

**CLACKAMAS COUNTY
FIRE DISTRICT #1**

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

**CLACKAMAS COUNTY
FIRE DISTRICT #1**

JUNE 30, 2016

<u>BOARD OF DIRECTORS</u>		<u>TERM EXPIRES</u>
John Blanton	President	June 30, 2017
Thomas Joseph	Vice President	June 30, 2019
Marilyn Wall	Secretary/Treasurer	June 30, 2019
Don Trotter	Director	June 30, 2017
Jim Syring	Director	June 30, 2019

All directors receive their mail at the address listed below

OFFICERS

Fred Charlton, District Fire Chief

ADMINISTRATION

Fred Charlton, Registered Agent
11300 SE Fuller Road
Milwaukie, Oregon 97222

CLACKAMAS COUNTY FIRE DISTRICT #1

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Certified Public Accountants

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503-723-7600 503-723-5100 FAX

INDEPENDENT AUDITORS' REPORT

Board of Directors
Clackamas County Fire District #1
Clackamas, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Clackamas County Fire District #1 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of Clackamas County Fire District #1, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although a part of the basic

financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires 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 to express an opinion or provide any assurance.

The General Fund Budgetary Comparison Schedule presented as Required Supplementary Information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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, and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

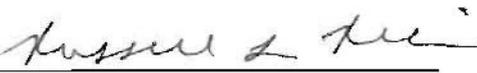
In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2016, on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing

Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 21, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants

West Linn, Oregon
November 21, 2016

By 

Russell T. Ries, Partner

**CLACKAMAS COUNTY FIRE DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

As management of the Fire District, we offer readers of the Fire District's financial statements a narrative overview and analysis of the financial statements of the Fire District for fiscal year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Fire District is a municipal corporation engaged in fire protection and emergency medical services, disaster preparedness, and other related emergency services.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the Fire District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$4,563,952.
- The Fire District's total net position decreased by \$13,829,645. The majority of the decrease is attributable to a change in pension liabilities.
- Capital assets increased \$128,158 to \$18,244,993 during the year.
- Long-term debt increased by \$17,941,428 to \$39,925,286. The net increase is attributable to payment of bonded debt, loan payments to the City of Oregon City, and payments on the promissory note for the Training Center property and proceeds from the 2015 general obligation bond issue.

FINANCIAL ANALYSIS

The Fire District's total net position was \$(4,563,952) at June 30, 2016. Of this amount, \$(21,777,377) was unrestricted, \$58,153 was restricted for special purposes and \$17,155,272 was invested in fixed assets net of related debt.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>% +/-</u>
Assets			
Cash and investments	\$ 30,361,911	\$ 18,396,920	65.0
Other assets	11,012,318	10,742,061	2.5
Capital assets	<u>18,244,993</u>	<u>18,116,835</u>	<u>0.7</u>
Total assets	59,619,222	47,255,816	26.2
Deferred Outflows			
Pension items	5,293,962	-	100.0
Liabilities			
Other liabilities	28,194,187	3,912,520	100.0
Long-term liabilities	<u>37,236,817</u>	<u>24,144,292</u>	<u>54.2</u>
Total liabilities	65,431,004	28,056,812	133.2
Deferred Inflows			
Pension items	4,046,132	9,933,311	(59.3)
Net Assets			
Investment in capital assets (net of related debt)	17,155,272	16,835,324	1.9
Restricted for special purposes	58,153	32,482	79.0
Unrestricted	<u>(21,777,377)</u>	<u>(7,602,113)</u>	<u>(100.0)</u>
Total Net Assets	<u>\$ (4,563,952)</u>	<u>\$ 9,265,693</u>	<u>\$ (149.2)</u>

STATEMENT OF NET POSITION

During the current fiscal year, the Fire District's net position decreased by \$13,829,645. The key elements of the change in the Fire District's net position for the year ended June 30, 2016 are as follows:

Assets:

- Cash and Investments increased by \$11,964,991 primarily due to the 2015 GO Bond issue.
- Property tax receivable increased by \$135,133 to \$2,544,268. This represents taxes levied but not received.
- Deposits increased by \$7,217,849 predominately due to the prepayment of fire apparatus. The prepayment of the apparatus allowed the Fire District to take advantage of a prepayment discount from the manufacturer.
- Pension Asset of \$7,240,012 as of June 30, 2015 as part of the GASB 68 reporting requirements was eliminated during 2016.
- Capital assets net of depreciation increased by \$128,158, predominately due to depreciation expense not exceeding the investment the Fire District made in capital assets during the fiscal year.
- Deferred Outflows: Pension items are related to the GASB 68 reporting standard for pension liabilities and are reported at \$5,293,962 at June 30, 2016.

Liabilities:

- 2015 GO Bond net proceeds of \$19,703,586 less principal payments of \$1,080,000 and bond premium amortization of \$121,490 resulted in a year-end balance of \$18,502,096.
- Payment on the 2010 Refunding Bond has reduced the Fire District's obligations by a net \$645,000.
- Payment to the City of Oregon City for the South End Station #17 and payment to a private party for property adjacent to the Training Center reduced the Fire District's liabilities by \$191,790.
- The Government Accounting Standards Board pronouncement #45 (GASB 45) requires the Fire District to report the implied subsidy for health insurance provided to retirees of the Fire District. This benefit is also known as Other Post Employment Benefits (OPEB) and the Fire District is statutorily required to provide the benefit to retirees. The GASB 45 requirement was implemented with the Fiscal 2008-10 financial reports. This year the OPEB liability increased the Fire District's liabilities by \$409,990 to \$4,982,771.
- Vacation liability increases or decreases year to year based on use and contract commitments. The liability increased by \$276,122 to \$2,608,489.
- Deferred Inflows: Pension items are related to the GASB 68 reporting standard for pension liabilities and are reported at \$4,046,132 at June 30, 2016.

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>% +/-</u>
Revenues			
Charges for service	\$ 4,329,522	\$ 3,981,529	8.7
Operating grants and contributions	995,321	930,283	7.0
General Revenues:			
Taxes and assessments	43,433,601	40,842,676	6.3
Miscellaneous	<u>769,632</u>	<u>3,327,826</u>	<u>(76.9)</u>
Total revenues	49,528,076	49,082,314	0.9
Expenses			
Fire services	61,724,948	33,195,286	85.9
Interest on long-term debt	<u>1,632,773</u>	<u>1,019,230</u>	<u>60.2</u>
Total expenses	<u>63,357,721</u>	<u>34,214,516</u>	<u>85.2</u>
Change in net assets	(13,829,645)	14,867,798	(193.0)
Beginning net position	9,265,693	(5,602,105)	265.4
Ending net position	\$ (4,563,952)	\$ 9,265,693	(149.3)

NOTES TO THE BASIC FINANCIAL STATEMENTS

The 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 financial statements can be found on pages 15 to 35 of this report.

REQUIRED SUPPLEMENTAL INFORMATION

Progress in funding the Fire District's other post employment and pension obligations and budgetary comparison statement for the General Fund has been provided. The budget is adopted on the modified accrual basis.

The Fire District's funds are broken into the following categories: General Fund, Equipment Reserve Fund, Capital Projects Fund, Training Enterprise Fund, Debt Service Fund, Sinking Fund, and PERS Reserve Fund. GASB 54 requires certain funds to be consolidated with the General Fund if the predominant funding source is from transfers from the General Fund. For the GASB 54 requirement the Fire District has consolidated the Equipment Reserve Fund, Capital Projects Fund, Sinking Fund, and the PERS Reserve Fund for reporting purposes. The activity of the individual funds is as follows:

General Fund

The resources allocated in the General fund are for the day to day operations of the Fire District. The fund balance in the General Fund increased by \$645,329 due to current resources collected exceeding planned expenditures.

