes: Tax rates are per \$1,000 of assessed value.

In May 1997, Oregon voters approved Measure 50 that revised the property tax system state-wide effective July 1, 1997. For property tax purposes, the measure changed a property's assessed valuation from real market value to a value for tax purposes. In addition, the maximum assessed value of a property was limited to a maximum of three percent growth per year. Accordingly since that date, there is a difference between market value and assessed value.

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

	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Range of property tax rates for direct and overlapping governments per \$1,000 of assessed value	\$ 5.99 to \$ 17.92	\$ 6.04 to \$ 17.92	\$ 7.13 to \$ 17.92	\$ 7.07 to \$ 17.92	\$ 6.96 to \$ 17.92						
JACKSON COUNTY FIRE DISTRICT 3	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12	\$ 3.12
Jackson County	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.06	2.00	2.00
School District 6	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41	4.41
School District 9	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72
Rogue Community College	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
Education Service District	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
City of Central Point	4.47	4.47	4.47	4.47	4.47	4.47	4.47	4.47	4.47	4.47	4.47
City of Eagle Point	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46
City of Gold Hill	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68
Rogue Valley Transit District	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
White City Law Enforcement	2.02	2.02	2.02	2.02	2.02	2.49	2.42	2.42	2.42	2.37	2.37
Jackson Soil and Water Conservation	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Jackson County Library District	-	-	-	-	-	-	-	0.52	0.52	0.52	0.52
Jackson County Agricultural 4-H District	-	-	-	-	-	-	-	0.52	0.52	0.52	0.41

Source: Jackson County Assessment Department.

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

Taxpayer	Type of Business	2016			2007		
		Rank	Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation
Boise Cascade Wood Products	Wood Manufacturer	1	\$ 67,268,707	1.62 %			
Carestream Health Inc	Medical Mfg Plant	2	55,726,320	1.34	1	\$ 115,529,360	4.11 %
Amy's Kitchen	Organic Food Mfg	3	50,351,190	1.21	10	11,028,130	0.39
Pacific Corp	Electric Utilities	4	43,749,000	1.06	5	23,548,000	0.84
Avista Corp	Natural Gas Utilities	5	27,512,000	0.66	8	14,482,700	0.51
Linde LLC	Industrial Gases	6	21,838,970	0.53			
Plycem Usa Inc	Construction Material	7	18,460,620	0.45			
Table Rock Group LLC	Limited Liability	8	17,044,330	0.41	6	19,625,060	0.70
Biomass One, Ltd	Industrial Mill	9	16,217,000	0.39	4	30,491,500	1.08
CenturyLink	Telephone	10	15,639,900	0.38			
Eastman Kodak Company	Film Mfg Plant		-	-			
BOC Group	Industrial Gases		-	-	7	18,251,840	0.65
Georgia-Pacific Resins	Industrial Wood Mill		-	-			
United Tel Northwest	Telephone		-	-	9	13,616,800	0.48
Certainteed Corp	Wood Siding Plant		-	-	3	41,479,960	1.47
Boise Building Solutions	Industrial Mill		-	-	2	55,586,075	1.98
Total			\$333,808,037	8.05 %		\$343,639,425	12.22 %

Source: Jackson County Assessment Department.

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

Fiscal Year Ended June 30,	Taxes Levied by Assessor	Current Tax Collections	Current Tax Collections as Percent of Current Levy	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Delinquent Taxes as Percent of Current Levy
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
2016	12,458,556	11,808,325	94.78	308,688	12,117,013	97.26	899,876	7.22

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			
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	0.000340	11.75
2012	-	-	2,055,698	2,055,698	0.000279	9.96
2013	-	-	1,886,057	1,886,057	0.000251	9.07
2014	-	-	1,908,510	1,908,510	0.000235	9.08
2015	-	-	1,565,516	1,565,516	0.000181	7.36
2016	-	-	1,340,178	1,340,178	0.000147	6.25

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, 2016

<u>Taxing Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>District's Estimated Share of Direct and Overlapping Debt</u>
City of Eagle Point	\$ 331,018	100.000%	\$ 331,018
City of Central Point	7,430,409	100.000%	7,430,409
City of Gold Hill	299,997	100.000%	299,997
Jackson County School District #6	11,744,618	89.930%	10,561,935
Jackson County School District #9	15,085,000	67.040%	10,112,984
Jackson County	15,239,672	20.940%	3,191,187
Jackson County Housing Authority	340,468	20.940%	71,294
Rogue Valley Transit District	247,600	16.940%	41,943
Jackson County School District 549C	<u>184,605,000</u>	6.320%	<u>11,667,036</u>
Subtotal, overlapping debt			43,707,804
Fire District 3 direct debt			<u>1,340,178</u>
Total direct and overlapping debt			<u><u>\$ 45,047,982</u></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 2016

