

**CLACKAMAS COUNTY FIRE DISTRICT #1**

**CLACKAMAS, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

<b><u>BOARD OF DIRECTORS</u></b>		<b><u>TERM EXPIRES</u></b>
Don Trotter	President	June 30, 2017
John Blanton	Vice President	June 30, 2017
Thomas Joseph	Secretary/Treasurer	June 30, 2015
David McTeague	Director	June 30, 2015
Marilyn Wall	Director	June 30, 2015

All directors receive their mail at the address listed below

**OFFICERS**

Fred Charlton, District Fire Chief

**ADMINISTRATION**

Susan Geiger, Finance Director

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

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**CLACKAMAS, OREGON**  
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**CLACKAMAS, OREGON**  
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**PAULY, ROGERS, AND CO., P.C.**  
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November 13, 2015

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

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clackamas County Fire District #1 as of and for the year ended June 30, 2015, 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 fraud or error.

### **Auditors' 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 auditors' 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 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 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, each major fund, and the aggregate remaining fund information of Clackamas County Fire District #1, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The District adopted the provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions*, as well as the provisions of GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Schedule of Funding Progress, Schedule of Proportionate Share of the Net Pension Liability and Contributions and General Fund Budgetary Comparison Schedule presented as Required Supplementary Information, as listed in the table of contents, have 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 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplementary information 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 to 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 supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



*Other Information*

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 13, 2015 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 13, 2015, 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.



**Kenneth Allen, CPA**  
**PAULY, ROGERS AND CO., P.C.**

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**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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As management of the Fire District, we offer readers of the Fire District's financial statements a narrative overview and analysis of the financial activities of the Fire District for fiscal year ended June 30, 2015.

***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.

The Fire District adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense (income). Fiscal year 2014 information reported herein have been restated to conform to the new reporting and accounting standards.

***FINANCIAL HIGHLIGHTS***

- The assets of the Fire District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$9,265,693 (net position).
- The Fire District's total net position increased by \$14,867,798. This increase is due to a combination of increases in accrued liabilities, debt retirement, and asset investment. The majority of the increase is attributable to a change in reporting for pension liabilities.
- The investment in capital assets decreased \$1,137,582 to \$18,116,835 during the year.
- Long-term debt decreased by \$1,637,802 to \$19,571,511. The net decrease 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.
- Deferred Outflows and Inflows are new items on the Statement of Net Position and are directly related to the new reporting standard pronounced by the Government Accounting Standards Board (GASB).

***INDEPENDENT AUDITOR'S REPORT***

Our auditor has provided assurance in their independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

***FINANCIAL ANALYSIS***

The Fire District's total net position was \$9,265,693 at June 30, 2015. Of this amount, \$-7,602,113 was unrestricted, \$32,482 was restricted for special purposes and \$16,835,324 was invested in fixed assets net of related debt.

<i>Assets</i>	2015	2014 Restated	% +/-
Cash and investments	\$ 18,396,920	\$ 13,572,001	35.6
Current assets	10,742,061	3,322,298	223.3
Note receivable	-0-	-0-	-0-
Capital assets	18,116,835	19,254,417	5.9
<i>Total Assets</i>	47,255,816	36,148,716	30.7
<i>Deferred Outflows</i>			
Pension items	-0-	3,316,050	-100.0
<i>Liabilities</i>			
Accounts payable	\$ 913,877	\$ 471,788	93.7
Payroll liabilities and Compensated absences	2,998,643	2,911,907	3.0
Net pension liabilities	-0-	16,299,732	100.0
Noncurrent liabilities	24,144,292	25,383,444	-0.2
<i>Total Liabilities</i>	28,056,812	28,767,139	-37.7
<i>Deferred Inflows</i>			
Pension Items	9,933,311	-0-	100.0
<i>Net Assets</i>			
Investment in capital assets (net of related debt)	16,835,324	16,875,104	-0.2
Restricted for special purposes	32,482	29,781	9.1
Unrestricted	-7,602,113	-22,506,990	-66.2
<i>Total Net Assets</i>	\$9,265,693	\$-5,602,105	-265.4

**Statement of Net Position.** During the current fiscal year, the Fire District's net position increased by \$14,867,798. The key elements of the change in the Fire District's net position for the year ended June 30, 2015 are as follows:

**Assets:**

- Cash and Investments increased by \$4,824,919 due to several factors including increased investment in capital reserve funds, a check from Clackamas County for \$2.5 million for a future administration building, and income exceeding expense requirements through the fiscal year.
- Property tax receivable decreased by \$2,041 to \$2,409,135. This represents taxes levied but not received.
- Accounts Receivable decreased by \$344,564 due to an overall reduction of funds owed to the Fire District by outside parties to include grants, conflagrations and tax receivables.
- Prepaid expense increased by \$546,136 predominately due to the prepayment of a fire engine with an anticipated delivery date of October 2015. The prepayment of the engine allowed the Fire District to take advantage of a prepayment discount from the manufacturer.
- Prepaid PERS was eliminated and replaced with Pension Asset as part of the GASB 68 reporting requirements. The next decrease related to this activity was \$5,700,443 to total assets. Further information regarding the Pension Asset may be found in the Notes to Basic Financial Statements beginning on Page 21.
- Capital assets net of depreciation decreased by \$1,137,582, predominantly due to depreciation expense 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 \$-0- at June 30, 2015. Further information regarding the Pension Item may be found in the Notes to Basic Financial Statements beginning on Page 21.