Other Funds

Other Funds include the Equipment Reserve Fund, Capital Projects Fund, Training Enterprise Fund, PERS Reserve Fund, Sinking Fund, and Debt Service Fund. The fund balances in these funds changed as follows:

Equipment Reserve Fund – The balance in this fund decreased by \$648,960 as a result of current year capital outlay.

Capital Projects Fund (land and buildings) – The balance in the Capital Projects Fund increased by \$31,113. The Fire District utilized funding in the Capital Projects Fund to make a payment to the City of Oregon City for a fire station, and make payments on the loan for the property adjacent to the Training Center.

Training Enterprise Fund – This fund earned \$8,640 in revenue from classes provided to outside agencies and interest accrued. The fund balance decreased by \$4,565 due to capital outlay of \$13,205.

Debt Service Fund – The fund balance increased by \$25,671 in the Debt Service Fund. The ending balance is \$58,153.

PERS Reserve Fund – This was new fund budgeted beginning July 1, 2009 to prepare for the anticipated PERS employer rate increases for the 2011-13 biennium. The Fire District budgeted to resume transfers (\$534,000) for Fiscal Year 2015-16 in preparation for PERS employer rate increase anticipated in the 2017-19 biennium.

Sinking Fund – The balance in this fund increased \$17,736,719 primarily due to the recognition of the 2015 GO bond net proceeds of \$19,467,014 and current year capital outlay of \$1,158,854.

INVESTMENTS

The bulk of the Fire District's cash assets are placed in the State of Oregon's Local Government Investment Pool (LGIP), also known as the Oregon Short Term Fund (OSTF). At June 30, 2016 the Fire District had \$29,205,977 invested with the LGIP. The current audit of the OSTF Fund indicates 100 percent funded status for overall assets placed with the fund as of June 30, 2016.

CAPITAL ASSETS

At June 30, 2016, the Fire District had \$18,244,993 invested in capital assets, including land, buildings, and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$128,158. Fiscal Year 2015-16 additions are mainly the result of the purchase of a fleet vehicle, fleet maintenance equipment, and small equipment purchases. The increase in net assets is attributable to depreciation of existing capital assets not exceeding the Fire District's investment in capital assets.

LONG TERM DEBT

At June 30, 2016, the Fire District had long-term debt outstanding of \$37,236,817 (PERS Bonds of \$17,645,000), a loan payable to the City of Oregon City for Fire Station purchases with a balance of \$246,268, a promissory note for the purchase of the Training Center property for \$843,457, and the 2015 GO Bonds of \$16,700,000).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fire District is primarily dependent upon property taxes for the funding of operations; therefore, the Fire District is affected by the local economic conditions. The budget for Fiscal 2016-17 has been approved by the board, and includes a conservative revenue increase related to property value increases/additions and increased expenses due to contract commitments.

Grant Administration

During Fiscal Year 2013-14 the Fire District applied and was successfully awarded a two year SAFER Grant. The SAFER Grant allowed the Fire District to augment fire station staffing with grant funding in the amount of \$2,046,001 over a two year period. The Fire District is not required to match this funding. The grant allowed 9 firefighters to be hired and placed at specific stations to increase three response units from 2-person staffing on a squad to 3-person staffing on an engine at two stations and one station was increased from 3-person staffing to 4-person staffing on an engine as is recommended by NFPA 1710.

The Fire District continues to maintain the staffing required with the SAFER Grant awarded in 2008. This grant had a four year performance period and required increased funding on the Fire District part to maintain the positions. These positions have been successfully maintained and are now fully funded by the Fire District.

The Fire District continues to pursue grant funding as opportunities open.

CONTACTING THE FIRE DISTRICT'S FINANCIALIAL MANAGEMENT

Our financial report is designed to provide our citizens and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Finance Director for Clackamas County Fire District #1, Christina Day at 503-742-2600 or email at christina.day@clackamasfire.com.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 30,361,911
Property taxes receivable	2,544,268
Accounts receivable	212,235
Grants receivable	288,791
Deposits	7,767,220
Inventories	199,804
Capital Assets:	
Land	1,642,871
Trucks and equipment (net of depreciation)	<u>16,602,122</u>
Total assets	<u>59,619,222</u>
DEFERRED OUTFLOWS	
Pension items	<u>5,293,962</u>
LIABILITIES	
Accounts payable	518,065
Accrued interest payable	171,500
Payroll liabilities	1,094,211
Compensated absences	2,688,469
Net pension liability	18,739,171
Accrued OPEB liability	4,982,771
Due within one year:	
Bonds payable	1,926,490
Capital lease	196,025
Due in more than one year:	
Bonds payable	34,220,606
Capital lease	<u>893,696</u>
Total liabilities	<u>65,431,004</u>
DEFERRED INFLOWS	
Pension items	<u>4,046,132</u>
NET POSITION	
Net investment in capital assets	17,155,272
Restricted for special purposes	58,153
Unrestricted	<u>(21,777,377)</u>
Total net position	<u>\$ (4,563,952)</u>

(See accompanying notes to basic financial statements)

**CLACKAMAS COUNTY
FIRE DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions</u>	<u>Function Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Fire Services	\$ 61,724,948	\$ 4,329,522	\$ 995,321	\$ (56,400,105)
Interest on long-term debt	<u>1,632,773</u>	<u>-</u>	<u>-</u>	<u>(1,632,773)</u>
Total governmental activities	<u>\$ 63,357,721</u>	<u>\$ 4,329,522</u>	<u>\$ 995,321</u>	<u>\$ (58,032,878)</u>
General Revenues:				
Taxes				43,433,601
Miscellaneous				<u>769,632</u>
Total general revenues				<u>44,203,233</u>
CHANGE IN NET POSITION				(13,829,645)
NET POSITION, beginning				<u>9,265,693</u>
NET POSITION, ending				<u>\$ (4,563,952)</u>

(See accompanying notes to basic financial statements)

**CLACKAMAS COUNTY
FIRE DISTRICT #1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 30,307,394	\$ 54,517	\$ 30,361,911
Taxes receivable	2,469,194	75,074	2,544,268
Accounts receivable	206,673	5,562	212,235
Grants receivable	288,791	-	288,791
Deposits	7,767,220	-	7,767,220
Inventories	<u>199,804</u>	<u>-</u>	<u>199,804</u>
 Total assets	 <u>\$ 41,239,076</u>	 <u>\$ 135,153</u>	 <u>\$ 41,374,229</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 518,065	\$ -	\$ 518,065
Payroll liabilities	<u>1,094,211</u>	<u>-</u>	<u>1,094,211</u>
Total liabilities	<u>1,612,276</u>	<u>-</u>	<u>1,612,276</u>
Deferred Inflows of Resources			
Unavailable revenue – property taxes	<u>2,224,654</u>	<u>67,622</u>	<u>2,292,276</u>
Total liabilities and deferred inflows	<u>3,836,930</u>	<u>67,622</u>	<u>3,904,552</u>
Fund Balances			
Non-spendable for –			
Inventory	199,804	-	199,804
Deposits	7,767,220	-	7,767,220
Restricted for –			
Debt payments	-	58,153	58,153
Committed – Training classes	-	9,378	9,378
Assigned for –			
Projected budgetary deficit	2,092,539	-	2,092,539
Future equipment purchases	565,824	-	565,824
Future capital projects	2,662,886	-	2,662,886
Multi-year projects	10,733,632	-	10,733,632
Employee retirement	536,258	-	536,258
Unassigned	<u>12,843,893</u>	<u>-</u>	<u>12,843,893</u>
Total fund balances	<u>37,402,146</u>	<u>67,531</u>	<u>37,469,677</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 41,239,076</u>	 <u>\$ 135,153</u>	 <u>\$ 41,374,229</u>

