

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Annual Financial Report

June 30, 2011

DOUGLAS COUNTY FIRE DISTRICT NO. 2

June 30, 2011

GOVERNING BOARD

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Roseburg, OR 97471

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Roseburg, OR 97470

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Roseburg, OR 97471

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Eugene, OR 97440

DOUGLAS COUNTY FIRE DISTRICT NO. 2

June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Douglas County Fire District No. 2
Roseburg, OR 97470

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of DOUGLAS COUNTY FIRE DISTRICT NO. 2 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of THE DOUGLAS COUNTY FIRE DISTRICT NO. 2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management adopted the accrual basis for budgeting the District's governmental funds. The accrual basis has also been used to prepare the governmental financial statements. Governmental accounting principles generally accepted in the United States of America require that the government funds be reported using the modified accrual basis of accounting, which would decrease the fund balance by \$626,712 and increase deferred revenue by \$626,712.

In our opinion, except for the effects of not using the modified accrual basis of accounting for the governmental funds as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds of Douglas County Fire District No. 2, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of DOUGLAS COUNTY FIRE DISTRICT NO. 2 as of June 30, 2011 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended and the respective budgetary comparison for all major funds for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Member:

American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
Private Companies Practice Section

**Douglas County Fire District No. 2
Independent Auditor's Report**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statement. 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 the financial reporting for placing the basic financial statements in an appropriate operational or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Douglas County Fire District No. 2, Oregon's financial statements as a whole. The individual fund financial statements and other supplemental data are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplemental data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Neuner, Davidson & Cooley, LLC
Certified Public Accountants

By: 
Thomas J. Davidson, CPA

November 22, 2011

Management's Discussion and Analysis

Douglas County Fire District No. 2
Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2011

The management of Douglas County Fire District No. 2 (the District), presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the District for the fiscal year ended June 30, 2011. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

FINANCIAL HIGHLIGHTS:

- The assets of the District exceeded its liabilities on June 30, 2011 by \$4,295,478 (net assets). Of this amount, \$2,603,338 is unrestricted and may be used to meet the District's ongoing obligations.
- The District's net assets decreased by \$38,574 from June 30, 2010.
- The District's total liabilities decreased by \$409,968 from \$7,540,893 to \$7,130,925 in the current year. Regular debt service payments were made as scheduled and no new debt was issued during the current year.
- The District's governmental funds reported combined ending fund balance of \$2,540,444 an increase of \$160,814.
- The District's business-type activity reported combined ending net assets of \$520,235 an increase of \$31,626. Unrestricted net assets increased by \$289,078 to \$1,083,631.
- At June 30, 2011 the unassigned fund balance for the General Fund is \$1,856.874 or 28.5 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The Management's Discussion and Analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: Government-wide financial statements, Fund financial statements, and Notes to financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business, and include the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference being the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator if the financial position of the District is improving or deteriorating.

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

Douglas County Fire District No. 2
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ending June 30, 2011

Both of the government-wide financial statements distinguish functions of the District activities that are principally supported by property taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statement of Net Assets and Statement of Activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and Statement of Revenues and Expenditures and Changes in Fund Balances for the General Fund, Sutherlin Contract Fund, Construction Fund, Equipment Fund, and Debt Service Fund which are considered to be major funds.

Proprietary Funds are used to account for business-type activities. The District uses one such fund, the Ambulance Fund, to account for the revenue and expenses of the EMS Division. The Ambulance Fund is predominantly self-supported through user charges to its customers.

Proprietary Funds information is presented in the Fund Financial Statements and in summary form in the Statement of Net Assets and Statement of Activities.

Notes to the Basic Financial Statements. These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents, as required supplementary information, a budgetary comparison statement for the General Fund. The required supplementary information immediately follows the fund financial statements for the governmental funds.

Douglas County Fire District No. 2
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ending June 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE:

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The District's assets exceeded liabilities by \$4,295,478 at June 30, 2011. Of this amount, \$2,603,339 is unrestricted and may be used to meet the District's ongoing obligations. This is a decrease of \$38,574 in total net assets.

The table below reflects the condensed government-wide Statement of Net Assets.

SUMMARY OF THE DISTRICT'S NET ASSETS						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current Assets	\$2,609,572	\$2,474,034	\$1,394,131	\$1,210,004	\$ 4,003,703	\$ 3,684,038
Capital Assets-Net	4,311,476	4,660,894	3,111,224	3,530,013	7,422,700	8,190,907
Total Assets	\$6,921,048	\$7,134,928	\$4,505,355	\$4,740,017	\$11,426,403	\$11,874,945
Current Liabilities	\$ 814,039	\$ 595,959	\$ 569,402	\$ 573,563	\$ 1,383,441	\$ 1,169,522
Long Term Liabilities	2,331,767	2,693,526	3,415,717	3,677,845	5,747,484	6,371,371
Total Liabilities	\$3,145,806	\$3,289,485	\$3,985,119	\$4,251,408	\$ 7,130,925	\$ 7,540,893
Total Net Assets	\$3,775,242	\$3,845,443	\$ 520,236	\$ 488,609	\$ 4,295,478	\$ 4,334,052
Invested in Capital Assets,						
Net of Related Debt	\$2,255,536	\$2,530,897	\$ (563,397)	\$ (511,106)	\$ 1,692,139	\$ 2,019,791
Unrestricted	1,519,706	1,314,546	1,083,633	999,715	2,603,339	2,314,261
Total Net Assets	\$3,775,242	\$3,845,443	\$ 520,236	\$ 488,609	\$ 4,295,478	\$ 4,334,052

Of the District's net assets, \$1,692,139 or 39.4% of the total net assets is invested in capital assets (e.g. land, buildings, and improvements, fire apparatus, furniture, fixtures and equipment); less any outstanding debt used to acquire those assets. The District used these capital assets to provide services to the public and consequently is not available for future spending.

Douglas County Fire District No. 2
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ending June 30, 2011

The District's revenues increased by 11.4 percent for the year ending June 30, 2011, from \$10,720,697 for the year ending June 30, 2010 to \$11,942,910. Revenue for the 2010-11 fiscal year from charges for services was 43.3 percent of the total revenues, while revenue from property taxes was 48.5 percent of total revenues.

The following table shows a comparative analysis of government-wide revenues, expenses and changes in net assets.

SUMMARY OF THE DISTRICT'S ACTIVITIES AND CHANGES IN NET ASSETS						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Ambulance Service Fees	\$ 1,295,554	\$ 770,000	\$ 3,881,048	\$ 3,990,209	\$ 5,176,602	\$ 4,760,209
Grant Income	9,853	12,900	-	-	9,853	12,900
Fire Med	134,227	45,000	-	-	134,227	45,000
Medic First Aid Classes	-	650	-	-	-	650
General Revenues:						
Property Taxes	5,788,394	5,781,983	-	-	5,788,394	5,781,983
Interest Income	13,102	17,343	-	-	13,102	17,343
ODOT Reimbursements	-	-	-	-	-	-
SCBA Maintenance	325	860	-	-	325	860
Sutherlin Contract	788,500	-	-	-	788,500	-
Calapooia Contract	30,000	-	-	-	30,000	-
Other Income	7,891	46,368	(5,984)	55,384	1,907	101,752
Total Revenues	\$8,067,846	\$6,675,104	\$3,875,064	\$4,045,593	\$11,942,910	\$10,720,697
Programs Expenses						
Public Safety	7,652,194	6,532,269	3,255,730	3,754,157	10,907,924	10,286,426
Interest on Long Term Debt	100,891	109,888	164,751	80,219	265,642	190,107
Depreciation	384,962	532,647	422,956	297,154	807,918	829,801
Total Expenses	\$8,138,047	\$7,174,804	\$3,843,437	\$4,131,530	\$11,981,484	\$11,306,334
Change in Net Assets	(70,201)	(499,700)	31,627	(85,937)	(38,574)	(585,637)
Net Assets - Beginning of Fiscal Year	3,845,443	4,345,143	488,609	574,546	4,334,052	4,919,689
Net Assets - End of Fiscal Year	\$3,775,242	\$3,845,443	\$ 520,236	\$ 488,609	\$ 4,295,478	\$ 4,334,052

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on short-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 the District's net resources available for spending at the end of the fiscal year.

Governmental Funds

The focus of the District's governmental funds is to provide information on short term, inflows, outflows and balancing spendable resources. Such information is useful in assessing the District's financing requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year.

Douglas County Fire District No. 2
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ending June 30, 2011

At June 30, 2011 the District's governmental funds reported combined ending fund balances of \$2,540,440 an increase of \$160,814. For the prior year, a decrease of \$134,652 was reported. The new contract to provide fire protection services to the City of Sutherlin was a key reason for the increase in funds.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2011 unreserved fund balance of the general fund was \$1,856,874. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The unassigned general fund balance represents 29.0% of the total General Fund Expenditures \$6,405,396.

The fund balance of the District's General Fund decreased by \$222,677 during fiscal year 2011; key factors to the decrease were lower than budgeted property tax and ambulance service fee revenues.