**Liabilities:**

- Accounts Payable decreased to a normal year end level compared to Fiscal Year 2013-14 when the Fire District purchased products in preparation of for implementing the Inter-governmental Agreement to Boring Fire District #59 for a full contract for services.
- Payroll Liabilities decreased to a normal period end level as the Fire District resolved reporting issues for TriMet Taxes. Quarterly tax reports for TriMet Taxes were made for January 2010 to June 2014 and taxes due were paid.
- Payment on the 2010 Refunding Bond and the 2005 PERS Refunding Bond has reduced the Fire District's obligations by a net \$1,450,000. The debt related to the 2010 Refunding Bonds have been satisfied as of June 2015.
- 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 \$187,802.
- The Government Accounting Standards Board pronouncement #45 (GASB 45) requires the Fire District to report the implied subsidy for health insurance provided to retiree's 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 \$398,650 to \$4,572,781. This liability is discussed in further detail on Page 28 of the Notes to Basic Financial Statements.
- Vacation liability increases or decreases year to year based on use and contract commitments. The liability increased by \$308,962 to \$2,412,347.
- Deferred Inflows: Pension Items are related to the GASB 68 reporting standard for pension liabilities and are reported at \$9,933,311 at June 30, 2015. Further information regarding the Pension Item may be found in the Notes to Basic Financial Statements beginning on Page 21.

**Revenues:**

	2015	2014 Restated	% +/-
<b>Program revenues:</b>			
Charges for Service	\$ 3,981,529	\$ 21,000	18,859.7
Capital Grants and Contributions	930,283	-0-	100.0
<b>General Revenues:</b>			
Taxes and assessments	40,842,676	39,182,865	4.2
Miscellaneous	3,327,826	826,724	302.5
Gain on disposition of assets	-0-	-0-	-0-
<b>Total Revenues</b>	<b>49,082,314</b>	<b>40,030,589</b>	<b>22.6</b>

**Expenses:**

Operating Expenses	33,195,286	39,394,201	-15.7
Interest on long-term debt	1,019,230	114,304	791.7
Loss on Disposal of Asset	-0-	-0-	-0-
<b>Total Expenses</b>	<b>34,214,516</b>	<b>39,508,505</b>	<b>-13.4</b>

Change in net assets	522,084	-522,084	2,747.8
Beginning net position	-5,602,105	19,799,948	-128.3
Restatement for pension liability		-25,924,137	100.0
Ending net position	\$9,265,693	\$-5,602,105	-265.4

## ***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 statement can be found on pages 15 through 30 of this report.

### ***REQUIRED SUPPLEMENTAL INFORMATION***

Progress in funding the Fire District's 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 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, 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 \$1,274,700 due to current resources collected exceeding planned expenditures. The General Fund balance increase was not anticipated during the budget process. Due to increased tax revenue collections, an unanticipated dividend from SAIF, the Fire District's workers' compensation carrier, in the amount of \$175,692, and reductions to planned expenditures during the fiscal year the increase was \$1,274,700 rather than the \$2,013,187 decrease anticipated during the budget process.

#### **Other Funds**

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

**Equipment Reserve Fund** – The balance in this fund increased by \$968,303 as the Fire District transferred \$963,596 from the General Fund in preparation for future capital requirements.

**Capital Projects Fund (land and buildings)** – The balance in the Capital Projects Fund increased by \$2,476,757.

- Clackamas County provided \$2,500,000 in urban renewal funds for the Fire District to use for an Administrative Building within the Clackamas Town Center Urban Renewal area.
- 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 \$9,995 in revenue from classes provided to outside agencies and interest accrued. The fund balance increased by \$9,995.

**Debt Service Fund** – The fund balance increased by \$2,701 in the Debt Service Fund. The ending balance is \$32,482.

**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 PERS Reserve Fund is at a zero balance. The Fire District budgeted to resume transfers for Fiscal Year 2015-16 in preparation for PERS Employer rate increase anticipated in the 2017-2019 biennium.

## ***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, 2015 the Fire District had \$18,153,399 invested with the LGIP. The current audit of the OSTF Fund indicates 100.71 percent funded status for overall assets placed with the fund as of June 30, 2015.

## ***CAPITAL ASSETS***

At June 30, 2015, the Fire District had \$18,116,835 invested in capital assets, including land, buildings, and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$1,137,582. Fiscal Year 2014-15 additions are mainly the result of security upgrades to three facilities, major upgrades to the fleet facility, the purchase of a fleet shop truck, fleet maintenance equipment, and small equipment purchases. The decrease in net assets is attributable to depreciation of existing capital assets exceeding the Fire Districts investment in capital assets.

## ***LONG-TERM DEBT***

At June 30, 2015, the Fire District had long-term debt outstanding of \$19,571,511 (PERS Bonds of \$18,830,000, a Loan Payable to the City of Oregon City for Fire Station purchases with a balance of \$369,402, and a Promissory Note for the purchase of the Training Center Property for \$912,109). The Fire District made the last payment for the 2010 Refunding Bond in June of 2015. The reduction in Long-Term Debt was \$1,637,802.

The Fire District placed a bond measure on the May 2015 ballot with a favorable result by the voters. The Fire District sought voter approval to issue general obligation bonds to finance capital costs for improvements across the Fire District. Specifically, the measure would fund the construction of new facilities, purchase emergency apparatus and firefighting equipment, and improve Fire District facilities focusing on safety and service delivery. The ballot measure for the Bonds was approved by a majority of the voters at the May 19 elections. The ballot measure authorized the issuance of \$29 million aggregate principal amount of general obligation bonds in one or more series with each series to mature over a period of not to exceed 21 years. On August 4<sup>th</sup>, 2015 the Fire District issued the first series of bonds in the amount of \$17,800,000 through a competitive sale.

## ***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 2015-16 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.

### ***New Contract***

As of July 1, 2014, the Fire District entered into a contract for services with Boring Fire District #59. The terms of this agreement call for the Fire District to provide fire suppression, fire protection services, and emergency medical services to Boring Fire District #59 generally consistent with the services currently provided within the existing Boring Fire District.

**Term:** The term of this agreement is five (5) years, beginning on the 1<sup>st</sup> day of July 2014, with an up to 6-month implementation/transition/restructuring period and ending on the 30<sup>th</sup> day of June 2019. On or before July 1, 2018, the governing bodies shall determine whether it is in the interests of the parties to pursue a continuation or other arrangements. At that time both Fire Districts shall review the following options: (1) renewal of contract; (2) termination of contract; or (3) legal integration of Boring Fire District #59/Clackamas Fire District #1.