(See accompanying notes to basic financial statements)

**CLACKAMAS COUNTY
FIRE DISTRICT #1
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION –
GOVERNMENTAL FUNDS
JUNE 30, 2016**

Total Fund Balances – Governmental Funds	\$ 37,469,677
<p>The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.</p>	
Net Capital Assets	18,244,993
<p>Pension related assets, deferred outflows, liabilities and deferred inflows are recognized on the Statement of Net Position but not in the governmental funds.</p>	
Deferred outflows for pension items	5,293,962
Pension liability	(18,739,171)
Deferred inflows for pension items	<u>(4,046,132)</u>
	(17,491,341)
<p>Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.</p>	
	(40,096,786)
Deferred revenue related to property taxes	2,292,276
Accrual of OPEB	<u>(4,982,771)</u>
NET POSITION	<u>\$ (4,563,952)</u>

(See accompanying notes to basic financial statements)

**CLACKAMAS COUNTY
FIRE DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Funds		
	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 41,752,394	\$ 1,639,615	\$ 43,392,009
Contract income	4,163,681	-	4,163,681
Grant income	853,465	-	853,465
Earnings on investments	210,410	3,421	213,831
Miscellaneous	854,932	8,566	863,498
	<u>47,834,882</u>	<u>1,651,602</u>	<u>49,486,484</u>
EXPENDITURES:			
Fire Protection Services:			
Personal services	39,631,914	-	39,631,914
Materials and services	5,070,891	-	5,070,891
Capital outlay	3,298,632	13,205	3,311,837
Debt service	-	1,701,060	1,701,060
Total expenditures	<u>48,001,437</u>	<u>1,714,265</u>	<u>49,715,702</u>
Excess of Revenue Over (Under)			
Expenditures	(166,555)	(62,663)	(229,218)
Other Financing Sources (Uses):			
Proceeds from bond issue	19,619,817	83,769	19,703,586
Debt issuance costs	(152,803)	-	(152,803)
Transfers in	2,212,000	-	2,212,000
Transfers out	(2,212,000)	-	(2,212,000)
Total other financing sources (uses)	<u>19,467,014</u>	<u>83,769</u>	<u>19,550,783</u>
Net Change in Fund Balance	19,300,459	21,106	19,321,565
Beginning Fund Balance	<u>18,101,687</u>	<u>46,425</u>	<u>18,148,112</u>
Ending Fund Balance	<u>\$ 37,402,146</u>	<u>\$ 67,531</u>	<u>\$ 37,469,677</u>

(See accompanying notes to basic financial statements)

**CLACKAMAS COUNTY
FIRE DISTRICT #1
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES –
GOVERNMENTAL FUNDS
JUNE 30, 2016**

Net Changes in Fund Balances – Governmental Funds \$ 19,321,565

Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Additions to bond principal, capital leases and post retirement obligations is an expense for the Statement of Net Assets but not the governmental funds.

Bond payments	1,725,000
Capital lease payments	191,790
Change in post retirement obligations	<u>(409,990)</u>
	1,506,800

Fixed asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which fixed asset additions exceeds depreciation. 182,576

Fixed asset deletions result in a gain or loss on the statement of activities due to the difference between the cost basis and accumulated depreciation for disposed items. (54,418)

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued. 41,592

Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds. (171,500)

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:

2015 General Obligation Bonds	(19,582,096)
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Change in accrued compensated absences	(276,122)
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Net change in pension related assets, deferred outflows, liabilities and deferred inflows	<u>(14,798,042)</u>
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Change in Net Position of Governmental Activities	<u>\$ (13,829,645)</u>
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(See accompanying notes to basic financial statements)

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The District was organized under provisions of Oregon Statutes Chapter 478 for the purpose of providing fire protection and other emergency services. The Clackamas County Fire District #1 is a municipal corporation governed by an elected five member board. As required by accounting principles generally accepted in the United States of America, these financial statements present Clackamas County Fire District #1 (the primary government) and any component units. Component units, as established by GASB Statement 39 as amended by GASB 61, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

**Measurement Focus, Basis of Accounting and Basis of Presentation
Government-Wide Financial Statements (GWFS)**

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions."

The government-wide statements report information on the District irrespective of fund activity, and the fund financial statements report information using the District's funds. The District has only "governmental activities" and one "program" as defined in the Statement.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

Fund Financial Statements

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

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Governmental Fund Types

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Description of Funds

The District reports the following major fund:

General Fund

This fund accounts for all financial resources and expenditures of the District, except those required to be accounted for in another fund. The primary source of revenue is property taxes and the primary expenditures are for fire protection and administration.

Budget

A budget is prepared and legally adopted for each fund on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. The District begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30th.

Expenditures budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency.

Expenditures cannot legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Expenditures of the various funds were within authorized appropriation levels except debt service expenditures exceeded appropriations by \$84,815 in the Debt Service Fund.

Property Taxes Receivable

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Position. In the Fund Financial Statements property taxes that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred inflows because it is not deemed available to finance operation of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Capital Assets

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives: 5 to 40 years.

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Compensated Absences

It is the District's policy to permit employees to accumulate earned unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignation and retirements.

Net Position

Net position comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, laws or regulations of other governments or constraints through constitutional provisions or enabling legislation.

Unrestricted – consists of all other assets not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt. As permitted by GASB Statement No. 34 the cost of bond issuance will be amortized prospectively from the date of adoption of GASB Statement No. 34.

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

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Balance

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Authority to classify portions of ending fund balance as Assigned has been given to the Fire Chief and Finance Director
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed, assigned, and unassigned.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy in the General Fund. The policy states the District wants to maintain a minimum General Fund ending fund balance totaling 5 months of Personnel Services expenditures and 25 percent of the Materials & Services and Capital Outlay annual appropriations for expenditures.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Deferred Outflows/inflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government on has no item that qualifies for reporting in the category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which qualifies for reporting in this category. The first unavailable revenue is in the governmental funds balance sheet for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's statement of net position shows pension items as a Net Deferred Inflow.

NOTE B – CASH AND INVESTMENTS:

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

Cash and Investments at June 30 (recorded at cost) consisted of:

	Carrying Value	Percent of Portfolio	Weighted Average Maturity Years
Demand Deposits	\$ 1,148,234	3.78%	-
Petty Cash	4,700	.02%	-
Cash with Fiscal Agent	3,000	.01%	-
Investments	<u>29,205,977</u>	96.19%	-
Total	<u>\$30,361,911</u>		

Investments

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE B – CASH AND INVESTMENTS (CONTINUED):

investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2016. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2016 the fair value of the position in the LGIP is 100% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Interest Rate Risk

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

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Custodial Credit Risk

At year-end, the District's net carrying amount of deposits was \$1,148,233 and the bank balance was \$1,364,683. Of these deposits, \$250,000 was covered by federal depository insurance. Oregon Revised Statutes and District policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE C – CAPITAL ASSETS:

The changes in capital assets for the fiscal year ended June 30, 2016 are as follows:

	June 30, 2015	Adjustments	Additions	Deletions	June 30, 2016
Non-Depreciable					
Land	\$ 1,642,871	\$ -	\$ -	\$ -	\$ 1,642,871
Total Non-Depreciable	<u>1,642,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,642,871</u>
Depreciable					
Buildings	20,248,017	-	17,300	-	20,265,317
Trucks and Equipment	16,709,504	-	1,685,934	(1,113,279)	17,282,159
Total Depreciable	<u>36,957,521</u>	<u>-</u>	<u>1,703,234</u>	<u>(1,113,279)</u>	<u>37,547,476</u>
Less: Accumulated Depreciation					
Buildings	8,612,562	-	517,949	-	9,130,511
Trucks and Equipment	11,870,995	-	1,002,709	(1,058,861)	11,814,843
Total Accumulated Depreciation	<u>20,483,557</u>	<u>-</u>	<u>1,520,658</u>	<u>(1,058,861)</u>	<u>20,945,354</u>
Net Depreciable Capital Assets	<u>16,473,964</u>	<u>-</u>	<u>182,576</u>	<u>(54,418)</u>	<u>16,602,122</u>
Capital Assets, Net	<u>\$ 18,116,835</u>	<u>\$ -</u>	<u>\$ 182,576</u>	<u>\$ (54,418)</u>	<u>\$ 18,244,993</u>

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM:

Plan description

The Oregon Public Employees Retirement System (PERS) consisting of a single cost-sharing multiple-employee defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx. If the link is expired please contact Oregon PERS for this information.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

Benefits provided

1. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

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

Death Benefits

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

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

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

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA will vary based on the amount of the annual benefit.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

2. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

Participation in OPERS defined benefit pension plans also participate in their defined contribution plan. An Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completed 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

Death Benefits

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

Contributions

Six percent of covered payroll is withheld from general service and fire employees.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$3,979,579, excluding amounts to fund employer specific liabilities. The rates based on a percentage of payroll, first became effective July 1, 2015. The rates in effect for the fiscal year ended June 30, 2016 were 17.55% for Tier One/Tier Two Payroll, 8.34% for OPSRP Payroll General Service, and 12.45% for OPSRP Police and Fire Payroll.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a net pension liability of \$18,739,171 for its proportionate share of the plan net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District's proportion was 0.32638330%, which increased from its proportion measured as of June 30, 2015 which was 0.31940553%.

For the year ended June 30, 2016, the District's recognized pension expense of \$18,491,226. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,010,511	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,928,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	282,464	117,977
District contributions subsequent to the measurement date	<u>4,000,987</u>	<u>-</u>
	<u>\$ 5,293,962</u>	<u>\$ (4,046,132)</u>

Amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (1,598,997)
2018	(1,598,997)
2019	(1,598,997)
2020	1,951,804
2021	<u>92,031</u>
	<u>\$ (2,753,157)</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

Actuarial Cost Method and Assumptions

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. To reflect the *Moro* decision, we estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting changes, if available.

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of a 2012 actuarial experience study published September 18, 2013.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

Assumed Asset Allocation:

Asset Class/Strategy	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.00%

Long-term expected rate of return

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

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

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

Discount rate

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

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

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

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED):

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability (asset)	\$ 45,226,292	\$ 18,739,171	\$ (3,582,513)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Oregon PERS system with – GASB 68 reporting summary dated May 23, 2016.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO Box 23700, Tigard, OR 97281-3700, http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_in_formation_revised.pdf.

Payable to PERS

At June 30, 2016, the District reported a payable of \$326,500 for the outstanding amount of contributions due to PERS for the year.

NOTE E – LONG-TERM DEBT:

The changes in long-term debt for the year ended June 30, 2016 is comprised of the following:

Governmental General Activities:

	<u>Outstanding July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2016</u>	<u>Due Within One Year</u>
2015 GO Bonds	\$ -	\$ 17,780,000	\$ 1,080,000	\$ 16,700,000	\$ 1,050,000
2005 PERS Bonds	18,290,000	-	645,000	17,645,000	755,000
Oregon City Loan Payable – Fire Station	369,402	-	123,134	246,268	123,134
Promissory Note	912,109	-	68,656	843,453	72,891
Accrued Compensated Absences	2,412,347	2,688,469	2,412,347	2,688,469	2,688,469
Unamortized Premiums	-	1,923,586	121,490	1,802,096	121,490
Totals	<u>\$ 21,983,858</u>	<u>\$ 22,392,055</u>	<u>\$ 4,450,627</u>	<u>\$39,925,286</u>	<u>\$ 4,810,984</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE E – LONG-TERM DEBT (Continued):

General Obligation Bonds

The District issued \$17,780,000 in general obligations bonds (Series 2015) during the current fiscal year. These bonds mature in 2030. General obligation bonds issued in the current year and reported as a liability of the District's governmental activities are:

Issue Amount	Maturity Date	Interest Rate	Year-end Balances Governmental Activities
\$ 1,080,000	2016	4%	\$ -
1,050,000	2017	4%	1,050,000
1,100,000	2018	5%	1,100,000
800,000	2019	5%	800,000
925,000	2020	5%	925,000
1,000,000	2021	5%	1,000,000
6,080,000	2022-2026	5%	6,080,000
5,745,000	2027-2030	5%	5,745,000
Totals			<u>\$16,700,000</u>
Amount due within one year			<u>\$ 1,050,000</u>

Future debt service requirements for bonds payable and loans payable are as follows:

Year	2015 60 Bonds		2005 PERS Bonds		Oregon City Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016 – 2017	\$ 1,050,000	\$ 709,600	\$ 755,000	\$ 877,504	\$ 123,134	\$ -
2017 – 2018	1,100,000	667,600	870,000	840,818	123,134	-
2018 – 2019	800,000	612,600	1,000,000	798,545	-	-
2019 – 2020	925,000	572,600	1,135,000	749,955	-	-
2020 – 2021	1,000,000	526,350	1,285,000	694,805	-	-
2022 – 2026	6,080,000	1,806,750	9,075,000	2,340,622	-	-
2027 – 2030	5,745,000	438,150	3,525,000	230,684	-	-
Totals	<u>\$16,700,000</u>	<u>\$5,333,650</u>	<u>\$17,645,000</u>	<u>\$ 6,532,933</u>	<u>\$ 246,268</u>	<u>\$ -</u>

Year	Promissory Note - Training Facility		Totals	
	Principal	Interest	Principal	Interest
2016 – 2017	\$ 72,891	\$ 48,624	\$ 2,001,025	\$ 1,635,728
2017 – 2018	77,387	44,129	2,170,521	1,552,547
2018 – 2019	82,160	39,356	1,882,160	1,450,501
2019 – 2020	87,227	34,288	2,147,227	1,356,843
2020 – 2021	93,070	28,442	2,378,070	1,249,597
2022 – 2026	430,718	55,347	15,585,718	4,202,719
2027 – 2030	-	-	9,270,000	668,834
Totals	<u>\$ 843,453</u>	<u>\$ 250,186</u>	<u>\$35,434,721</u>	<u>\$12,116,769</u>

The Accrued Compensated Absences are considered to be current liabilities.

NOTE F – RISK MANAGEMENT:

The Fire 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 Fire 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.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE G – OTHER POST EMPLOYMENT BENEFITS:

Plan Description – The District operates a single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their dependents. There are active and retired members in the plan. The retiree must be eligible to receive benefits from Oregon PERS. Eligibility requirements for earliest retirement under Oregon PERS are as follows: Tier 1 or Tier 2 General Service – Earlier of age 55, or any age with 30 years of service, OPSRP General Service - Age 55 or 5 years of service, Tier 1 or Tier 2 Firefighter – Earlier of age 50, or any age with 25 years of service, and OPSRP firefighter – Age 50 with 5 years of service. The District's post-retirement healthcare plan established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The benefit duration covers all retirees and eligible dependents until Medicare eligibility. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation (NPO) – The District's annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter 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) over a period not to exceed thirty years.