Sutherlin Contract Fund. This fund accounts for the revenue paid to the District by the City of Sutherlin to operate the fire protection services for the City. Expenditures include all personal services and other operating costs incurred to provide that service. At June 30, 2011 the Sutherlin Contract Fund had an ending fund balance, all of which is considered assigned for providing the fire protective services to the City of Sutherlin, of \$240,577. The increase in fund balance equals the June 30, 2011 ending balance because the fund was created July 1, 2010.

Equipment Fund. The Equipment Fund accounts for the accumulation of resources for equipment replacement. At June 30, 2011 the Equipment Fund had an ending fund balance, all of which is considered assigned for equipment purchases, of \$101,566 an increase of \$99,741 from the previous year due to an Interfund transfer of \$100,000 from the General Fund.

Construction Fund. The Construction Fund accounts for the accumulation of resources for construction. At June 30, 2011, the Construction Fund had an ending fund balance, all of which is considered assigned for construction projects, of \$221,988 an increase of \$1,565 from the previous year. The increase in the Construction Fund was primarily from interest income.

Debt Service Fund. The Debt Service Fund accounts for the accumulation of resources for and payment of the District's bonded debt. At June 30, 2011, the Debt Service Fund had an ending fund balance, all of which is restricted for debt service, of \$119,338 an increase of \$41,507 from the previous year.

Proprietary Fund

Ambulance Fund. The District's proprietary fund, the Ambulance Fund, reported ending net assets of \$520,235, an increase of \$31,626. This increase is primarily the result of charges for services sufficient to exceed the cost of operations and interest expense on long-term debt.

Budgetary Highlights

Over the course of the year, the board adopted one appropriation transfer and budget amendment resolution to ensure that the Ambulance Fund expenditures for debt services did not exceed appropriations.

General Fund revenues were budgeted and anticipated to be collected in the amount of \$6,399,916 during the fiscal year. Actual revenues of \$6,282,718 fell short of budgeted revenues by \$170,198 primarily due to current property tax collections being less than the budgeted amount. General Fund expenditures of \$6,777,403 were budgeted while actual expenditures totaled \$6,505,396, a difference of \$272,117. The actual ending fund balance of \$1,856,874 exceeded the budgeted ending fund balance of \$1,008,259 by \$848,615 but decreased \$222,677 over the fiscal year.

Douglas County Fire District No. 2
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ending June 30, 2011

Sutherlin Contract Fund budgeted revenues were \$1,418,210 for the fiscal year. Actual revenues of \$1,382,995 fell short of budgeted revenues by \$35,215 primarily due to ambulance fees being less than the budgeted amount. Sutherlin Contract Fund expenditures of \$1,392,581 were budgeted while actual expenditures totaled \$1,142,317, a difference of \$250,264. The actual ending fund balance of \$240,677 exceeded the budgeted ending fund balance of \$25,629 by \$215,048.

The Equipment Fund ending fund balance increased \$99,741, as a result of a \$100,000 interfund transfer. Expenditures of only \$270 occurred while the budgeted amount for expenditures was \$101,822.

The Construction Fund ending fund balance increased \$1,565 over the course of the year. None of the \$221,500 budgeted for expenditures were made during the year.

The Debt Service Fund ending fund balance increased \$41,507. Current and prior year property tax collections exceeded budgeted amounts by \$28,422 and \$15,824 respectively, accounting for the majority of the increase in the ending fund balance.

The Ambulance Fund shows an increase in fund balance of \$176,060 for the fiscal year. Total revenues were less than budgeted by \$118,200 while total expenditures were less than those budgeted by \$552,622. The beginning fund balance exceeded the budgeted amount by \$807,748. The ending fund balance, budget basis, of \$1,375,556 is greater than the budgeted amount of \$133,386 by \$1,242,170.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets includes land and improvements, building and improvements, fire apparatus, vehicles, furniture fixtures, and equipment. Capital assets for governmental activities are accounted for separately from those for business-type activity.

For governmental activities, the District had invested \$4,311,476 (net of depreciation) a decrease of \$349,421 for the fiscal year. Additions amounted to \$35,451 while depreciation of \$384,962 reduced net capital assets.

For business-type activities, the District had invested \$3,111,224 (net of depreciation) a decrease of \$418,789 for the fiscal year. The primary reason for the net decrease was the depreciation expense charged against the total amount of capital assets.

Long-Term Debt

At June 30, 2011 the District had total debt outstanding of \$5,652,120. This debt will be repaid with assessment revenue and investment income.

During 2010-11, the District reduced the principal balance on the debt by \$661,499. The District incurred \$265,642 in interest.

Additional information on the District's long-term debt can be found in note 5 in the Notes to the Basic Financial Statements.

Douglas County Fire District No. 2
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ending June 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The area's economy continues to be in a deep recession, and accordingly the estimated amount of property tax revenues increases have slowed in fiscal year 2010-11 from previous fiscal years due to reductions in new construction and a general economic slowdown in our service area. Current year property tax collections for budget year 2011-12 are estimated to decrease 1.2% from the budgeted amount for 2010-11.

A decrease of \$323,160 in total resources is anticipated to be collected in the General Fund. The District anticipates billing for the nearly the same amount of ambulance service revenues in 2011-12 as it did in 2010-11, but the adjustments, discounts and write-offs are budgeted to be approximately \$32,000 more than the previous year. The District has budgeted the beginning fund balance to be \$383,461 less in 2011-12 than it was in 2010-11.

Budgeted expenditures in the General Fund decreased \$673,908 to \$6,033,118 in the fiscal year 2011-12. This represents a 10.0% decrease over the previous year. Appropriation decreases were in all program functions for 2011-12.

A decrease of \$132,079 in total resources is anticipated to be collected in the Sutherlin Contract Fund.

Minimal changes were budgeted in the Construction Fund, the Debt Service Fund and the Enterprise Fund.

The Equipment Fund budgeted revenues are increased by approximately \$100,000 due to a budgeted transfer from the General Fund of that same amount.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Douglas County Fire District No. 2's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Douglas County Fire District No. 2, 1290 NE Cedar St, Roseburg, OR 97470,

Financial Statements

Douglas County Fire District No. 2
Government Wide
Statement of Net Assets

For the Fiscal Year Ended June 30, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Investments	\$ 1,507,879	\$ 503,470	\$ 2,011,348
Prepaid Insurance	74,034	21,549	95,583
Receivables:			
Accounts, Net of Allowance for Uncollectibles	256,125	845,277	1,101,403
Property Taxes	771,534	-	771,534
Inventory	-	23,835	23,835
Capital Assets	4,311,476	3,111,224	7,422,700
Total Assets	6,921,048	4,505,354	11,426,402
LIABILITIES			
Current Liabilities			
Accounts Payable	3,007	5,566	8,573
Due within One Year			
Accrued Compensated Absences Payable	66,121	13,108	79,229
Bond Premium	14,262		14,262
Flex Lease Payable	35,000	90,000	125,000
Bonds Payable	270,000	70,000	340,000
Ambulance Capital Lease		68,860	68,860
West Loan		148,012	148,012
Noncurrent Liabilities			
Due in More than One Year			
Other Post Employment Benefit Obligation	425,649	173,856	599,505
Accrued Compensated Absences Payable	595,089	117,969	713,057
Bond Premium	64,178		64,178
Flex Lease Payable	72,500	237,500	310,000
Bonds Payable	1,600,000	1,995,000	3,595,000
Ambulance Capital Lease	-	140,305	140,305
West Loan	-	924,943	924,943
Total Liabilities	3,145,806	3,985,119	7,130,925
NET ASSETS			
Invested in capital assets, net of related debt	2,255,536	(563,397)	1,692,140
Unrestricted	1,519,706	1,083,631	2,603,338
Total Net Assets	\$ 3,775,242	\$ 520,235	\$ 4,295,477

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

Douglas County Fire District No. 2
Government Wide
Statement of Activities

For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenditures	Program Revenues		
		Charges for Services	Grant Income	Firedmed
Governmental Activities:				
Public Safety	\$ 7,652,194	\$ 1,295,554	\$ 9,853	\$ 134,227
Interest on Long Term Debt	100,891			
Depreciation Expense	384,962			
Total Governmental Activities	8,138,047	1,295,554	9,853	134,227
Business-Type Activities:				
Ambulance Enterprise Operations	3,255,730	3,881,048		
Interest on Long Term Debt	164,751			
Depreciation Expense	422,956			
Total Business-Type Activites	3,843,436	3,881,048	-	-
Total Government	\$ 11,981,483	\$ 5,176,602	\$ 9,853	\$ 134,227