**Compensation:** Clackamas Fire District #1 and Boring Fire District #59 agree to an annual contract fee of \$3,954,082 for the 2014-15 fiscal year, with an annual adjustment effective July 1, 2015 for the period July 1, 2015 to June 30, 2016 and a similar annual adjustment for each subsequent fiscal/contract year thereafter until June 30, 2019. The amount of the annual adjustment shall be based on the Boring Fire District #59's prior year assessed value increase as determined by the Clackamas County Tax Assessor. The adjustment to the annual contract fee for Fiscal Year 2015-16 was a 3.87% increasing the contract amount to \$4,107,105. Amendments and modifications regarding the contract costs will be reviewed on an annual basis. Boring Fire District #59 agrees to pay Clackamas Fire District #1 the contract amount in equal monthly installments.

**Cash Flow**

The Fire District improved its cash position during Fiscal Year 2014-15 and will not utilize Tax Anticipation Financing during Fiscal 2015-16. However, the Fire District does not have sufficient resources in the General Fund to fund operational requirements to mid-November when tax revenues are received. The Fire District utilize reserve funding through inter-fund loans from the Equipment Reserve Fund, and Capital Projects Fund. The inter-funds loans will be utilized for approximately 3-4 weeks from late October to mid-November.

**PERS Update**

On October 6, 2014, PERS notified the Fire District of rate changes that will take affect on July 1, 2015. As shown on the table below, the employer rates remain fairly flat for the Tier1/Tier 2 with slight decreases in the OPSRP employee groups.

Payroll	2007	2009	2011	2013	2013 Adjusted	2015
Tier 1/Tier 2	12.81%	10.62%	17.55%	21.64%	17.82%	17.87%
OPSRP – General Service	8.90%	3.79%	8.59%	13.25%	10.72%	8.50%
OPSRP – Police & Fire	12.17%	6.50%	11.30%	15.98%	13.45%	12.60%

In 2013 two Senate Bills were signed into law. Senate Bill 822, signed into law in May 2013, eliminated the tax remedy for beneficiaries not subject to Oregon income tax and limited the 2013 post-retirement COLA to 1.5% of annual benefit. Senate Bill 861 signed into law in October 2013 limited the post-retirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. In response to the new legislation, the PERS Board recalculated the rates for the 2013-15 biennium.

There were several legal challenges to the new legislation and the Legislature referred all challenges directly to the Oregon Supreme Court. The Court heard arguments in October of 2014 and issued an opinion, now called the Moro Decision, on April 30, 2015 to partially overturn the legislation. The court ruled in summary:

- The Supremes found that the legislative changes that allowed for reduction in payments for those who live out of state and don't pay Oregon income taxes(and were entitled to an increase in benefits based on taxation issues coming out of early 1990s litigation) is allowed and constitutional.
- The Supremes also ruled that reducing COLAs for time before the 2013 legislative changes is unconstitutional, though COLAs going forward can be reduced. This was the lion share of the cost savings from the legislation and rates were set in 2013 and this biennium to include this savings.

As PERS rates have been set for the 2015-17 biennium and the impact of the ruling will roll through the next valuation and impact rates effective July 1, 2017.



### ***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 \$1,919,556 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 FINANCIAL 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, Susan Geiger at Ph. #503-742-2600 or e-mail: [susan.geiger@clackamasfire.com](mailto:susan.geiger@clackamasfire.com).

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**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**BASIC FINANCIAL STATEMENTS**

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF NET POSITION

June 30, 2015

<b>ASSETS:</b>	
Cash and Investments	\$ 18,396,920
Property Taxes Receivable	2,409,135
Accounts Receivable	355,047
Prepaid Expenses	549,371
Inventories	188,496
Pension Asset	7,240,012
Capital Assets, net	<u>18,116,835</u>
Total Assets	<u>47,255,816</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	913,877
Payroll Liabilities	586,296
Accrued Vacation	<u>2,412,347</u>
Total Current Liabilities	<u>3,912,520</u>
Non-Current Liabilities:	
Accrued OPEB Liability	4,572,781
Due Within 1 Year:	
Bonds Payable	645,000
Capital Lease	191,790
Due In More than 1 Year:	
Bonds Payable	17,645,000
Capital Lease	<u>1,089,721</u>
Total Non-Current Liabilities	<u>24,144,292</u>
Total Liabilities	<u>28,056,812</u>
<b>DEFERRED INFLOWS</b>	
Pension Items	<u>9,933,311</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	16,835,324
Restricted for special purposes	32,482
Unrestricted	<u>(7,602,113)</u>
Total Net Position	<u>\$ 9,265,693</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Fire Services	\$ 33,195,286	\$ 3,981,529	\$ 930,283	\$ (28,283,474)
Interest on Long-Term Debt	1,019,230	-	-	(1,019,230)
Total Governmental Activities	\$ 34,214,516	\$ 3,981,529	\$ 930,283	(29,302,704)

GENERAL REVENUES:

Taxes	\$ 40,842,676
Miscellaneous	3,327,826
Total General Revenues	44,170,502
Change in Net Position	14,867,798
Beginning Net Position, Restated	(5,602,105)
Ending Net Position	\$ 9,265,693

The accompanying notes are an integral part of this statement.