The following table shows the components of the OPEB obligation at the end of the year:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution	\$ 750,565	\$ 706,003	\$ 835,707
Interest on Net Pension Obligation	160,047	146,094	127,880
Adjustment to Annual Required Contrib.	<u>(304,852)</u>	<u>(278,276)</u>	<u>(243,582)</u>
Annual Pension Cost	605,760	573,821	720,005
Contributions made	<u>(195,770)</u>	<u>(175,171)</u>	<u>(199,594)</u>
Increase in Net Pension Obligation	409,990	398,650	520,411
NPO (Asset) at Beginning of Year	<u>4,572,781</u>	<u>4,174,131</u>	<u>3,653,720</u>
NPO (Asset) at End of Year	<u>\$ 4,982,771</u>	<u>\$ 4,572,781</u>	<u>\$ 4,174,131</u>

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit method. The objective of this method is to fund each participant's benefits under the plans as they accrue. The unfunded accrued liability is amortized over an open period of 30 years as a percentage of payroll. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 3.5% compounded annually and a payroll growth

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE G – OTHER POST EMPLOYMENT BENEFITS (Continued):

rate of 3.50%, (b) 80% of future retirees electing coverage are assumed to cover a spouse as well, males are assumed to be three years older than their female spouses, (c) medical costs would increase at 5.00% to 7.00% (dental 4.5%) percent inflation for the current year, grading down to annual rate of 4.75 percent after ten years. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

Funding Status and Funding Progress – As of July 1, 2012 the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,923,963 and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$5,923,963. As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,275,222 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,275,222. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Retirement Health Insurance Account (RHIA)

Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. 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. PERS issues 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.

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 RHIA 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) enroll 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

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE G – OTHER POST EMPLOYMENT BENEFITS (Continued):

allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.53% of Tier 1 and Tier 2 payroll and 0.45% of OPSRP annual covered payroll. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is 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 closed period not to exceed 30 years. The District's contributions to RHIA for the year ended June 30, 2016 were \$252,428 which equaled the required contribution for the year.

NOTE H – RISK MANAGEMENT:

The District established the Health Self-Insurance Plan during the 2010-2012 fiscal year. The Health Self-Insurance is used to pay employee medical bills, vision, and administrative fees. The District purchases commercial insurance for claims in excess of coverage provided by the Health Self-Insurance Plan and for all other risks of loss. The claim liability of \$300,000 reported in the funds at June 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amounts of the loss can be reasonably estimated.

NOTE I – SHORT-TERM DEBT:

The District uses a taxable line of credit to help meet current cash flow needs. The various rate line of credit is with Key Bank and may not exceed \$1 million.

NOTE J – DISSOLUTION AND ANNEXATION:

Boring Fire has adopted a plan of dissolution to transfer all assets and properties to the District if approved by voters. This realignment is contingent upon the passage of three measures. The first is the approval of the dissolution by voters of Boring Fire, Measure 3-493. The second is the approval of annexation of the area into the District by District voters, Measure 3-494. The third is the approval of annexation of the area into the District by voters of Boring Fire. All three measures must pass or all are considered null and void.

The Board of County Commissioners ("BCC") held a hearing on the proposal on July 28, and found that both Boring Fire and the District had met the statutory criteria necessary to advance this question to voters. Therefore, the BCC has ordered an election be held on this measure and the two related measures as described above. If passed, the annexation will be effective only after the plan of dissolution is completed.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE K – COMMITMENTS AND CONTINGENCIES:

Grant Programs

Certain grantors may conduct audits of the expenditures of funds under contracts to determine eligibility under applicable regulations and contract provisions. In the event unallowable expenditures have been made, a liability for repayment of those funds could exist. However, it is the opinion of management that all applicable regulations and contract provisions, that have a material effect on the accompanying financial statements, have been complied with.

REQUIRED SUPPLEMENTARY INFORMATION

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
IMPLICIT RATE SUBSIDY OPEB
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	% of Covered Payroll
07/01/08	\$ 0	\$9,589,965	\$ 9,589,965	0%	\$17,485,632	55%
07/01/10	0	6,243,344	6,243,344	0%	19,893,920	31%
07/01/12	0	5,923,963	5,923,963	0%	21,131,946	28%
07/01/14	0	5,275,222	5,275,222	0%	24,500,187	22%

Schedule of Employer Contributions:

Year Ended	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2013	\$ 686,573	27%	\$ 3,653,720
6/30/2014	720,005	28%	4,174,131
6/30/2015	573,821	31%	4,572,781
6/30/2016	605,760	32%	4,982,771

**CLACKAMAS COUNTY
FIRE DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability(asset)(NPL)	(b) Employer's proportionate share of the net pension liability(asset)(NPL)	(c) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.32638333%	\$ 18,739,171	\$24,803,359	N/A	91.87%
2015	0.31940553%	\$ (7,240,012)	\$21,263,236	N/A	103.59%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$3,979,579	\$ 3,979,579	\$ -	\$26,799,963	14.84%
2015	\$3,829,135	\$ 3,829,135	\$ -	\$24,803,359	15.4%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Taxes	\$ 41,567,071	\$ 41,567,071	\$ 41,752,394	\$ 185,323
Contract income	4,163,105	4,163,105	4,163,681	576
Earnings on investments	140,000	140,000	105,197	(34,803)
Grants	955,000	955,000	853,465	(101,535)
Miscellaneous	547,621	547,621	809,907	262,286
Total revenues	<u>47,372,797</u>	<u>47,372,797</u>	<u>47,684,644</u>	<u>311,847</u>
EXPENDITURES:				
Personal services	39,325,161	40,040,851	39,631,914	408,937
Materials and services	5,733,175	5,733,175	5,070,891	662,284
Capital outlay	706,870	706,870	434,510	272,360
Contingency	2,183,980	1,503,418	-	1,503,418
Total expenditures	<u>47,949,186</u>	<u>47,984,314</u>	<u>45,137,315</u>	<u>2,846,999</u>
Excess of Revenues Over (Under) Expenditures	(576,389)	(611,517)	2,547,329	3,158,846
Other Financing Sources (Uses):				
Transfers In	655,000	655,000	655,000	-
Transfers Out	<u>(1,557,000)</u>	<u>(1,557,000)</u>	<u>(1,557,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(902,000)</u>	<u>(902,000)</u>	<u>(902,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,478,389)	(1,513,517)	1,645,329	3,158,846
FUND BALANCE, Beginning	<u>11,711,057</u>	<u>11,711,057</u>	<u>14,255,130</u>	<u>2,544,073</u>
FUND BALANCE, Ending	<u>\$ 10,232,668</u>	<u>\$ 10,197,540</u>	<u>\$ 15,900,459</u>	<u>\$ 5,702,919</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information

The District prepares its annual operating budget under the provisions of the Oregon Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

Local Budget law process requires that certain, specific actions must happen as a local government prepares its annual budget. The process can be broken down into four phases.

Phase 1 begins the process. The budget officer puts together a proposed budget. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

Phase 2 is when the budget committee approves the budget. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

Phase 3 includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the government body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.

Phase 4 occurs during the fiscal year when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level of control by department within a fund:

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriations between departments and supplemental appropriations require Board approval. The Director may transfer appropriations between object categories within a department without Board approval. Supplemental appropriations must also be filed with the Office of State Auditor and inspector.