General Revenue:
Property Taxes
Interest Income
SCBA Maintenance
Sutherlin Contract
Calapooia Contract
Loss on Disposal of Assets
Other Income
 Total General Revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,212,560)		\$ (6,212,560)
(100,891)		(100,891)
(384,962)		(384,962)
<u>(6,698,413)</u>	<u>-</u>	<u>(6,698,413)</u>
	\$ 625,319	625,319
	(164,751)	(164,751)
	(422,956)	(422,956)
<u>-</u>	<u>37,613</u>	<u>37,613</u>
<u>\$ (6,698,413)</u>	<u>\$ 37,613</u>	<u>\$ (6,660,800)</u>
5,788,394	-	5,788,394
13,102	-	13,102
325	-	325
788,500	-	788,500
30,000	-	30,000
-	(29,260)	(29,260)
7,892	23,274	31,166
<u>6,628,212</u>	<u>(5,987)</u>	<u>6,622,226</u>
(70,201)	31,626	(38,575)
3,845,444	488,609	4,334,053
<u>\$ 3,775,243</u>	<u>\$ 520,235</u>	<u>\$ 4,295,478</u>

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

Douglas County Fire District No. 2
Governmental Funds
Balance Sheet
For the Fiscal Year Ended June 30, 2011

	General	Sutherland Contract	Equipment Replacement Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash on Hand and in Checking	\$ 20,392	\$147,828	\$ -	\$ -	\$ 48,318	\$ 216,538
Investments	967,787		101,566	221,988		1,291,341
Prepaid Insurance	59,823	14,211				74,034
Receivables:						
Accounts, Net of Allowance for Uncollectibles	172,957	83,168				256,125
Property Taxes	719,338				52,196	771,534
Due from General Fund					18,824	18,824
Total Assets	\$ 1,940,297	\$245,207	\$ 101,566	\$221,988	\$119,338	\$2,628,396
LIABILITIES						
Accounts Payable	3,007					3,007
Accrued Compensated Absences Payable	61,592	4,530				66,121
Due to Debt Service Fund	18,824					18,824
Total Liabilities	83,423	4,530	-	-	-	87,953
FUND BALANCES						
Restricted					119,338	119,338
Assigned		240,677	101,566	221,988		564,231
Unassigned	1,856,874					1,856,874
Total Fund Equity	1,856,874	240,677	101,566	221,988	119,338	2,540,444
Total Liabilities and Fund Equity	\$ 1,940,297	\$245,207	\$ 101,566	\$221,988	\$119,338	\$2,628,396

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

Douglas County Fire District No. 2
 Reconciliation of Balance Sheet - Governmental Funds
 to
 Statement of Net Assets
 For the Fiscal Year Ended June 30, 2011

Total Fund Balances-Governmental Funds	\$ 2,540,444
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the combined balance sheet	
Due within one year	
Bond Repayment and Bond Premium	(284,262)
Flex Tran	(35,000)
Due in more than one year	
Bond Repayment and Bond Premium	(1,664,178)
Flex Tran	(72,500)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciaton of \$3,456,316	4,311,476
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds	(595,089)
Net OPEB obligation of Governmental Fund	(425,649)
Net assets of governmental activities	<hr style="border: 0.5px solid black;"/> <u>\$ 3,775,242</u>

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

Douglas County Fire District No. 2

Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2011

	General	Sutherlin Contract	Equipment Replacement Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
REVENUES:						
Current Taxes	\$5,096,096	\$ -	\$ -	\$ -	\$381,660	\$ 5,477,756
Prior Taxes	291,813				18,824	310,638
Ambulance Fees	805,217	490,337				1,295,554
Sutherlin Contract		788,500				788,500
Calapooia Contract		30,000				30,000
FireMed	60,069	74,158				134,227
Interest Income	11,464		11	1,553	73	13,102
SCBA Maintenance	325					325
Grant Income	9,853					9,853
Other Income	7,880			12		7,892
Total Revenues	<u>6,282,718</u>	<u>1,382,995</u>	<u>11</u>	<u>1,565</u>	<u>400,557</u>	<u>8,067,847</u>
EXPENDITURES:						
Public Safety:						
Fire Protection	6,333,013	1,142,317				7,475,330
Capital Outlay	35,541		270			35,811
Debt Service	36,841				359,050	395,891
Total Expenditures	<u>6,405,396</u>	<u>1,142,317</u>	<u>270</u>	<u>-</u>	<u>359,050</u>	<u>7,907,033</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In (Out)	(100,000)		100,000			-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(222,677)</u>	<u>240,677</u>	<u>99,741</u>	<u>1,565</u>	<u>41,507</u>	<u>160,814</u>
FUND BALANCE, Budget Basis, July 1, 2010	<u>2,079,552</u>	<u>-</u>	<u>1,824</u>	<u>220,422</u>	<u>77,831</u>	<u>2,379,629</u>
FUND BALANCE, Budget Basis, June 30, 2011	<u>\$ 1,856,874</u>	<u>\$ 240,677</u>	<u>\$ 101,566</u>	<u>\$ 221,988</u>	<u>\$ 119,338</u>	<u>\$ 2,540,444</u>

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

Douglas County Fire District No. 2
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net change in fund balances-total governmental funds \$ 160,814

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

Governmental funds report capital outlays as expenditures while
 governmental activities report depreciation expense to allocate
 those expenditures over the life of the assets:

Capital asset purchases capitalized	35,541
Depreciation Expense	(384,962)

Amortization of Bond premium	14,262
------------------------------	--------

Repayment of debt principal is an expenditure in the government funds but the repayment reduces long-term liabilities in the Statement of Net Assets	295,000
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Compensated absences 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.	32,498
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OPEB obligation 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.	(223,354)
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Change in Net Assets of Governmental Activities	\$ (70,201)
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The accompanying notes are an integral part
 of these financial statements.

Douglas County Fire District No. 2
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances - Actual and Budget

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
REVENUES:			
Current Taxes	\$ 5,206,260	\$ 5,096,096	\$ (110,164)
Prior Taxes	230,000	291,813	61,813
Ambulance Service Fees	885,156	805,217	(79,939)
FireMed	50,000	60,069	10,069
Interest Income	13,000	11,464	(1,536)
Medic First Aid Classes	500	-	(500)
SCBA Maintenance	-	325	325
Grant Income	-	9,853	9,853
Flextran Funds	-	-	-
Other Income	15,000	7,880	(7,120)
Total Revenues	<u>6,399,916</u>	<u>6,282,718</u>	<u>(117,198)</u>
EXPENDITURES:			
Public Safety:			
Fire Protection	6,532,972	6,333,013	(199,959)
Capital Outlay	56,931	35,541	(21,390)
Debt Service	37,500	36,841	(659)
General & Operating Contingency	50,000	-	(50,000)
Total Expenditures	<u>6,677,403</u>	<u>6,405,396</u>	<u>(272,007)</u>
Excess of Revenues Over (Under) Expenditures	<u>(277,487)</u>	<u>(122,677)</u>	<u>154,810</u>
OTHER FINANCING SOURCES:			
Operating Transfers In (Out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total Other Financing Sources	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balances	(377,487)	(222,677)	154,810
FUND BALANCE, Budget Basis, July 1, 2010	1,385,746	2,079,552	693,806
FUND BALANCE, Budget Basis, June 30, 2011	<u>\$ 1,008,259</u>	<u>\$ 1,856,874</u>	<u>\$ 848,615</u>

Douglas County Fire District No. 2
Sutherlin Contract
Statement of Revenues, Expenditures and Changes in
Fund Balances - Actual and Budget

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
REVENUES:			
Ambulance Fees	\$ 515,210	\$ 490,337	\$ (24,873)
City of Sutherlin	788,500	788,500	-
FireMed Revenue	84,500	74,158	(10,342)
Calapooia Revenue	30,000	30,000	-
Total Revenues	1,418,210	1,382,995	(35,215)
EXPENDITURES:			
Public Safety:			
Fire Protection	1,382,581	1,142,317	(240,264)
General & Operating Contingency	10,000	-	(10,000)
Total Expenditures	1,392,581	1,142,317	(250,264)
Excess of Revenues Over (Under) Expenditures	25,629	240,677	215,048
OTHER FINANCING SOURCES:			
Operating Transfers In (Out)	-	-	-
Total Other Financing Sources	-	-	-
Net change in fund balances	25,629	240,677	215,048
FUND BALANCE, Budget Basis, July 1, 2010	-	-	-
FUND BALANCE, Budget Basis, June 30, 2011	\$ 25,629	\$ 240,677	\$ 215,048

Douglas County Fire District No.2
Proprietary Funds
Statement of Net Assets

June 30, 2011

	Business-Type Activity Enterprise Fund Ambulance Fund
ASSETS	
Current Assets	
Cash	\$ 503,470
Prepaid Expenses	21,549
Accounts Receivable (Net of Allowance for Uncollectibles)	845,277
Inventory Medical Supplies	23,835
Total Current Assets	1,394,130
Capital Assets	
Vehicles and Equipment	4,072,517
Less - Accumulated Depreciation	(961,293)
Net Noncurrent Assets	3,111,224
Total Assets	4,505,354
LIABILITIES	
Current Liabilities	
Accounts Payable	5,566
Other Post Employment Benefit Obligations	173,856
Current Portion of West Repayment	148,012
Current Portion Bond Payable HQ Building	80,000
Current Portion Flex Lease	90,000
Current Portion of Ambulance Lease	68,860
Accrued Compensated Absences Payable	131,077
Total Current Liabilities	697,371
Non Current Liabilities	
West Note Payable	924,943
Bond Payable HQ Building	1,985,000
Flex Lease	237,500
Ambulance Lease	140,305
Total Non Current Liabilities	3,287,748
Total Liabilities	3,985,120
NET ASSETS	
Investment in Capital Assets Net of Related Debt Unrestricted	(563,397)
Unrestricted	1,083,631
Net Assets	\$ 520,235