**CLACKAMAS FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2015**

	GOVERNMENTAL FUNDS		TOTAL
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
<b>ASSETS</b>			
Cash and Investments	\$ 18,361,661	\$ 35,259	\$ 18,396,920
Taxes Receivable	2,349,113	60,022	2,409,135
Accounts Receivable	350,089	4,958	355,047
Prepaid Expenses	549,371	-	549,371
Inventories	188,496	-	188,496
<b>Total Assets</b>	<b>\$ 21,798,730</b>	<b>\$ 100,239</b>	<b>\$ 21,898,969</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 913,877	\$ -	\$ 913,877
Payroll Liabilities	586,296	-	586,296
<b>Total Liabilities</b>	<b>1,500,173</b>	<b>-</b>	<b>1,500,173</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	2,196,870	53,814	2,250,684
<b>Total Liabilities and Deferred Inflows</b>	<b>3,697,043</b>	<b>53,814</b>	<b>3,750,857</b>
<b>Fund Balances</b>			
Non-Spendable for -			
Inventory	188,496	-	188,496
Prepaid Expenses	549,371	-	549,371
Restricted for -			
Debt Payments	-	32,482	32,482
Committed - Training Classes	-	13,943	13,943
Assigned for -			
Future Equipment Purchases	1,214,784	-	1,214,784
Future Capital Projects	2,631,773	-	2,631,773
Unassigned	13,517,263	-	13,517,263
<b>Total Fund Balances</b>	<b>18,101,687</b>	<b>46,425</b>	<b>18,148,112</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 21,798,730</b>	<b>\$ 100,239</b>	<b>\$ 21,898,969</b>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS

June 30, 2015

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Total Fund Balances - Governmental Funds		\$	18,148,112
<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			18,116,835
<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>			
Pension Asset	\$	7,240,012	
Deferred Inflows for Pensions		<u>(9,933,311)</u>	(2,693,299)
<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>			
			(21,983,858)
Deferred revenue related to property taxes.			2,250,684
Accrual of OPEB			<u>(4,572,781)</u>
Net Position		\$	<u>9,265,693</u>

The accompanying notes are an integral part of this statement.



CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	OTHER GOVERNMENTAL FUNDS	
<b>REVENUES:</b>			
Taxes	\$ 39,852,654	\$ 937,671	\$ 40,790,325
Contract Income	3,963,510	-	3,963,510
Earnings on Investments	157,951	2,375	160,326
Miscellaneous	4,090,058	9,950	4,100,008
<b>Total Revenues</b>	<b>48,064,173</b>	<b>949,996</b>	<b>49,014,169</b>
<b>EXPENDITURES:</b>			
<b>Fire Protection Services:</b>			
Personal Services	36,730,123	-	36,730,123
Materials and Services	5,591,207	-	5,591,207
Capital Outlay	1,038,877	-	1,038,877
Debt Service	-	937,300	937,300
<b>Total Expenditures</b>	<b>43,360,207</b>	<b>937,300</b>	<b>44,297,507</b>
Excess of Revenues Over, (Under) Expenditures	4,703,966	12,696	4,716,662
<b>Other Financing Sources, (Uses):</b>			
Proceeds from Sales	15,794	-	15,794
Transfers In	1,213,596	-	1,213,596
Transfers Out	(1,213,596)	-	(1,213,596)
<b>Total Other Financing Sources, (Uses)</b>	<b>15,794</b>	<b>-</b>	<b>15,794</b>
<b>Net Change in Fund Balance</b>	<b>4,719,760</b>	<b>12,696</b>	<b>4,732,456</b>
<b>Beginning Fund Balance</b>	<b>13,381,927</b>	<b>33,729</b>	<b>13,415,656</b>
<b>Ending Fund Balance</b>	<b>\$ 18,101,687</b>	<b>\$ 46,425</b>	<b>\$ 18,148,112</b>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

Net Changes in Fund Balances - Governmental Funds \$ 4,732,456

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	\$	1,450,000	
Capital Lease Payments		187,802	
Change in Post Retirement Obligations		<u>(398,650)</u>	1,239,152

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. (1,127,582)

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. (10,000)

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. 52,351

Change in Accrued Vacation (308,962)

Net change in pension related assets, deferred outflows, liabilities and deferred inflows 10,290,383

Change in Net Position of Governmental Activities \$ 14,867,798

The accompanying notes are an integral part of this statement.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. 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.

**A. THE FINANCIAL 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.

**B. 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**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. 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.

**C. 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.

**D. 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 but could not be determined at the time the budget was adopted. Budget amounts shown in the basic financial statements reflect the original appropriations. Expenditures of the various funds were within authorized appropriation levels.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. 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 revenue 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.

**F. 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.

**G. 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. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

**H. 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.

**I. VESTED 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.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. NET POSITION**

Net Position comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net Position are 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, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other assets that are not included in the other categories previously mentioned.

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

**K. 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.

**L. 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.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **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.

**M. DEFERRED OUTFLOWS/INFLOW OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this 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 another Net Deferred Inflow. This amount is equal to the difference between actuarially projected investment earnings and actual investment earnings, less contributions that the District paid to PERS during 2014-2015.

**2. 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.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

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

Demand Deposits	\$	235,821
Petty Cash		4,700
Cash with Fiscal Agent		3,000
Investments		18,153,399
Total	\$	<u>18,396,920</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 investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2015. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2015 the fair value of the position in the LGIP is 100.71% 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.

The District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 18,153,399	\$ 18,153,399	\$ -
Total	<u>\$ 18,153,399</u>	<u>\$ 18,153,399</u>	<u>\$ -</u>

**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.



**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit/Deposit Risk**

At year-end, the District's net carrying amount of deposits was \$235,821 and the bank balance was \$523,254. Of these deposits, \$250,000 was covered by federal depository insurance, and the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP). 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.

**3. CAPITAL ASSETS**

The changes in capital assets for the fiscal year ended June 30, 2015 are as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015
Land	\$ 1,642,871	\$ -	\$ -	\$ 1,642,871
Buildings	20,067,127	180,890	-	20,248,017
Trucks and Equipment	16,490,971	408,533	(190,000)	16,709,504
<b>Total Assets</b>	<b>38,200,969</b>	<b>589,423</b>	<b>(190,000)</b>	<b>38,600,392</b>
Less: Accumulated Depreciation				
Buildings	8,084,668	527,894	-	8,612,562
Trucks and Equipment	10,861,884	1,189,111	(180,000)	11,870,995
<b>Total Accumulated Depreciation</b>	<b>18,946,552</b>	<b>1,717,005</b>	<b>(180,000)</b>	<b>20,483,557</b>
<b>Capital Assets, Net</b>	<b>\$ 19,254,417</b>	<b>\$ (1,127,582)</b>	<b>\$ (10,000)</b>	<b>\$ 18,116,835</b>

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM**

**Plan Description** – The Oregon Public Employees Retirement System (PERS) consists 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](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**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)**

- a) **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i) **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, and 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 benefits results.
- ii) **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 on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
  - member died within 120 days after termination of PERS covered employment,
  - member died as a result of injury sustained while employed in a PERS-covered job, or
  - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii) **Disability Benefits.** A member with 10 or more years of creditable service who becomes disable 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.
- iv) **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 equity investments. Under ORS 238.360 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.
- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) **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 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.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)**

- ii) **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.
- iii) **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.
- iv) **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.