Basis of Accounting

The budget is prepared on the modified cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions.

SUPPLEMENTARY INFORMATION

**CLACKAMAS COUNTY
FIRE DISTRICT #1
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30 2016**

	GENERAL FUND	EQUIPMENT RESERVE FUND	CAPITAL PROJECT FUND	SINKING FUND	PERS RESERVE FUND	TOTAL
ASSETS						
Cash and Investments	\$ 15,808,794	\$ 565,824	\$ 2,662,886	\$ 10,733,632	\$ 536,258	\$ 30,307,394
Accounts Receivable	206,673	-	-	-	-	206,673
Taxes Receivable	2,469,194	-	-	-	-	2,469,194
Grants Receivable	288,791	-	-	-	-	288,791
Inventories	199,804	-	-	-	-	199,804
Deposits for capital assets	764,133	-	-	7,003,087	-	7,767,220
Total Assets	\$ 19,737,389	\$ 565,824	\$ 2,662,886	\$ 17,736,719	\$ 536,258	\$ 41,239,076
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 518,065	\$ -	\$ -	\$ -	\$ -	\$ 518,065
Accrued Wages and Payroll Taxes	1,094,211	-	-	-	-	1,094,211
Total Liabilities	1,612,276	-	-	-	-	1,612,276
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	2,224,654	-	-	-	-	2,224,654
Total Deferred Inflows of Resources	2,224,654	-	-	-	-	2,224,654
Fund Balances						
Non-Spendable	963,937	-	-	7,003,087	-	7,967,024
Assigned:						-
Projected Budgetary Deficit	2,092,539	-	-	-	-	2,092,539
Future Equipment	-	565,824	-	-	-	565,824
Capital Projects	-	-	2,662,886	-	-	2,662,886
Multi-Year Projects	-	-	-	10,733,632	-	10,733,632
Employee retirement	-	-	-	-	536,258	536,258
Unassigned	12,843,983	-	-	-	-	12,843,983
Total Fund Balances	15,900,459	565,824	2,662,886	17,736,719	536,258	37,402,146
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,737,389	\$ 565,824	\$ 2,662,886	\$ 17,736,719	\$ 536,258	\$ 41,239,076

**CLACKAMAS COUNTY
FIRE DISTRICT #1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL	EQUIPMENT RESERVE FUND	CAPITAL PROJECT FUND	SINKING FUND	PERS RESERVE FUND	TOTAL
REVENUES:						
Taxes	\$ 41,752,394	\$ -	\$ -	\$ -	\$ -	\$ 41,752,394
Contract Income	4,163,681					4,163,681
Earnings on Investments	105,197	4,866	14,530	83,559	2,258	210,410
Miscellaneous	809,907					809,907
Sale of Surplus Property		45,025	-	-	-	45,025
Grants	853,465	-	-	-	-	853,465
Total Revenues	47,684,644	49,891	14,530	83,559	2,258	47,834,882
EXPENDITURES:						
Fire Protection Services:						
Personal Services	39,631,914					39,631,914
Materials and Services	5,070,891	-	-	-	-	5,070,891
Capital Outlay	434,510	1,421,851	283,417	1,158,854	-	3,298,632
Total Expenditures	45,137,315	1,421,851	283,417	1,158,854	-	48,001,437
Excess of Revenues Over (Under) Expenditures	2,547,329	(1,371,960)	(268,887)	(1,075,295)	2,258	(166,555)
Other Financing Sources (Uses):						
Proceeds from Bond Issue				19,619,817		19,619,817
Debt issuance costs including underwriter's discount				(152,803)		(152,803)
Transfers In	655,000	723,000	300,000	-	534,000	2,212,000
Transfers Out	(1,557,000)	-	-	(655,000)	-	(2,212,000)
Total Other Financing Sources (Uses)	(902,000)	723,000	300,000	18,812,014	534,000	19,467,014
Net Change in Fund Balance	1,645,329	(648,960)	31,113	17,736,719	536,258	19,300,459
Beginning Fund Balance	14,255,130	1,214,784	2,631,773	-	-	18,101,687
Ending Fund Balance	\$ 15,900,459	\$ 565,824	\$ 2,662,886	\$ 17,736,719	\$ 536,258	\$ 37,402,146