Douglas County Fire District No.2
Proprietary Funds
Statement of Revenues, Expenses and Changes In Fund Net Assets

For The Fiscal Year Ended June 30, 2011

	Business-Type Activity Enterprise Fund
OPERATING REVENUES	
Charges for Services (Net of discount and allowance of \$4,576,807)	\$ 3,881,048
OPERATING EXPENSES:	
Salaries and Benefits	2,625,139
Medical Supplies	110,662
Education & Travel	21,765
Clothing	6,837
Communications	14,963
Informaiton Systems	42,019
Utilities	25,249
Contracted Linen	96
Protective Clothing	235
Fuel	110,736
Building Maintenance	13,231
Station Supplies	8,299
Maintenance Mobile	31,801
Misc Operational Fees	127
Repair Maintenance Other Equipment	5,490
Legal, Auditing and Accounting	21,205
Insurance	21,485
Office Supplies	8,331
Miscellaneous	9,570
Dues and Subscriptions	3,134
Postage	5,330
License & Certification	4,171
Building Rental	12,400
Billing Fees	141,162
Leases	11,396
ADP Fees	896
Depreciation Expense	422,956
	3,678,685
Operating Income (Loss)	202,363
NON-OPERATING REVENUES & EXPENDITURES	
Other Income:	
Other Income	23,274
Gain or (Loss) on Disposal of Assets	(29,260)
Interest Expense	(164,751)
Total Non-Operating Revenues	(170,737)
CHANGE IN NET ASSETS	31,626
NET ASSETS, July 1, 2010	488,609
NET ASSETS, June 30, 2011	\$ 520,235

Douglas County Fire District No.2
Combining Statement of Cash Flow
Proprietary Funds
For The Fiscal Year Ended June 30, 2011

	Business-Type Activity Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 3,701,116
Payments to Suppliers	(633,082)
Payments to Employees	(2,594,572)
Other Receipts (Payments)	23,274
Net Cash Provided by Operating Activities	496,735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Loans	(139,414)
Interest Paid on Loans & Capital Lease	(164,751)
Principal Paid on Flex Lease	(85,000)
Principal Ambulance Capital Lease	(72,085)
Sale of Asset	4,500
Purchase of Capital Assets	(37,927)
Net Cash (used) by Capital and Related Financing Activities	(494,676)
Net Increase (Decrease) in Cash	2,059
Balances-Beginning of the Year	397,553
Balances-End of the Year	\$ 399,612
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 202,363
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Other Income	23,274
Depreciation Expense	422,956
Change in Assests and Liabilities	
Prepaid Expenses	1,831
Receivables, Net	(179,932)
Inventory	(4,323)
Accounts and Other Payables	5,566
Accrued Compensated Absences Payable	25,001
Net Cash Provided by Operating Activities	\$ 496,735

Notes to Financial Statements

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Douglas County Fire District No. 2 have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Organization and Fund Structure

Douglas County Fire District No. 2 is an independent local governmental entity formed under the authority of Oregon Revised Statutes (ORS) Chapter 478. A Board of Directors who are elected to four-year terms governs the District. The administration of the day-to-day affairs of the District is the responsibility of the Fire Chief.

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Major Governmental Funds Reported by the District -

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues consist primarily of property taxes, ambulance service revenues, and interest from temporary investments. Expenditures include those necessary to carry on the firefighting, fire prevention, rescue, and ambulance service programs of the District

Sutherlin Contract Fund - a Special Revenue Fund Type - is used to account for the intergovernmental agreement with the City of Sutherlin to provide fire and emergency services for five years beginning July 1, 2010.

Equipment Replacement Fund - a Capital Project Fund Type - is used to accumulate moneys for the future acquisition of firefighting equipment and other long-lived assets. Fund resources are accumulated primarily from transfers from the General Fund and of interest earned from temporary investments.

Construction Fund - a Capital Project Fund Type - is used to accumulate and expend moneys for additions to fire stations operated by the District. Fund resources are accumulated primarily from transfers from the General Fund and interest earned from temporary investments.

Debt Service Fund - is used to accumulate property taxes from the bond issue and to make payment on the bond.

Governmental Funds - are used to account for the District's general government activities.

Proprietary Funds

Ambulance Enterprise Funds - is used for Ambulance operation of the new WEST Ambulance portion of the District. This fund is treated as a major fund.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the District as a whole. The reported information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State and County aid, and other items not included among program revenues are reported instead as general revenues.

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

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

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

Government-Wide Financial Statements - The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and accrual basis of accounting. This method of accounting was adopted July 1, 2008. The previous method was the modified accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. This basis of accounting is not in accordance with generally accepted accounting practices practiced in the United States of America pursuant to recommendations published by the Governmental Accounting Standards Board. Ambulance service revenues are considered available when the ambulance service is provided.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Expenditures are recorded when the related fund liability is incurred, except for expenditures for principal and interest on long-term debt which is recognized when due, certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources, and early retirement benefits which are recorded when paid. Depreciation expense is not recorded in these statements.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business operations - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Budgetary Information

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. On or before June 30 of each year, the District enacts a resolution approving the budget, appropriating the expenditures, levying the property taxes, and classifying the levy. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Board of Directors for budget hearings prior to enactment of the resolution. Budgets for governmental funds are adopted on the accrual basis. Budgets are adopted annually by resolution and are prepared for each fund. For budgeting purposes only, the City of Sutherlin intergovernmental agreement is budgeted separately from the General Fund.

Budgets for proprietary funds are adopted on the accrual basis.

The District adopts appropriations for each fund at the level of personal services, materials and services, capital outlay, debt service, operating contingencies and transfers. Expenditures may not legally exceed appropriations. The detailed budget document is required to contain more specific, detailed information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolutions. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the District Governing Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the District Governing Board. Unspent or unaccrued appropriations lapse at fiscal year end.

E. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments reported by the combined balance sheet include demand deposits, money market accounts and investments in the Oregon Local Government Investment Pool.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash, Cash Equivalents and Investments (Cont'd)

State statutes authorize the government to invest in obligations of the U.S. Treasury and its agencies and instrumentalities, bank and saving and loan certificates of deposit, bankers' acceptance, overnight repurchase agreements and local government obligations.

General government investments are stated at cost, which approximate market value.

The District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

F. Receivables

Receivables are recorded on the combined balance sheet in accordance with the policies enumerated in paragraph C above. Property taxes receivable consist of property taxes which have been levied against affected property owners but which were uncollected as of the balance sheet date.

Ambulance transport receivables consist of anticipated insurance reimbursements and are recorded net of an allowance for doubtful accounts. The allowance for uncollectible accounts was based on an estimated uncollectible amount from current year actual write offs.

G. Property Taxes

Ad valorem property taxes are levied and become a lien on all taxable property as of July 1 for real property and January 1 for personal property. Collection dates are on November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within 60 days following the year-end are considered measurable and available and are recognized as revenues. All property taxes receivable are due from property owners within the District. Property taxes are collected by the tax collector of Douglas County, a separate government agency, which distributes its tax revenues based upon an allocation of all taxes levied by the different districts within the county.

H. Inventories

Inventory held by the District are priced at lower of cost or market using the FIFO method.

I. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. Capital Assets (Cont'd)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$3,000 and over five years of useful life. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

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

Buildings and Improvements	15-50
Furniture Fixtures and Equipment	5-15

J. Long-Term Debt

Interest expense is reported when due. Interest payable could only be reported if current interest was not paid when it was due. At June 30, 2011, all interest was current and therefore there is no interest payable.

K. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments. There are no restricted net assets at June 30, 2011.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available for use, it is the discretion of the individual state agencies whether to use restricted resources first, then unrestricted resources as they are needed, or to use unrestricted resources first, then restricted resources.

L. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions are reported on transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers which are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

M. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

2. CASH AND INVESTMENTS

The District's cash management policies are governed by state statutes. These statutes authorize the district to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment.

	<u>2011</u>	<u>2010</u>
Cash balances consist of the following:		
Cash on Hand	\$ 200	\$ 200
Checking/Savings	672,084	502,227
Total Cash	<u>\$ 672,284</u>	<u>\$ 502,427</u>
Oregon State Treasurer's Local Govt.		
Investment Pool, Variable Interest Rate	1,339,064	1,615,531
Total Investments	<u>\$ 1,339,064</u>	<u>\$ 1,615,531</u>
Total Cash and Investments	<u>\$ 2,011,348</u>	<u>\$ 2,117,958</u>

A. Deposits

The Local Government Investment Pool (LGIP) is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation and is not rated. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and the Oregon Short Term Fund Board.