**Contributions** – 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, 2015 were \$3,829,135, excluding amounts to fund employer specific liabilities.

At June 30, 2015, the District reported a net pension asset of \$7,240,012 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2012, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 employers, actuarially determined. At December 31, 2012, the District's proportion was .32 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	13,970,290
Changes in proportion and differences between District contributions and proportionate share of contributions	207,844	-
District contributions subsequent to measurement date	3,829,135	-
Net deferred outflow (inflow) of resources		\$ (9,933,311)

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

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)**

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ (3,447,390)
2017	(3,447,390)
2018	(3,447,390)
2019	(3,447,390)
2020	27,112
Total	<u>\$ (13,752,448)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015. Oregon PERS produces an independently audited CAFR which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx).

Actuarial Valuations – The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

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

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)**

**Actuarial Methods and Assumptions:**

Valuation date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, Published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	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
Mortality	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 and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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 the 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.

	Decrease (6.75%)	Rate (7.75%)	Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,331,884	\$ (12,462,938)	\$ (26,330,685)

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)**

Changes in Plan Provisions Subsequent to Measurement Date: The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. Oregon Public Employees Retirement System Notes to the Schedules of Employer Allocations and Pension Amounts by Employer As of and for the Fiscal Year Ended June 30, 2014. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

Net pension liability	June 30, 2014 Measurement Date	
	Before Moro Decision	Estimate After Moro Decision
Total pension liability	\$ 63,135	\$ 68,050
Fiduciary net position	65,402	65,400
Net pension liability (asset)	-2,267	2,650

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\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

**CLACKAMAS COUNTY FIRE DISTRICT #1  
CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. LONG-TERM DEBT**

The changes in long-term debt for the year ended June 30, 2015 is comprised of the following:

	Ousting July 1, 2014	Additions	Deductions	Ousting June 30, 2015	Due Within One Year
2005 PERS Bonds	\$ 18,830,000	\$ -	\$ 540,000	\$ 18,290,000	645,000
2010 Refunding Bond	910,000	-	910,000	-	-
Oregon City Loan Payable - Fire Station	492,536	-	123,134	369,402	123,134
Promissory Note	976,777	-	64,668	912,109	68,656
Accrued Compensated Absences	2,103,385	2,412,347	2,103,385	2,412,347	2,412,347
Totals	<u>\$ 23,312,698</u>	<u>\$ 2,412,347</u>	<u>\$ 3,741,187</u>	<u>\$ 21,983,858</u>	<u>\$ 3,249,137</u>

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

Year	2005 PERS Bonds		Oregon City Loan	
	Principal	Interest	Principal	Interest
2015-2016	645,000	908,844	123,134	-
2016-2017	755,000	877,504	123,134	-
2017-2018	870,000	840,818	123,134	-
2018-2019	1,000,000	798,545	-	-
2019-2020	1,135,000	749,955	-	-
2020-2025	8,145,000	2,748,197	-	-
2025-2028	5,740,000	469,050	-	-
Totals	<u>\$ 18,290,000</u>	<u>\$ 7,392,913</u>	<u>\$ 369,402</u>	<u>\$ -</u>

Year	Promissory Note - Training Facility		Totals	
	Principal	Interest	Principal	Interest
2015-2016	68,656	52,859	836,790	961,703
2016-2017	72,891	48,624	951,025	926,128
2017-2018	77,387	44,129	1,070,521	884,947
2018-2019	82,160	39,356	1,082,160	837,901
2019-2020	87,227	34,288	1,222,227	784,243
2020-2025	523,788	83,789	8,668,788	2,831,986
2025-2028	-	-	5,740,000	469,050
Totals	<u>\$ 912,109</u>	<u>\$ 303,045</u>	<u>\$ 19,571,511</u>	<u>\$ 7,695,958</u>

The Accrued Compensated Absences are considered to be current liabilities.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. INTERFUND TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,213,596
Capital Reserve Fund	250,000	-
Equipment Reserve Fund	963,596	-
	<u>\$ 1,213,596</u>	<u>\$ 1,213,596</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**7. 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.

**8. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**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 with 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.



**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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

	2013	2014	2015
Annual Required Contribution	\$ 786,357	\$ 835,707	\$ 706,003
Interest on Net Pension Obligation	110,286	127,880	146,094
Adjustment to Annual Required Contribution	(210,070)	(243,582)	(278,276)
Annual Pension Cost	686,573	720,005	573,821
Contributions made	(183,899)	(199,594)	(175,171)
Increase in Net Pension Obligation	502,674	520,411	398,650
NPO (Asset) at Beginning of Year	3,151,046	3,653,720	4,174,131
NPO (Asset) at End of Year	\$ 3,653,720	\$ 4,174,131	\$ 4,572,781

**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 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 5.75 (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.

**9. 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 \$350,000 reported in the funds at June 30, 2015 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.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**10. CONTINGENCY**

There are two significant outstanding property tax valuation appeals, one with Comcast and the other DirecTV. The outcome of these appeals are unknown at this point.