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -
EQUIPMENT RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Sale of surplus property	\$ -	\$ -	\$ 45,025	\$ 45,025
Earnings of investments	<u>6,814</u>	<u>6,814</u>	<u>4,866</u>	<u>(1,948)</u>
Total revenues	<u>6,814</u>	<u>6,814</u>	<u>49,891</u>	<u>43,077</u>
EXPENDITURES:				
Capital outlay	<u>1,696,617</u>	<u>1,696,617</u>	<u>1,421,851</u>	<u>274,766</u>
Total expenditures	<u>1,696,617</u>	<u>1,696,617</u>	<u>1,421,851</u>	<u>274,766</u>
Excess of Revenues Over (Under) Expenditures	(1,689,803)	(1,689,803)	(1,371,960)	317,843
Other Financing Sources (Uses):				
Transfers In	<u>723,000</u>	<u>723,000</u>	<u>723,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>723,000</u>	<u>723,000</u>	<u>723,000</u>	<u>-</u>
Net Change in Fund Balance	(966,803)	(966,803)	(648,960)	317,843
FUND BALANCE, Beginning	<u>1,362,760</u>	<u>1,362,760</u>	<u>1,214,784</u>	<u>(147,976)</u>
FUND BALANCE, Ending	<u>\$ 395,957</u>	<u>\$ 395,957</u>	<u>\$ 565,824</u>	<u>\$ 169,867</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Earnings on investments	\$ 14,156	\$ 14,156	\$ 14,530	\$ 374
Grants	<u>649,196</u>	<u>649,196</u>	<u>-</u>	<u>(649,196)</u>
Total revenues	<u>663,352</u>	<u>663,352</u>	<u>14,530</u>	<u>(648,822)</u>
EXPENDITURES:				
Capital outlay	<u>970,323</u>	<u>970,323</u>	<u>283,417</u>	<u>686,906</u>
Total expenditures	<u>970,323</u>	<u>970,323</u>	<u>283,417</u>	<u>686,906</u>
Excess of Revenues Over (Under) Expenditures	(306,971)	(306,971)	(268,887)	38,084
Other Financing Sources (Uses):				
Transfers In	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balance	(6,971)	(6,971)	31,113	38,084
FUND BALANCE, Beginning	<u>2,681,329</u>	<u>2,681,329</u>	<u>2,631,773</u>	<u>(49,556)</u>
FUND BALANCE, Ending	<u>\$ 2,674,358</u>	<u>\$ 2,674,358</u>	<u>\$ 2,662,886</u>	<u>\$ (11,472)</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -
SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Earnings on investments	\$ 117,042	\$ 117,042	\$ 83,559	\$ (33,483)
EXPENDITURES:				
Capital outlay	<u>7,681,650</u>	<u>7,681,650</u>	<u>1,158,854</u>	<u>6,522,796</u>
Excess of Revenues Over (Under) Expenditures	(7,564,608)	(7,564,608)	(1,075,295)	6,489,313
Other Financing Sources (Uses):				
Proceeds from Bond Issue	18,190,000	18,190,000	19,619,817	1,429,817
Debt issuance costs and underwriter's discount	(189,209)	(189,209)	(152,803)	36,406
Transfers Out	<u>(655,000)</u>	<u>(655,000)</u>	<u>(655,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>17,345,791</u>	<u>17,345,791</u>	<u>18,812,014</u>	<u>1,466,223</u>
Net Change in Fund Balance	9,781,183	9,781,183	17,736,719	7,955,536
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 9,781,183</u>	<u>\$ 9,781,183</u>	<u>\$ 17,736,719</u>	<u>\$ 7,955,536</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -
PERS RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Earnings on investments	\$ 1,558	\$ 1,558	\$ 2,258	\$ 700
Other Financing Sources (Uses):				
Transfers In	<u>534,000</u>	<u>534,000</u>	<u>534,000</u>	<u>-</u>
Net Change in Fund Balance	535,558	535,558	536,258	700
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 535,558</u>	<u>\$ 535,558</u>	<u>\$ 536,258</u>	<u>\$ 700</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Governmental Funds</u>		
	Debt Service Fund	Training Enterprise Fund	<u>Total</u>
ASSETS			
Cash and investments	\$ 45,139	\$ 9,378	\$ 54,517
Accounts receivable	5,562	-	5,562
Taxes receivable	<u>75,074</u>	<u>-</u>	<u>75,074</u>
 Total assets	 <u>\$ 125,775</u>	 <u>\$ 9,378</u>	 <u>\$ 135,153</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue – property taxes	<u>67,622</u>	<u>-</u>	<u>67,622</u>
Total liabilities and deferred inflows	<u>67,622</u>	<u>-</u>	<u>67,622</u>
FUND BALANCES			
Reported in:			
Special Revenue Fund	-	9,378	9,378
Debt Service Fund	<u>58,153</u>	<u>-</u>	<u>58,153</u>
Total fund balances	<u>58,153</u>	<u>9,378</u>	<u>67,531</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 125,775</u>	 <u>\$ 9,378</u>	 <u>\$ 135,153</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Debt Service Fund</u>	<u>Training Enterprise Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,639,615	\$ -	\$ 1,639,615
Earnings on investments	3,347	74	3,421
Enterprise income	<u>-</u>	<u>8,566</u>	<u>8,566</u>
Total revenues	<u>1,642,962</u>	<u>8,640</u>	<u>1,651,602</u>
EXPENDITURES			
Fire Protection Services:			
Capital outlay	-	13,205	13,205
Debt service	<u>1,701,060</u>	<u>-</u>	<u>1,701,060</u>
Total expenditures	<u>1,701,060</u>	<u>13,205</u>	<u>1,714,265</u>
Excess of Revenue Over (Under) Expenditures	(58,098)	(4,565)	(62,663)
Other Financing Sources (Uses):			
Proceeds from Bond Issue	<u>83,769</u>	<u>-</u>	<u>83,769</u>
Net Change in Fund Balance	25,671	(4,565)	21,106
FUND BALANCE – Beginning	<u>32,482</u>	<u>13,943</u>	<u>46,425</u>
FUND BALANCE - Ending	<u>\$ 58,153</u>	<u>\$ 9,378</u>	<u>\$ 67,531</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL -
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Taxes	\$ 1,595,745	\$ 1,595,745	\$ 1,639,615	\$ 43,870
Earnings on investments	<u>2,500</u>	<u>2,500</u>	<u>3,347</u>	<u>847</u>
Total revenue	<u>1,598,245</u>	<u>1,598,245</u>	<u>1,642,962</u>	<u>44,717</u>
EXPENDITURES				
Debt Service:				
Principal	1,190,000	1,190,000	1,080,000	110,000
Interest	<u>426,245</u>	<u>426,245</u>	<u>621,060</u>	<u>(194,815)</u>
Total expenditures	<u>1,616,245</u>	<u>1,616,245</u>	<u>1,701,060</u>	<u>(84,815)</u>
Excess of Revenues Over (Under) Expenditures	(18,000)	(18,000)	(58,098)	(40,098)
Other Financing Sources (Uses):				
Proceeds from Bond Issue	<u>-</u>	<u>-</u>	<u>83,769</u>	<u>83,769</u>
Net Change in Fund Balance	(18,000)	(18,000)	25,671	43,671
FUND BALANCE, Beginning	<u>18,000</u>	<u>18,000</u>	<u>32,482</u>	<u>14,482</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,153</u>	<u>\$ 58,153</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -
TRAINING ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Earning on investments	\$ 75	\$ 75	\$ 74	\$ (1)
Enterprise income	<u>12,000</u>	<u>12,000</u>	<u>8,566</u>	<u>(3,434)</u>
Total revenue	<u>12,075</u>	<u>12,075</u>	<u>8,640</u>	<u>(3,435)</u>
EXPENDITURES				
Capital outlay	<u>16,000</u>	<u>16,000</u>	<u>13,205</u>	<u>2,795</u>
Net Change in Fund Balance	(3,925)	(3,925)	(4,565)	(640)
FUND BALANCE, Beginning	<u>11,376</u>	<u>11,376</u>	<u>13,943</u>	<u>2,567</u>
FUND BALANCE, Ending	<u>\$ 7,451</u>	<u>\$ 7,451</u>	<u>\$ 9,378</u>	<u>\$ 1,927</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Award</u>	<u>Expenditures</u>
US DEPARTMENT OF HOMELAND SECURITY				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	2/22/14-2/21/17	\$ 2,046,001	<u>\$ 850,163</u>

**CLACKAMAS COUNTY
FIRE DISTRICT #1
NOTES RELATIVE TO FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Clackamas County Fire District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Clackamas County Fire District #1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Clackamas County Fire District #1 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

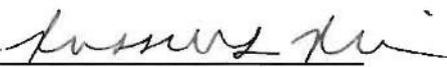
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants

West Linn, Oregon
November 21, 2016

By 
Russell T. Ries, Partner

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors of
Clackamas County Fire District #1

Report on Compliance for Each Major Federal Program

We have audited Clackamas County Fire District #1's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, Clackamas County Fire District #1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

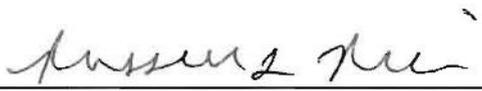
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants

West Linn, Oregon
November 21, 2016

By 
Russell T. Ries, Partner

**CLACKAMAS COUNTY
FIRE DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no
Internal control over major programs:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)?	_____ yes	___X___ no
Identification of major programs:		
<u>CFDA Number</u>	<u>Name of Federal Program Cluster</u>	
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_____ yes	___X___ no

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**



**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

We have audited the basic financial statements of Clackamas County Fire District #1, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Clackamas County Fire District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).**
- Indebtedness limitations, restrictions and repayment.**
- Budgets legally required (ORS Chapter 294).**
- Insurance and fidelity bonds in force or required by law.**
- Authorized investment of surplus funds (ORS Chapter 294).**
- Public contracts and purchasing (ORS Chapter 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Clackamas County Fire District #1 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. The District substantially complied with the legal requirements related to the preparation, adoption, and execution of the budget for the year ended June 30, 2015 and the preparation and adoption of the budget for the year ending June 30, 2016, except debt service expenditures exceeded appropriations in the Debt Service Fund by \$84,815.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Clackamas County Fire District #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clackamas County Fire District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clackamas County Fire District #1's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors and management of Clackamas County Fire District #1 and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By 
Russell T. Ries, Partner