Credit Risk. The LGIP's portfolio concentration of credit risk at June 30, 2011 included: U.S. Agency securities (38.71%), Corporate and Bank Notes (46.65%), Commercial Paper (2.71%), FDIC Guaranteed Corporates (10.68%), Certificates of Deposits (.64%), and Municipal Bonds (.61%).

Interest Rate Risk. While the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, it has historically invested only in the LGIP. As of June 30, 2011 58.08% of the investments in the LGIP mature within 93 days, 22.75% mature within 94 days to one year, and 19.16% mature within one to three years.

B. Custodial Risks

Deposits with financial institutions include bank demand deposits. The total per the bank statements is \$1,259,670 and \$925,646 at June 30, 2011 and 2010, respectively.

Deposits in excess of \$250,000 are covered by Oregon Revised Statute, which require the depository institution to maintain on deposit securities having a value sufficient to cover all public funds in their institution and must apply and be approved by the State of Oregon. Umpqua Bank is an approved financial institution and as such, at June 30, 2011, the District was in compliance.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following amounts as of June 30, 2011:

Property Taxes Receivable	\$ 771,534
Ambulance Receivables	1,418,403
Allowance for Ambulance Receivables	<u>(317,000)</u>
Total Accounts Receivable	<u>\$ 1,872,937</u>

4. CAPITAL ASSET ACTIVITY

The following is a summary of changes in the capital assets during the fiscal year:

Governmental Activities:	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Capital Assets not being Depreciated:				
Land	\$ 175,770	\$ -	\$ -	\$ 175,770
Capital Assets being Depreciated:				
Improvements	103,698			103,698
Buildings	2,545,906			2,545,906
Equipment	1,133,545	35,541		1,169,086
Vehicles	3,773,332			3,773,332
Total Assets	<u>\$ 7,732,251</u>	<u>\$ 35,541</u>	<u>\$ -</u>	<u>\$ 7,767,792</u>
Less accumulated depreciation for:				
	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Improvements	\$ 92,407	\$ 7,510	\$ -	\$ 99,917
Buildings	625,246	78,564		703,810
Equipment	677,846	87,464		765,310
Vehicles	1,675,855	211,424		1,887,279
Total Accumulated Depreciation:	<u>\$ 3,071,354</u>	<u>\$ 384,962</u>	<u>\$ -</u>	<u>\$ 3,456,316</u>
Net Capital Assets	<u>\$ 4,660,897</u>	<u>\$ (349,421)</u>	<u>\$ -</u>	<u>\$ 4,311,476</u>
Business-Type Activities:				
Ambulance Enterprise	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Land	\$ 470,000	\$ -	\$ -	\$ 470,000
Buildings	1,701,945			1,701,945
Equipment	896,391	37,927		934,317
Vehicles	1,067,536		(101,281)	966,255
Total Assets	4,135,871	37,927	(101,281)	4,072,517
Less Accumulated Depreciation	605,859	422,956	(67,521)	961,294
	<u>\$ 3,530,012</u>	<u>\$ (385,029)</u>	<u>\$ (33,760)</u>	<u>\$ 3,111,223</u>

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

5. COMPENSATED ABSENCES

Vested or accumulated vacation leave and holiday pay for 24-hour employees that is expected to be liquidated with expendable available financial resources is reported as an expenditures and as a fund liability of the governmental fund (General Fund) that will pay it. Amounts of vested or accumulated vacation leave and holiday pay for 24-hour employees that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

No liability is recorded in the financial statements, for nonvesting accumulating rights to receive sick pay.

The commitment to sick leave at June 30 is:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Sick Leave	<u>\$ 57,194</u>	<u>\$ 12,438</u>

The commitment to vacation leave and holiday pay at June 30 is:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Vacation Leave & Holiday Pay			
Due within one year	\$ 66,121	\$ 13,108	\$ 79,229
Due in more than one year	<u>595,089</u>	<u>117,969</u>	<u>713,058</u>
	<u>\$ 661,210</u>	<u>\$ 131,077</u>	<u>\$ 792,287</u>

6. LONG-TERM DEBT

A. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issued general obligation bonds to finance constructing a fire station, purchase land, purchase four fire engines, two fire tenders, and two brush rigs. The general obligation bonds were issued on April 26, 2007 with interest rates from 4.25 percent to 5.75 percent payable over a 10 year period, with final payment in 2017. The original issue was \$2,825,000. This is paid by the debt service fund.

General Obligation Bonds Series 2007

<u>Balance July 1, 2010</u>	<u>Payments</u>	<u>Balance June 30, 2011</u>
\$ 2,130,000	\$ 260,000	\$ 1,870,000

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

6. LONG-TERM DEBT

Original balance was \$2,825,000. Principal payments began January 1, 2008. Interest began January 1, 2008 and is due every July 1st and January 1st, until the bonds are paid off.

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 87,388	\$ 270,000	\$ 357,388	4.25%
2013	73,456	285,000	358,456	5.75%
2014	56,494	305,000	361,494	5.75%
2015	38,252	320,000	358,252	5.75%
2016	22,100	340,000	362,100	4.25%
2017	7,438	350,000	357,438	4.25%
Total	<u>\$ 285,128</u>	<u>\$ 1,870,000</u>	<u>\$ 2,155,128</u>	

The bonds were issued at a premium of \$137,864 and will be amortized over 116 months, using the straight line method, beginning May 1, 2007.

- B. The District purchased the assets of Wilt's Emergency Services and Transport on October 18, 2007 for \$1,564,000. The District signed a promissory note for the full purchase price, with interest rate of 6%, payable over 10 years with final payment in 2017. This is paid by the ambulance fund.

<u>Balance</u>	<u>Payments</u>	<u>Balance</u>
<u>July 1, 2010</u>		<u>June 30, 2011</u>
\$ 1,212,370	\$ 139,414	\$ 1,072,956

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	\$ 60,351	\$ 148,012	\$ 208,363
2013	51,222	157,141	208,363
2014	41,530	166,834	208,363
2015	31,240	177,123	208,363
2016	20,315	188,048	208,363
2017-2018	9,001	235,797	244,797
Total	<u>\$ 213,659</u>	<u>\$ 1,072,956</u>	<u>\$ 1,286,614</u>

- C. The District entered into a capital lease on June 13, 2008 for three Northstar ambulances. Monthly payments of \$6,956.71 are due on the last day of every month, starting March 31, 2009. This is paid by the ambulance fund.

Capital Lease:

<u>Balance</u>	<u>Payments</u>	<u>Balance</u>
<u>July 1, 2010</u>		<u>June 30, 2011</u>
\$ 281,250	\$ 72,085	\$ 209,165

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	\$ 8,019	\$ 75,461	\$ 83,480
2013	4,485	78,996	83,481
2014	945	54,709	55,654
Total	<u>\$ 13,449</u>	<u>\$ 209,165</u>	<u>\$ 222,615</u>

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

6. LONG-TERM DEBT (Cont'd)

D. During the fiscal year ending June 30, 2010 the District borrowed funds through the Special District Association of Oregon Flex Lease Program Certificate of Participation Series.

Under the Certificate of Participation, Series 2009G, the District purchased defibrillators and Zoll software dispatch program. The District allocated 50% to the General Fund and 50% to the Enterprise Fund. The original loan was issued on August 31, 2009 for \$345,000 with payments beginning on January 1, 2010, over five years and variable interest rates. The loan is secured by the equipment.

General Fund:

<u>July 1, 2010</u>	<u>Payments</u>	<u>June 30, 2011</u>
\$ 142,500	\$ 35,000	\$ 107,500

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 2,517	\$ 35,000	\$ 37,517	2.00%
2013	1,818	35,000	36,818	2.30%
2014	1,012	37,500	38,512	2.70%
Total	<u>\$ 5,347</u>	<u>\$ 107,500</u>	<u>\$ 112,847</u>	

Ambulance Fund:

<u>Balance</u>	<u>Balance</u>
<u>July 1, 2010</u>	<u>June 30, 2011</u>
\$ 142,500	\$ 107,500

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 2,517	\$ 35,000	\$ 37,517	2.00%
2013	1,818	35,000	36,818	2.30%
2014	1,012	37,500	38,512	2.70%
Total	<u>\$ 5,347</u>	<u>\$ 107,500</u>	<u>\$ 112,847</u>	

E. The District purchased two Northstar Ambulances using funds from Certificate of Participation Series, 2010B. The ambulances were purchased by the Enterprise Fund. Series 2010B was issued May 6, 2010 for \$270,000 with payments beginning on January 1, 2011 for a five year period with a variable interest rate. The loan is secured by the ambulances. This is paid by the ambulance fund.

<u>Balance</u>	<u>Balance</u>
<u>July 1, 2010</u>	<u>June 30, 2011</u>
\$ 270,000	\$ 220,000

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements at June 30, 2011

6. LONG-TERM DEBT (Cont'd)

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 4,799	\$ 55,000	\$ 59,799	1.85%
2013	3,699	55,000	58,699	2.15%
2014	2,378	55,000	57,378	2.65%
2015	825	55,000	55,825	3.00%
Total	<u>\$ 11,701</u>	<u>\$ 220,000</u>	<u>\$ 231,701</u>	

F. The District purchased the headquarter building using funds from Certificate of Participation Series, 2010C. The building was purchased by the Enterprise Fund. Series 2010C was issued June 17, 2010 for \$2,135,000 with payments beginning on January 1, 2011 for a 20 year period with a variable interest rate. The loan is secured by the real property. This is paid by the ambulance fund.