**11. RESTATEMENT OF PRIOR YEAR NET POSITION**

Due to the implementation of GASB 68 a restatement of the prior year net position was required. The restatement is as follows:

Net position-Beginning as previously reported	\$ 20,322,032
Pension asset for prepaid as of 6/30/14	(12,940,455)
Proportionate share of net pension liability	(16,299,732)
Net outflow/(inflows) of resources	3,316,050
Net position-Beginning as restated	<u>\$ (5,602,105)</u>

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CLACKAMAS FIRE DISTRICT #1**

**CLACKAMAS, OREGON**

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
IMPLICIT RATE SUBSIDY OPEB  
For the Year Ended June 30, 2015**

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

**CLACKAMAS FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the fiscal year ended June 30, 2015**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (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
2015	0.32 %	\$ (7,240,012)	\$ 24,803,359	#DIV/0!	103.6 %
2014	0.32	16,299,732	21,263,236	#DIV/0!	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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	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
2015	\$ 3,829,135	\$ 3,829,135	\$ -	\$ 24,803,359	15.4 %
2014	3,316,050	3,316,050	-	21,263,236	15.6

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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 FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 39,686,542	\$ 39,686,542	\$ 39,852,654	\$ 166,112
Contract Income	3,960,382	3,960,382	3,963,510	3,128
Earnings on Investments	90,000	90,000	147,631	57,631
Grants	955,000	983,990	930,283	(53,707)
Miscellaneous	454,325	454,325	659,775	205,450
<b>Total Revenue</b>	<b>45,146,249</b>	<b>45,175,239</b>	<b>45,553,853</b>	<b>378,614</b>
<b>EXPENDITURES:</b>				
Personal Services	37,155,128	37,155,128 (1)	36,730,123	425,005
Materials and Services	5,901,080	5,906,100 (1)	5,591,207	314,893
Capital Outlay	641,688	813,762 (1)	744,227	69,535
Contingency	2,125,840	2,099,840 (1)	-	2,099,840
<b>Total Expenditures</b>	<b>45,823,736</b>	<b>45,974,830</b>	<b>43,065,557</b>	<b>2,909,273</b>
Excess of Revenues Over, (Under) Expenditures	(677,487)	(799,591)	2,488,296	3,287,887
<b>Other Financing Sources, (Uses):</b>				
Transfers Out	(1,335,700)	(1,213,596) (1)	(1,213,596)	-
<b>Total Other Financing Sources, (Uses)</b>	<b>(1,335,700)</b>	<b>(1,213,596)</b>	<b>(1,213,596)</b>	<b>-</b>
Net Change in Fund Balance	(2,013,187)	(2,013,187)	1,274,700	3,287,887
Beginning Fund Balance	11,232,637	11,232,637	12,980,430	1,747,793
Ending Fund Balance	\$ 9,219,450	\$ 9,219,450	14,255,130	\$ 5,035,680
<b>Reconciliation to GAAP Fund Balance</b>				
Ending Fund Balances:				
Equipment Reserve Fund			1,214,784	
Projects Fund			2,631,773	
			\$ 18,101,687	

(1) Appropriation Level

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**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**SUPPLEMENTARY DATA**

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015

EQUIPMENT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Earnings on Investments	\$ 7,300	\$ 7,300	\$ 4,708	\$ (2,592)
<b>Total Revenue</b>	<u>7,300</u>	<u>7,300</u>	<u>4,708</u>	<u>(2,592)</u>
<b>EXPENDITURES:</b>				
Capital Outlay	<u>499,000</u>	<u>525,000 (1)</u>	<u>1</u>	<u>524,999</u>
<b>Total Expenditures</b>	<u>499,000</u>	<u>525,000</u>	<u>1</u>	<u>524,999</u>
Excess of Revenues Over, (Under) Expenditures	(491,700)	(517,700)	4,707	522,407
<b>Other Financing Sources, (Uses):</b>				
Transfers In	<u>1,085,700</u>	<u>1,111,700</u>	<u>963,596</u>	<u>(148,104)</u>
<b>Total Other Financing Sources, (Uses)</b>	<u>1,085,700</u>	<u>1,111,700</u>	<u>963,596</u>	<u>(148,104)</u>
Net Change in Fund Balance	594,000	594,000	968,303	374,303
Beginning Fund Balance	<u>229,151</u>	<u>229,151</u>	<u>246,481</u>	<u>17,330</u>
Ending Fund Balance	<u>\$ 823,151</u>	<u>\$ 823,151</u>	<u>\$ 1,214,784</u>	<u>\$ 391,633</u>

(1) Appropriation Level

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015

<u>CAPITAL PROJECTS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>				
Earnings on Investments	\$ 1,200	\$ 1,200	\$ 5,612	\$ 4,412
Miscellaneous	-	-	2,500,000	2,500,000
Total Revenues	1,200	1,200	2,505,612	2,504,412
<b>EXPENDITURES:</b>				
Capital Outlay	294,650	294,650 (1)	294,649	1
Total Expenses	294,650	294,650	294,649	1
Excess of Revenues Over, (Under) Expenditures	(293,450)	(293,450)	2,210,963	2,504,413
<b>Other Financing Sources, (Uses):</b>				
Proceeds from Sale	-	-	15,794	15,794
Transfers In	250,000	250,000	250,000	-
Total Other Financing Sources, (Uses)	250,000	250,000	265,794	15,794
Net Change in Fund Balance	(43,450)	(43,450)	2,476,757	2,520,207
Beginning Fund Balance	144,670	144,670	155,016	10,346
Ending Fund Balance	\$ 101,220	\$ 101,220	\$ 2,631,773	\$ 2,530,553

(1) Appropriation Level

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS  
June 30, 2015

	GOVERNMENTAL FUNDS		
	DEBT SERVICE FUND	TRAINING ENTERPRISE FUND	TOTAL
<b>ASSETS</b>			
Cash and Investments			
Accounts Receivable	\$ 21,316	\$ 13,943	\$ 35,259
Taxes Receivable	4,958	-	4,958
	60,022	-	60,022
Total Assets	\$ 86,296	\$ 13,943	\$ 100,239
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	\$ 53,814	\$ -	\$ 53,814
Total Liabilities and Deferred Inflows	53,814	-	53,814
<b>Fund Balances</b>			
Reported in:			
Special Revenue Fund		13,943	13,943
Debt Service Fund	32,482	-	32,482
Total Fund Balances	32,482	13,943	46,425
Total Liabilities, Deferred Inflows and Fund Balances	\$ 86,296	\$ 13,943	\$ 100,239