November 21, 2016

CLACKAMAS FIRE DISTRICT #1
SCHEDULE OF TAXABLE PROPERTY VALUES

Clackamas County

Fiscal Tax		M5 Real Market	AV Used to	
Year	Real Market Value	Value	Calculated Rates	Tax Levy
2016	\$ 23,678,117,503	\$ 22,956,917,479	\$ 17,779,561,238	\$ 42,671,798
2015	21,242,245,400	20,627,525,358	17,004,165,345	40,811,206
2014	19,144,764,743	18,564,575,371	16,229,961,156	38,945,384
2013	18,128,213,667	17,544,634,331	15,066,477,915	36,092,181
2012	18,850,995,309	18,244,451,186	14,798,873,656	35,492,107

Source: Clackamas County Department of Assessment and Taxation

Multnomah County

Fiscal Tax		M5 Real Market	AV Used to	
Year	Real Market Value	Value	Calculated Rates	Tax Levy
2016	\$ 53,011,836	53,007,236	\$ 40,740,820	\$ 88,466
2015	46,546,790	46,546,590	39,148,890	87,441
2014	44,718,392	44,382,452	36,384,750	81,124
2013	43,127,197	42,670,917	35,476,087	82,968
2012	37,757,958	37,118,398	33,512,458	78,319

Source: Multnomah County Department of Assessment and Taxation

Total

Fiscal Tax		M5 Real Market	AV Used to	
Year	Real Market Value	Value	Calculated Rates	Tax Levy
2016	\$ 23,731,129,339	\$ 23,009,924,715	\$ 17,820,302,058	\$ 42,760,263
2015	21,288,792,190	20,674,071,948	17,043,314,235	40,898,647
2014	19,189,483,135	18,608,957,823	16,266,345,906	39,026,508
2013	18,171,340,864	17,587,305,248	15,101,954,002	36,175,149
2012	18,888,753,267	18,281,569,584	14,832,386,114	35,570,426

Source: Clackamas County Department of Assessment and Taxation and Multnomah County Department of Assessment and Taxation

CLACKAMAS FIRE DISTRICT #1
FISCAL YEAR 2016 REPRESENTATIVE LEVY RATE (Clackamas County Tax Code 012-051)

(Rates Per \$1,000 of Assessed Value)

	Billing Rate	Local Option Rate	"GAP" Bonds or UR Special Levy Rate	Bond Levy Rate	Consolidated Rate
General Government					
Clackamas County	2.9517	0.2480	0.1516	0.0000	3.3513
Clackamas County Extension & 4-H	0.0499	0.0000	0.0000	0.0000	0.0499
Clackamas County Law Enhanced	0.7071	0.0000	0.0000	0.0000	0.7071
Clackamas County Library	0.3959	0.0000	0.0000	0.0000	0.3959
Clackamas County Soil Conservation	0.0499	0.0000	0.0000	0.0000	0.0499
Clackamas County Fire District No. 1	2.3787	0.0000	0.0000	0.0939	2.4726
North Clackamas Park & Recreation	0.5310	0.0000	0.0000	0.0000	0.5310
Port of Portland	0.0699	0.0000	0.0000	0.0000	0.0699
Metropolitan Service District	0.0962	0.0960	0.0000	0.1957	0.3879
Vector Control	<u>0.0065</u>	<u>0.0250</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0315</u>
Total General Government	<u>7.2368</u>	<u>0.3690</u>	<u>0.1516</u>	<u>0.2896</u>	<u>8.0470</u>
Education					
Clackamas Community College	0.5554	0.0000	0.0000	0.1874	0.7428
Clackamas Education Service District	0.3673	0.0000	0.0000	0.0000	0.3673
North Clackamas School District	<u>4.8042</u>	<u>0.0000</u>	<u>0.0000</u>	<u>2.3597</u>	<u>7.1639</u>
Total Education	<u>5.7269</u>	<u>0.0000</u>	<u>0.0000</u>	<u>2.5471</u>	<u>8.2740</u>
Total Tax Rate	<u>12.9637</u>	<u>0.369</u>	<u>0.1516</u>	<u>2.8367</u>	<u>16.3210</u>

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Property Taxes - Tax Rate Limitation - Measure 5" herein.)

Ⓞ Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital cost.

Local Option Levy rates compress to zero before there is any compression of district billing rates (see "Property Taxes - Tax Rate Limitation - Measure 5" herein.)

Source: Clackamas County Department of Assessment and Taxation. Note that there are 125 tax codes in Clackamas County that overlap the District and Tax Code 012-051 has the highest taxable of these tax codes of \$3,268,872,885.

**Clackamas County
Tax Collection Record Ⓞ**

Fiscal Year	Tax Levy Collection
2015	97.81%
2014	97.67%
2013	97.49%
2012	97.04%
2011	96.73%

Ⓞ Prepayment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets. The percent of taxes collected represents taxes collected in a single levy year, beginning July 1 and ending June 30.

Source: Clackamas County Department of Assessment and Taxation.

**CLACKAMAS FIRE DISTRICT #1
SCHEDULE OF MAJOR TAXPAYERS**

**Clackamas County - Tax Year 2015
Major Taxpayers**

Taxpayer	Business / Service	Tax	Assessed Value
Portland General Electric	Electrical Utility	\$ 9,760,778	\$ 693,695,000
Shorenstein Properties LLC	Kruse Way Office Buildings	4,426,991	276,494,593
General Growth Properties Inc.	Town Center Mall	3,824,248	240,171,889
Comcast Corporation	Telecommunications	3,613,278	202,848,600
Clackamas Baking Plant	Grocery Stores	3,063,730	183,670,340
Northwest Natural Gas	Natural Gas Utility	2,873,821	189,266,800
PCC Structurals Inc.	Manufacturing/ Aerospace	2,160,549	128,910,260
XEROX Corporation	Printing/ Manafaturing	1,539,943	85,764,760
Mentor Graphics Corp.	Computer software	1,253,009	67,537,514
Blount Inc.	Manufacturing	1,226,428	68,966,058
Top Ten County Taxpayers		\$ 33,742,774	\$ 2,137,325,814
Remaining County Taxpayers		\$ 691,866,498	\$ 42,156,057,475
Total County Taxpayers		\$ 725,609,272	\$ 44,293,383,289

**Clackamas County fire District No. 1 - Tax Year 2015
Major Taxpayers**

Taxpayer	Business / Service	Tax	Assessed Value
General Growth Properties Inc.	Town Center Mall	\$ 3,829,614	\$ 240,171,889
Portland General Electric	Electrical Utility	2,761,762	182,004,000
Clackamas Baking Plant	Grocery Stores	2,028,494	124,187,937
PCC Structurals Inc.	Manufacturing/ Aerospace	1,998,313	119,869,177
Comcast Corporation	Telecommunications	1,965,308	108,784,700
Northwest Natural Gas	Natural Gas Utility	1,213,912	76,481,300
Marvin F Poer & Company	Tax Advising Services	1,161,762	71,047,743
Blount Inc.	Manufacturing	1,071,596	59,053,544
Kaiser Foundation Hospital	Healthcare	926,826	57,695,066
ROIC Oregon LLC	Real Estate	914,698	54,425,880
Top Ten County Taxpayers		\$ 16,957,587	\$ 1,039,295,356
Remaining County Taxpayers		\$ 25,714,211	\$ 17,039,190,629
Total County Taxpayers		\$ 42,671,798	\$ 18,078,485,985

NOTE: 0.23% of the District's assessed value is within Multnomah County. The taxpayers in the above table are all within the portion of the District that overlaps Clackamas County.

NOTE: Comcast Corporation is subject to central assessment and the effects of SB 611. See "Revenue Sources - Property Taxes - Senate Bill 611."

① Tax amount is the total tax paid by the taxpayer within the boundaries of the County or District, respectively. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

② Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Clackamas County Department of Assessment and Taxation.