<u>Balance</u> <u>July 1, 2010</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2011</u>
\$ 2,135,000	\$ 70,000	\$ 2,065,000

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 79,044	\$ 80,000	\$ 159,044	2.00%
2013	74,443	80,000	154,443	2.00%
2014	75,644	80,000	155,644	2.50%
2015	73,369	85,000	158,369	3.00%
2016	70,819	85,000	155,819	3.00%
2017-2030	559,578	1,655,000	2,214,578	3.00 - 4.50%
Total	<u>\$ 932,897</u>	<u>\$ 2,065,000</u>	<u>\$ 2,997,897</u>	

7. PENSION PLAN

Plan Description

The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, cost of living adjustments and death benefits to members and beneficiaries. As an independent employer, the District is considered to be participating in an agent-multiple employer plan for purposes of Tier 1/Tier 2 pension liabilities and a cost sharing plan for purposes of their ORSRP pension liabilities.

In the 2003 legislative sessions, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

7. PENSION PLAN (Cont'd)

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered under Oregon Revised Statute Chapter 238, which establishes the Oregon Public Employees Retirement Board (OPERB) as the governing body of PERS. The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/pers/>.

Funding Policy

Members of PERS are required by state statute to contribute 6% of their annual salary to the system. The District, in conformance with its personnel policy, pays the required employee contribution for some of its employees. The District is required by ORS 235.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The Tier 1/Tier 2 and OPSRP net rates in effect for the year ended June 30, 2011 were 12.9% and 3.82%, respectively, for general services and 12.90% and 6.53%, respectively, for police and fire.

The contribution rates were determined as part of the Actuarial Valuation Report at December 31, 2007.

The District's contributions to PERS for the fiscal years ending June 30, 2009, 2010, and 2011 were \$1,046,258, \$826,015, and \$892,598, respectively, which equaled the required contribution for the year.

RHIA (Retirement Health Insurance Account)

Plan Description As a member of Oregon Public Employees retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS 238.420) established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon legislature. The plan is closed to new entrants after January 1, 2004. OPERS issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

7. PENSION PLAN (Cont'd)

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

Participating municipalities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, Tier 1 & 2 currently .29% and OPSRP .19% of annual covered payroll. The OPERS Board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. 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) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2011 were \$13,441, which equalled the required contributions.

Postemployment Healthcare Plan (Implicit Subsidy)

Plan Description. The District does not have a formal post-employment benefits plan for any employee groups; however the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the District due only to the implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Funding Policy. The District collects insurance premiums from all retirees each month and deposits them in the general fund. The District then pays health and dental insurance premiums for all retirees at the blended rate for each family classification. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary.

For fiscal year 2010-2011, the District contributed \$65,553 consisting of retiree payments. The District has elected to not prefund the actuarially determined future cost amount of \$599,505.

The required monthly contributions of the plan members were as follows for the year ended June 30, 2011. Each plan has different deductibles

	Health	
	Retiree	Spouse
Base Plan 1001	\$ 444	\$ 577
Buy Up Plan 1002	590	767
EMS Plan 1003	348	452

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to

Financial Statements

at

June 30, 2011

7. PENSION PLAN (Cont'd)

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 over a period of 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's OPEB obligation to the plan.

	<u>2011</u>	<u>2010</u>
Employer's Normal Cost	\$ 204,057	\$ 204,057
Interest on Net OPEB Obligation	7,142	7,142
One Year's Amortization of AAL with Interest	147,351	147,351
Adjustment to Annual Required Contribution	<u>-</u>	<u>-</u>
Annual Required Contribution (ARC)	358,550	358,550
Contributions Paid	<u>65,553</u>	<u>52,042</u>
Contribution Deficiency	292,997	306,508
OPEB Obligation at Beginning of Year of Implementation (7/1/2009)	<u>306,508</u>	<u>-</u>
	<u>\$ 599,505</u>	<u>\$ 306,508</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-2010 and the three preceding years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percent of</u> <u>Annual OPEB</u> <u>Cost Contrib.</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2008	N/A	N/A	N/A
June 30, 2009	N/A	N/A	N/A
June 30, 2010	\$ 358,550	14.51%	\$ 306,508

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2009, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 2,710,097
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,710,097</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 5,651,380

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

7. PENSION PLAN (Cont'd)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used to determine contributions level. The UAAL is being amortized over 30 years as a level percent of payroll.

8. FUND BALANCE COMPARISONS

The following is a comparison of budget basis to actual fund balances at June 30, 2011 and estimated beginning fund balances at July 1, 2011:

	<u>June 30, 2011</u>	<u>July 1, 2011</u>
General Fund	\$ 1,856,874	\$ 1,002,285
Sutherlin Contract	240,677	96,933
Equipment Replacement Fund	101,566	1,825
Construction Fund	221,988	221,863
Debt Service Fund	98,245	40,000

9. CONTINGENT LIABILITIES

The District has elected, under the State Unemployment Act of July 1, 1974 to reimburse the State Employment Department for any claims paid. Reimbursements are annually budgeted for in the General Fund. The District is unable to determine at this time the amount of the contingent liability for potential unemployment insurance claims.

10. OVEREXPENDITURES

At June 30, 2011, the following funds had expenses in excess of appropriations:

	<u>Expenses</u>	<u>Appropriations</u>
Debt Service Fund:		
Debt Service	\$ 359,050	\$ 358,650

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

June 30, 2011

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

12. FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District did not have any nonspendable fund balances at June 30, 2011.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by the District. The District Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the District. The District did not have any committed fund balances at June 30, 2011.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This intent can be expressed by the District or through the delegation of this responsibility to the District.

Unassigned – all other spendable amounts.

The District would typically use assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of June 30, 2011, fund balances are composed of the following:

	General	Sutherlin Contract	Equipment Replacement Fund	Construction Fund	Debt Service Fund	Total
Restricted:						
G. O. Bond Payments	\$ -	\$ -	\$ -	\$ -	\$ 119,338	\$ 119,338
Assigned:						
Sutherlin Area		240,677				240,677
Capital Projects - Fire Station				221,988		221,988
Capital Projects - Fire Fighter Equipment and Long Lived Assets			101,566			101,566
Unassigned:	1,856,874					1,856,874
Total Fund Balances	\$1,856,874	\$ 240,677	\$ 101,566	\$ 221,988	\$ 119,338	\$2,540,443

DOUGLAS COUNTY FIRE DISTRICT NO. 2

Notes to
Financial Statements

at

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13. Subsequent Event

Subsequent events were evaluated through November 22, 2011. Effective November 1, 2011, the V.A. Hospital Contract was awarded to another vendor outside of Douglas County. The net revenue loss from the cancellation of the contract is approximately \$350,000 per year.

Supplemental Information

Douglas County Fire District No. 2

Detail Schedule of Expenditures - Actual and Budget
General Fund

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
FIRE PROTECTION:			
Personal Services:			
Fire Chief	108,273	135,522	27,249
Deputy Fire Chief	90,291	92,131	1,840
Battalion Chief	219,521	213,147	(6,374)
Fire Marshall	93,576	93,576	-
Captain	244,044	252,841	8,797
Lieutenants	839,435	859,766	20,331
Mechanic	71,717	70,370	(1,347)
Engineers I & II	945,615	1,043,433	97,818
Firefighters	557,332	396,818	(160,514)
IS Manager	3,488	4,870	1,382
Finance Director	77,218	77,320	102
Accountant	52,111	51,306	(805)
Secretary	6,826	6,391	(435)
Record Secretary/Delivery	19,249	13,534	(5,715)
Volunteer Reimbursement	12,000	22,177	10,177
Volunteer Medical Enhancements	90	-	(90)
Extra Duty Pay	267,120	282,460	15,340
ORWCAT	2,034	1,655	(379)
Industrial Insurance (SAIF)	89,223	67,038	(22,185)
Unemployment	6,000	-	(6,000)
FICA/Medicare	291,259	287,078	(4,181)
Retirement	663,834	623,585	(40,249)
Medical, Dental and Vision	880,493	856,891	(23,602)
Mileage Reimbursement	500	321	(179)
Educational Pay	6,725	5,770	(955)
Longevity Pay	29,387	27,537	(1,850)
EMT/Hazmat Incentives	123,780	119,971	(3,809)
CWE Scholarships	29,625	30,625	1,000
PEBSCO-PEHP	49,930	44,029	(5,901)
Separation Pay	4,000	-	(4,000)
Total Personal Services	5,784,696	5,680,163	(104,533)