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

	GOVERNMENTAL FUNDS		
	DEBT SERVICE FUND	TRAINING ENTERPRISE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Taxes	\$ 937,671	\$ -	\$ 937,671
Earnings on Investments	2,330	45	2,375
Miscellaneous		9,950	9,950
Total Revenues	940,001	9,995	949,996
EXPENDITURES:			
Fire Protection Services:			
Debt Service	937,300	-	937,300
Total Expenditures	937,300	-	937,300
Net Change in Fund Balance	2,701	9,995	12,696
Beginning Fund Balance	29,781	3,948	33,729
Ending Fund Balance	\$ 32,482	\$ 13,943	\$ 46,425

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

For the Year Ended June 30, 2015

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 923,300	\$ 923,300	\$ 937,671	\$ 14,371
Earnings on Investments	2,000	2,000	2,330	330
Total Revenue	<u>925,300</u>	<u>925,300</u>	<u>940,001</u>	<u>14,701</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	910,000	910,000	910,000	-
Interest	27,300	27,300	27,300	-
Total Expenditures	<u>937,300</u>	<u>937,300 (1)</u>	<u>937,300</u>	<u>-</u>
Net Change in Fund Balance	(12,000)	(12,000)	2,701	14,701
Beginning Fund Balance	<u>12,000</u>	<u>12,000</u>	<u>29,781</u>	<u>17,781</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,482</u>	<u>\$ 32,482</u>

(1) Appropriation Level

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015

TRAINING ENTERPRISE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 100	\$ 100	\$ 45	\$ (55)
Miscellaneous	12,000	12,000	9,950	(2,050)
Total Revenues	12,100	12,100	9,995	(2,105)
Beginning Fund Balance	3,975	3,975	3,948	(27)
Ending Fund Balance	\$ 16,075	\$ 16,075	\$ 13,943	\$ (2,132)

(1) Appropriation Level



CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2015

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2014	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT June 30, 2015
Current:						
2014-2015	\$ 41,845,055	\$ 1,072,950	\$ (111,021)	\$ 12,429	\$ 39,697,562	\$ 975,951
Prior Years:						
2013-2014	1,003,912	(319)	(18,025)	28,501	509,813	504,894
2012-2013	564,871	(24)	(2,663)	28,766	228,460	362,538
2011-2012	394,902	(51)	(3,446)	37,184	196,129	232,562
2010-2011	227,597	(41)	(3,169)	20,259	88,901	155,827
Prior	219,894	(1)	(9,911)	11,400	44,022	177,362
Total Prior	2,411,176	(436)	(37,214)	126,110	1,067,325	1,433,183
Total	\$ 44,256,231	\$ 1,072,514	\$ (148,235)	\$ 138,539	\$ 40,764,887	\$ 2,409,134

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above Other Taxes	\$ 40,764,887
Accrual of Receivables:	
June 30, 2015	82,475
June 30, 2014	155,806
	(212,843)
Total Revenue	\$ 40,790,325

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**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**AUDITORS' COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATIONS**

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November 13, 2015

**Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the Clackamas County Fire District #1 as of and for the year ended June 30, 2015, and have issued our report thereon dated November 13, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

**Compliance**

As part of obtaining reasonable assurance about whether the 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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 Chapters 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.

**OAR 162-10-0230 Internal Control**

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

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.

**Kenneth Allen, CPA**  
**PAULY, ROGERS AND CO., P.C.**

**CLACKAMAS FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

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	CFDA NUMBER	GRANT PERIOD	GRANT AWARD	EXPENDITURES
<b>US DEPARTMENT OF AGRICULTURE</b>				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	2/22/14-2/21/16	\$1,919,556	<u>\$ 839,424</u> (1)
TOTAL FEDERAL FINANCIAL EXPENDITURES				<u><u>\$ 839,424</u></u>

(1) Major Program



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November 13, 2015

To the Board of Directors  
Clackamas County Fire District

**Independent Auditors' 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***

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, each major fund, and the aggregate remaining fund information of the Clackamas County Fire District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 13, 2015.

**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 a 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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.

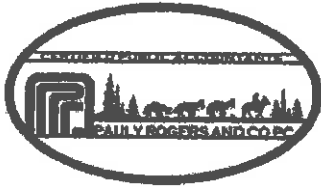
## **Purpose of this Report**

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.



Kenneth Allen, CPA  
PAULY, ROGERS AND CO., P.C.





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November 13, 2015

To the Board of Directors  
Clackamas County Fire District

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Clackamas County Fire District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 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, 2015.

## 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kenneth Allen, CPA  
PAULY, ROGERS AND CO., P.C.

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**CLACKAMAS FIRE DISTRICT #1  
CLACKAMAS, OREGON  
SCHEDULE OF PRIOR AND CURRENT YEAR FINDINGS, QUESTIONED COSTS RELATIVE TO  
FEDERAL AWARDS, AND NOTES RELATIVE TO FEDERAL AWARDS  
For the Year Ended June 30, 2015**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133?  yes  no

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)?  yes  no

**IDENTIFICATION OF MAJOR PROGRAMS**

<b><u>CFDA NUMBER</u></b>	<b><u>NAME OF FEDERAL PROGRAM CLUSTER</u></b>
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**CLACKAMAS FIRE DISTRICT #1  
CLACKAMAS, OREGON  
SCHEDULE OF PRIOR AND CURRENT YEAR FINDINGS, QUESTIONED COSTS RELATIVE TO  
FEDERAL AWARDS, AND NOTES RELATIVE TO FEDERAL AWARDS  
For the Year Ended June 30, 2015**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:**

None

**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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CLACKAMAS FIRE DISTRICT #1**

**CLACKAMAS, OREGON**

**SCHEDULE OF TAXABLE PROPERTY VALUES**

Clackamas County

<b>Fiscal Tax Year</b>	<b>Real Market Value</b>	<b>M5 Real Market Value</b>	<b>AV Used to Calculate Rates</b>	<b>Tax Levy</b>
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
2011	20,143,013,076	19,473,911,686	14,430,175,708	34,612,180

Source: Clackamas County Department of Assessment and Taxation.