Real market value	\$ 5,497,121,929
Debt limit (.0125 of RMV)	68,714,024
Debt applicable to limit:	
Certificates of Participation	-
Less: Amount set aside for current repayment	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 68,714,024</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$58,177,530	\$82,341,506	\$79,752,251	\$70,823,131	\$67,779,050	\$52,495,541	\$54,182,873	\$59,681,253	\$64,905,229	\$68,714,024.00
Total net debt applicable to limit	885,000	720,000	550,000	375,000	190,000	-	-	-	-	-
Legal debt margin	<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>\$64,905,229</u>	<u>\$68,714,024</u>
Total net debt applicable to the limit as a percentage of debt limit	1.52%	0.87%	0.69%	0.53%	0.28%	0.00%	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
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	204,761	7,075,288	34,554	8,638	10.7%
2012	206,336	7,380,315	35,768	8,523	10.8%
2013	207,998	7,525,300	36,180	8,366	9.7%
2014	210,151	8,121,087	38,644	8,440	8.5%
2015	212,567	8,650,946	40,698	8,686	6.5%

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	2015			2006		
	Employment	Rank	Percentage of Total District Employment	Employment	Rank	Percentage of Total District Employment
Trade, Transportation, and Utilities	18,660	1	311.00 %	19,640	1	338.62 %
Educational & Health Services	14,460	2	241.00 %	11,760	4	202.76 %
Health Care & Social Assistance	13,670	3	227.83 %	11,120	5	191.72 %
Retail Trade	13,040	4	217.33 %	14,350	2	247.41 %
Federal, State, Local Government	11,930	5	198.83 %	11,810	3	203.62 %
Leisure & Hospitality	10,350	6	172.50 %	9,390	6	161.90 %
Manufacturing	7,500	7	125.00 %	7,440	8	128.28 %
Professional & Business Services	7,140	8	119.00 %	7,600	7	131.03 %
Financial Activities	3,740	9	62.33 %	4,670	10	80.52 %
Construction	3,550	10	59.17 %	5,860	9	101.03 %
TOTAL	<u>104,040</u>		<u>1734.00 %</u>	<u>103,640</u>		<u>1786.90 %</u>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program										
Administration	8	8	8	8	4	4	4	4	4	4
Operations	44	44	43	43	44	48	48	48	50	50
Fire and Life Safety	4	4	4	3	4	4	4	4	5	5
Training	1	1	1	1	2	2	2	2	2	2
Support Services	2	2	3	2	2	2	1	1	1	1
Volunteer	0	0	1	1	1	0	0	0	0	0
Technology	0	0	0	0	1	1	1	1	1	1
Total	<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>	<u>63</u>

Source: Jackson County Fire District 3 Finance Department.

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

Program	Calendar Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operations										
Number of fire incidents	217	187	189	268	192	184	189	237	225	247
Number of medical incidents	3,391	3,603	3,665	3,792	3,578	3,829	3,641	4,350	4,128	4,722
Number of all incidents <i>(also includes fire and medical above)</i>	4,754	5,044	5,001	5,215	5,074	5,451	5,735	6,517	6,713	7,694
Fire and Life Safety										
Number of building inspections	925	942	250	518	468	485	829	1,052	1,210	1,230
Number of plan reviews and consultations	390	250	29	27	46	20	133	260	262	207
Number of fire investigations	188	189	15	32	26	163	192	322	297	300
Training										
Training hours for personnel	14,745	14,651	12,837	14,526	13,190	11,372	11,985	16,000	12,355	12,440

Source: Various Jackson County Fire District 3 Departments.

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

<u>Program</u>	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operations/Fire Suppression										
Fire Engines	12	13	13	11	11	10	10	11	13	11
Wildland Engine	11	11	12	10	10	10	10	9	9	10
Water Tenders	5	5	5	5	5	7	7	5	5	5
Rescue Equipment	4	5	5	3	3	2	2	2	2	2
Command Staff/Support Vehicles	13	12	13	15	17	19	17	18	18	19
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, 2016, and have issued my report thereon dated December 7, 2016. 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 7, 2016

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