Douglas County Fire District No. 2

Detail Schedule of Expenditures - Actual and Budget
General Fund

For the Fiscal Year Ended June 30, 2011

	Original Budget	Actual	Over (Under) Budget
Materials and Services:			
Medical Aid Supplies	61,450	52,788	(8,662)
Training and Education	34,920	22,746	(12,174)
Division of Assets	59,936	79,642	19,706
Clothing Allowance	22,280	10,226	(12,054)
Dispatch Services	28,875	28,874	(1)
Communications	19,180	16,278	(2,902)
Information Systems	46,743	31,358	(15,385)
Utilities	40,700	41,959	1,259
Contracted Linen	1,350	1,379	29
Gas, Oil and Diesel	41,000	63,025	22,025
Building Maintenance	27,925	29,807	1,882
Consulting	16,825	1,100	(15,725)
Station Supplies	9,650	10,759	1,109
Mobile Maintenance and Equipment	30,500	32,304	1,804
Operating Supplies	16,784	11,840	(4,944)
Hydrant Standby	13,800	14,044	244
MSA Maintenance	5,900	2,558	(3,342)
Protective Clothing	26,202	14,991	(11,211)
Repair and Maintenance/Equipment	16,814	17,704	890
Legal, Auditing and Accounting	64,676	42,833	(21,843)
Election Expense	8,000	2,229	(5,771)
Insurance	34,091	33,770	(321)
Fire Prevention	7,640	4,149	(3,491)
Office Supplies	11,504	7,683	(3,821)
Miscellaneous	38,081	31,439	(6,642)
Dues and Subscriptions	8,533	7,895	(638)
Postage	4,400	3,509	(891)
Hydrant Repair	11,300	(851)	(12,151)
Certification & Licensing	5,025	4,565	(460)
Ambulance Billing Fees	30,192	30,990	798
Equipment Rental	4,000	1,259	(2,741)
Total Materials and Services	<u>748,276</u>	<u>652,851</u>	<u>(95,425)</u>
Other Expenditures:			
Capital Outlay	56,931	35,541	(21,390)
Debt Service	37,500	36,841	(659)
Transfers	100,000	100,000	-
Contingency	50,000	-	(50,000)
Total Other Expenditures	<u>244,431</u>	<u>172,382</u>	<u>(72,049)</u>
Total Fire Protection Expenditures	<u>\$ 6,777,403</u>	<u>\$ 6,505,396</u>	<u>\$ (272,007)</u>

Douglas County Fire District No. 2

Detail Schedule of Expenditures - Actual and Budget
Sutherlin Contract

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
FIRE PROTECTION:			
Personal Services:			
Lieutenants	209,196	204,481	(4,715)
Engineers	122,640	151,934	29,294
Firefighters	114,024	94,227	(19,797)
DFM CWE Coordinator	56,556		(56,556)
Medical Billing/Secretary	39,117	38,289	(828)
Extra Duty Pay	56,000	44,251	(11,749)
Longevity		4,016	4,016
ORWCAT	298	353	55
Worker's Compensation	13,713	11,180	(2,533)
FICA/Medicare	47,851	45,198	(2,653)
Retirement	110,448	100,415	(10,033)
Medical Insurance	166,148	155,893	(10,255)
Educational Incentive	1,125	825	(300)
EMS Paramedic Incentive	26,880	26,880	-
Volunteers	41,553	26,520	(15,033)
PEBSCO-PEHP	8,123	-	(8,123)
CWE Scholarships	26,000	10,000	(16,000)
Total Personal Services	<u>1,039,672</u>	<u>914,461</u>	<u>(125,211)</u>
Materials and Services:			
Medical Supplies	55,000	21,620	(33,380)
Training & Education	14,500	1,254	(13,246)
Clothing	11,800	450	(11,350)
Dispatch Services	22,737	22,737	(0)
Communications	20,000	12,691	(7,309)
Information Services	12,200	9,385	(2,815)
Utilities	19,700	16,196	(3,504)
Gas Oil Diesel	19,000	15,252	(3,748)
Building Maintenance	6,200	8,845	2,645
Station Supplies	6,800	6,023	(777)
Mobile Maintenance and Equipment	38,500	23,612	(14,888)
Operating Supplies	3,900	1,613	(2,287)
MSA Maintenance	4,600	4,100	(500)
Protective Clothing	9,600	4,755	(4,845)
Repair and Maintenance/Equipment	5,500	12,414	6,914
Legal, Auditing and Accounting	-	291	291
Insurance	-	3,439	3,439
Fire Prevention	4,200	-	(4,200)
Office Supplies	12,500	2,995	(9,505)
Miscellaneous	13,400	1,194	(12,206)
Dues and Subscriptions	1,900	441	(1,459)
Postage	2,500	948	(1,552)
Certification & Licensing	1,850	1,080	(770)
Ambulance Brush Rig Leasing	56,522	56,522	(0)
Total Materials and Services	<u>342,909</u>	<u>227,856</u>	<u>(115,053)</u>
Other Expenditures:			
Contingency	10,000	-	(10,000)
Total Other Expenditures	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total Fire Protection Expenditures	<u>\$ 1,392,581</u>	<u>\$ 1,142,317</u>	<u>\$ (250,264)</u>

Douglas County Fire District No. 2
Equipment Replacement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Actual and Budget

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
REVENUES:			
Interest Income	\$ -	\$ 11	\$ 11
Total Revenues	-	11	11
EXPENDITURES:			
Capital Outlay	101,822	270	(101,552)
Total Expenditures	101,822	270	(101,552)
Excess of Revenues Over (Under) Expenditures	(101,822)	(259)	101,563
OTHER FINANCING SOURCES:			
Operating Transfers In (Out)	100,000	100,000	-
Total Other Financing Sources	100,000	100,000	-
Net change in fund balances	(1,822)	99,741	101,563
FUND BALANCE, Budget Basis, July 1, 2010	1,822	1,824	2
FUND BALANCE, Budget Basis, June 30, 2011	\$ -	\$ 101,566	\$ 101,566

Douglas County Fire District No. 2
Construction Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Actual and Budget

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
REVENUES:			
Interest Income	\$ 1,500	\$ 1,553	\$ 53
Miscellaneous	-	12	12
Total Revenues	1,500	1,565	65
EXPENDITURES:			
Capital Outlay	221,500	-	(221,500)
Total Expenditures	221,500	-	(221,500)
Excess of Revenues Over (Under) Expenditures	(220,000)	1,565	221,565
FUND BALANCE, Budget Basis, July 1, 2010	220,000	220,422	422
FUND BALANCE, Budget Basis, June 30, 2011	\$ 220,000	\$ 221,988	\$ 221,988

Douglas County Fire District No. 2
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Actual and Budget

For the Fiscal Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
REVENUES:			
Current Taxes	\$ 353,238	\$ 381,660	\$ 28,422
Prior Year Taxes	3,000	18,824	15,824
Interest	250	73	(177)
Total Revenues	356,488	400,557	44,069
EXPENDITURES:			
Debt Service	358,650	359,050	400
Total Expenditures	358,650	359,050	400
Excess of Revenues Over (Under) Expenditures	(2,162)	41,507	43,669
Net change in fund balances	(2,162)	41,507	43,669
FUND BALANCE, Budget Basis, July 1, 2010	6,500	77,831	71,331
FUND BALANCE, Budget Basis, June 30, 2011	\$ 4,338	\$ 119,338	\$ 115,000

Douglas County Fire District No. 2
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Actual and Budget

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES:				
Emergency Fees	4,515,643	4,515,643	4,324,836	(190,807)
Non-Emergency Fees	954,506	954,506	1,367,459	412,953
VA Fees	768,000	768,000	1,094,451	326,451
Fire Med Fees Emergency	1,572,432	1,572,432	1,422,523	(149,909)
Fire Med Non Emergency	208,445	208,445	98,587	(109,858)
Fire Med	150,000	150,000	150,000	-
Allowances for Discounts C/A & A.R.	(4,142,004)	(4,142,004)	(4,576,807)	(434,803)
Miscellaneous	-	-	27,774	27,774
Total Revenues	4,027,022	4,027,022	3,908,822	(118,200)
EXPENDITURES:				
Public Safety:				
Ambulance Service	3,625,436	3,617,802	3,285,671	(332,131)
Capital Outlay	59,630	59,630	37,927	(21,704)
Debt Service	550,318	557,952	409,165	(148,787)
General & Operating Contingency	50,000	50,000	-	(50,000)
Total Expenditures	4,285,384	4,285,384	3,732,762	(552,622)
Excess of Revenues Over (Under) Expenditures	(258,362)	(258,362)	176,060	434,422
FUND BALANCE, Budget Basis, July 1, 2010	391,748	391,748	1,199,496	807,748
FUND BALANCE, Budget Basis, June 30, 2011	\$ 133,386	\$ 133,386	\$ 1,375,555	\$ 1,242,169
Adjustments to GAAP Basis:				
Fixed Assets			3,111,224	
Principal Debt Service			(3,674,720)	
Other Post Employment Benefits Expense			(173,856)	
Accrued Compensated Absences Payable			(117,970)	
FUND BALANCE, GAAP Basis, June 30, 2011			\$ 520,234	