Multnomah County

<b>Fiscal Tax Year</b>	<b>Real Market Value</b>	<b>M5 Real Market Value</b>	<b>AV Used to Calculate Rates</b>	<b>Tax Levy</b>
2015	\$46,546,790	\$46,540,590	\$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
2011	22,685,727	21,877,397	19,124,360	43,643

Source: Multnomah County Department of Assessment and Taxation.

Total

<b>Fiscal Tax Year</b>	<b>Real Market Value</b>	<b>M5 Real Market Value</b>	<b>AV Used to Calculate Rates</b>	<b>Tax Levy</b>
2015	\$21,288,792,190	\$20,674,065,948	\$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
2011	20,165,698,803	19,495,789,083	14,449,300,068	34,655,823

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

**CLACKAMAS FIRE DISTRICT #1**

**CLACKAMAS, OREGON**

**FISCAL YEAR 2015 REPRESENTATIVE LEVY RATE (Clackamas County Tax Code 012-051)**

<b>(Rates Per \$1,000 of Assessed Value)</b>					
<b>General Government</b>	<b>Billing Rate</b>	<b>Local Option Rate<sup>(1)</sup></b>	<b>"GAP" Bonds or UR Special Levy Rate</b>	<b>Bond Levy Rate</b>	<b>Consolidated Rate</b>
Clackamas County	2.9549	0.2480	0.1321	0.0000	3.3350
Clackamas County Extension & 4-H	0.0499	0.0000	0.0000	0.0000	0.0499
Clackamas County Law Enhanced	0.7087	0.0000	0.0000	0.0000	0.7087
Clackamas County Library	0.3961	0.0000	0.0000	0.0000	0.3961
Clackamas County Soil Conservation	0.0499	0.0000	0.0000	0.0000	0.0499
Clackamas County Fire District No. 1	2.3816	0.0000	0.0000	0.0558	2.4374
North Clackamas Park & Recreation	0.5319	0.0000	0.0000	0.0000	0.5319
Port of Portland	0.0699	0.0000	0.0000	0.0000	0.0699
Metropolitan Service District	0.0962	0.0960	0.0000	0.2655	0.4577
Vector Control	0.0065	0.0250	0.0000	0.0000	0.0315
<b>Total General Government</b>	<b>7.2456</b>	<b>0.3690</b>	<b>0.1321</b>	<b>0.3213</b>	<b>8.0680</b>
<b>Education</b>					
Clackamas Community College	0.5557	0.0000	0.0000	0.1491	0.7048
Clackamas Education Service District	0.3675	0.0000	0.0000	0.0000	0.3675
North Clackamas School District	4.8123	0.0000	0.0000	1.9369	6.7492
<b>Total Education</b>	<b>5.7355</b>	<b>0.0000</b>	<b>0.0000</b>	<b>2.0860</b>	<b>7.8215</b>
<b>Total Tax Rate</b>	<b>12.9811</b>	<b>0.3690</b>	<b>0.1321</b>	<b>2.4073</b>	<b>15.8895</b>

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.)

(1) 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 costs. 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 value of these tax codes of \$3,126,591,720.

**Clackamas County  
Tax Collection Record <sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Tax Levy Collection</b>
2014 <sup>(2)</sup>	91.78%
2013	94.79%
2012	94.24%
2011	93.95%
2010	93.87%

(1) 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.

(2) Partial collection; as of April 30, 2015.

Source: Clackamas County Department of Assessment and Taxation.

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

**Clackamas County – Tax Year 2014**  
**Major Taxpayers**

Taxpayer	Business/Service	Tax <sup>(1)</sup>	Assessed Value <sup>(2)</sup>
Portland General Electric	Electrical Utility	\$ 8,007,757	\$ 565,232,000
Shorenstein Properties LLC	Kruse Way Office Buildings	4,198,229	262,188,654
Comcast Corporation	Telecommunications	3,464,606	196,940,900
General Growth Properties Inc.	Town Center Mall	3,421,748	224,899,091
Clackamas Baking Plant	Bakery	2,981,179	181,602,350
Northwest Natural Gas	Natural Gas Utility	2,779,703	184,528,300
PCC Structural Inc.	Manufacturing/Aerospace	1,899,496	116,813,491
XEROX Corporation	Printing/Manufacturing	1,351,349	76,045,740
Blount Inc.	Manufacturing	1,239,546	72,338,200
<u>Mentor Graphics Corp.</u>	<u>Computer software</u>	<u>1,181,587</u>	<u>64,886,837</u>
Top Ten County Taxpayers		\$30,525,200	\$1,945,475,563
Remaining County Taxpayers		<u>\$654,217,649</u>	<u>\$40,354,975,863</u>
Total County Taxpayers		<u>\$684,742,849</u>	<u>\$42,300,451,426</u>

**Clackamas County Fire District No. 1 – Tax Year 2014**  
**Major Taxpayers**

Taxpayer	Business/Service	Tax <sup>(1)</sup>	Assessed Value <sup>(2)</sup>
General Growth Properties Inc.	Town Center Mall	\$ 3,421,748	\$ 224,899,091
Portland General Electric	Electrical Utility	2,300,467	154,329,000
Comcast Corporation	Telecommunications	1,872,524	105,616,200
Clackamas Baking Plant	Bakery	1,774,234	113,551,536
PCC Structural Inc.	Manufacturing/Aerospace	1,740,885	107,780,600
Blount Inc.	Manufacturing	1,239,546	72,338,200
Northwest Natural Gas	Natural Gas Utility	1,194,137	76,792,800
Marvin F Poer & Company	Tax Advising Services	1,069,953	68,270,865
Kaiser Foundation Hospital	Healthcare	868,339	56,014,627
The Landing – 302 LLC	Real Estate	<u>815,227</u>	<u>45,000,171</u>
Top Ten District Taxpayers		\$16,297,060	\$1,024,593,090
Remaining District Taxpayers		<u>\$24,514,146</u>	<u>\$16,249,390,002</u>
Total District Taxpayers		<u>\$40,811,206</u>	<u>\$17,273,983,092</u>

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 assessments 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.