Douglas County Fire District No. 2

Detail Schedule of Expenditures - Actual and Budget
Enterprise Fund

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Personal Services:				
Fire Chief	7,527	7,527	12,029	4,502
Deputy Fire Chief	7,617	7,617	7,409	(208)
Batalion Chief	131,923	131,923	125,676	(6,247)
Finance Director	2,306	2,306	2,204	(102)
IS Manager	66,280	66,280	64,898	(1,382)
Accountant	4,409	4,409	3,066	(1,343)
Secretary	80,683	80,683	92,807	12,124
Supervisors	152,477	152,477	75,961	(76,516)
Despatchers	177,300	177,300	39,469	(137,831)
Wheelchairs	5,883	5,883	4,412	(1,471)
Emergency Paramedics ER	1,234,134	1,234,134	1,204,136	(29,998)
Mechanic	63,019	63,019	66,775	3,756
VA Transport	-	-	22,755	22,755
Staffing (Call)	-	-	48,850	48,850
ORWBF	1,353	1,353	1,232	(121)
SAIF	73,475	73,475	62,386	(11,089)
Unemployment	25,832	25,832	67,945	42,113
FICA/Medicare	147,917	147,917	134,355	(13,562)
Retirement	202,872	202,872	167,561	(35,311)
Medical Dental Vision	355,737	355,737	327,297	(28,440)
Education Incentive	1,900	1,900	1,775	(125)
PHEP	5,545	5,545	896	(4,649)
Total Personal Services	2,748,189	2,748,189	2,533,891	(214,298)

Douglas County Fire District No. 2

Detail Schedule of Expenditures - Actual and Budget
Enterprise Fund

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget)
Materials and Services:				
Medical Supplies	145,450	145,450	110,662	(34,788)
Education & Travel	30,748	30,748	21,765	(8,983)
Clothing	18,683	18,683	6,837	(11,846)
Communications	17,940	17,940	14,963	(2,977)
Information Systems	35,570	35,570	42,019	6,449
Utilities	26,967	26,967	25,249	(1,718)
Contracted Linen	-	-	96	96
Fuel	95,000	95,000	110,736	15,736
Building Maintenance	13,360	13,360	13,231	(129)
Station Supplies	7,500	7,500	8,299	799
Maintenance Mobile	66,592	66,592	31,801	(34,791)
Operating Supplies	500	500	127	(373)
Protective Clothing	20,000	20,000	235	(19,765)
Repair Maintenance Other Equipment	10,321	10,321	5,490	(4,831)
Legal, Auditing and Accounting	19,750	19,750	21,205	1,455
Insurance	20,032	20,032	21,485	1,453
Office Supplies	14,176	14,176	8,331	(5,845)
Miscellaneous	9,650	9,650	9,570	(80)
Dues and Subscriptions	3,025	3,025	3,134	109
Postage	9,300	9,300	5,330	(3,970)
License & Certification	4,145	4,145	4,171	26
Building Rental	12,600	12,600	12,400	(200)
Billing Fees	131,219	131,219	141,162	9,943
Leased Ambulances (Capital Lease)	164,719	157,085	133,481	(23,604)
Total Materials and Services	877,247	869,613	751,780	(117,833)
Other Expenditures:				
Capital	59,630	59,630	37,927	(21,704)
Contingency	50,000	50,000	-	(50,000)
Interest	321,804	329,438	164,751	(164,687)
Principal Flex Lease	21,100	21,100	35,000	13,900
Principal Payments-Equipment & Building	207,414	207,414	209,414	2,000
Total Other Expenditures	659,948	667,582	447,091	(220,491)
Total Enterprise Expenditures	\$ 4,285,384	\$ 4,285,384	\$ 3,732,762	\$ (552,622)

Other Supplemental Schedules

Douglas County Fire District No. 2

Schedule of Taxes

For the Fiscal Year Ended June 30, 2011

Assessed Valuation, 2010-2011 Tax Roll	1,760,090,196
Less Urban Renewal Excess	
Value Used to Compute Tax Rate	1,760,090,196
District Levy, Per One Thousand Dollars, Permanent Rate	3.1651
District Levy, Per One Thousand Dollars, Bond Rate	0.2221
Total District Levy Rate	3.3872
 Net Tax Levy	 \$ 5,961,778
 Total Taxes Imposed	 \$ 5,963,979

	Current Year Levy and Uncollected Balance July 1, 2010	Discounts	Tax Collector's Adjustment Increase (Decrease)	Interest	Collections During the Year	Uncollected Balance June 30, 2011
2010-2011	5,963,979	(141,562)	(1,633)	3,760	5,440,515	387,294
2009-2010	375,547	1,237	66,763	11,587	114,879	206,729
2008-2009	175,948	12	14,448	10,214	55,978	115,749
2007-2008	83,100	8	4,918	12,886	43,363	47,714
2006-2007	33,383	10	16,006	6,859	18,627	5,619
2005-2006	4,064		691	483	963	2,894
2004-2005	2,135		447	356	586	1,457
Prior	4,846		729	402	451	4,069
 Total	 \$ 6,643,002	 \$ (140,294)	 \$ 102,369	 \$ 46,547	 \$ 5,675,361	 \$ 771,525

	<u>Total</u>	<u>Current</u>	<u>Prior</u>
Tax Levies	<u>5,675,361</u>	<u>5,440,515</u>	<u>234,845</u>
Total (Cash Basis)	5,675,361	5,440,515	234,845
Accrual Adjustment	<u>123,972</u>	<u>123,972</u>	
Total	\$ 5,799,333	\$ 5,564,487	\$ 234,845

General Fund	5,096,096	291,813
Debt Service	381,660	-
Total	\$ 5,477,756	\$ 291,813

Douglas County Fire District No. 2

Schedule of Insurance Coverage

For the Fiscal Year Ended June 30, 2011

<u>Company</u>	<u>Policy Number</u>	<u>Expiration Date</u>	<u>Coverage</u>
Special Districts Association of Oregon	25P52060-479	1/1/2012	General Liability
Special Districts Association of Oregon	25P52060-479	1/1/2012	Employee Dishonesty
Special Districts Association of Oregon	25P52060-479	1/1/2012	Business Auto
Special Districts Association of Oregon	25P52060-479	1/1/2012	Earthquake & Flood
Special Districts Association of Oregon	25P52060-479	1/1/2012	Equipment Breakdown/ Boiler & Machinery
Special Districts Association of Oregon	25P52060-479	1/1/2012	Hazardous Materials Policy

Amount

\$ 4,500,000 Excess Liability
\$ 6,947,453 Buildings
\$ 715,427 Business Personal Property
\$ 1,651,546 Portable & Mobile Equipment
\$ 2,500 Ethics Complaint
\$ 50,000 BOLI Defense Costs
\$ 5,000 OSHA Defense Costs
\$ 100,000 Pollution Coverage
\$ 50,000 Applicators pollution Coverage
\$ 25,000 Injunctive Relief Defense

\$ 50,000 Employee Dishonesty
\$ 50,000 Foregery or Alteration
\$ 50,000 Theft, Disappearance or Destruction
\$ 50,000 Computer Fraud

\$1,000,000 - Liability Each Accident
\$1,000,000 - Uninsured Motorist Each Accident

\$ 9,319,426 each

\$ 50,000,000 Property Damage Limit per Accident
\$ 1,000,000 Business Interruption
\$ 500,000 Extra Expense
\$ 1,000,000 Contingent Business Income
\$ 500,000 Service Interruption

Various

AUDITOR'S COMMENTS

Douglas County Fire District No. 2

Auditor's Comments

For the Fiscal Year ended June 30, 2011

ACCOUNTING RECORDS AND INTERNAL CONTROL

The district's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

In planning and performing our audit, we considered the entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COLLATERAL

The District has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

INDEBTEDNESS

The District complied with legal requirements related to indebtedness and is within the limits established by ORS 264.250.

BUDGET PREPARATION PROCEDURES

The district appears to have complied in all material respects with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, of the current year, and the preparation and adoption of its budget for the year ending June 30 of the subsequent year, except for the 2010-2011 Enterprise Fund, which contain some mathematical errors in the budget and appropriation. The 2011-2012 Enterprise Fund was prepared correctly.

It appears that Oregon Local Budget Law (ORS 294.305 to 294.565) provisions have been satisfied in all material respects with regard to the respective budgets prepared for each year, except for the over expenditures of appropriations as shown in Note 10.

Douglas County Fire District No. 2

Auditor's Comments

For the Fiscal Year ended June 30, 2011

INSURANCE AND FIDELITY BONDS

A schedule of insurance coverage and fidelity bond is presented in Schedule of Insurance Coverage in Other Supplementary Schedules. We have reviewed the District's insurance and fidelity bond coverage and ascertained that such policies were in force and comply with legal requirements at June 30, 2011. We are not qualified by professional training to determine the adequacy of the District's insurance coverage.

INVESTMENTS

All monies were invested in compliance with ORS 295.

PUBLIC CONTRACTING

The District complied with ORS 279 by obtaining bids for all required public contracts.