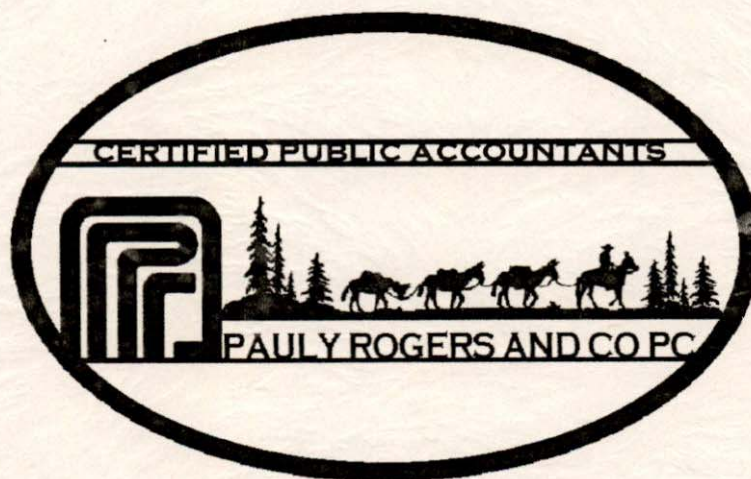


CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

CLACKAMAS COUNTY FIRE DISTRICT #1

CLACKAMAS, OREGON

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

BOARD OF DIRECTORS

TERM EXPIRES

Don Trotter	Chairperson	June 30, 2013
David McTeague	Vice Chairperson	June 30, 2011
Toby Forsberg	Secretary/Treasurer	June 30, 2013
Thomas Joseph	Director	June 30, 2011
Marilyn Wall	Director	June 30, 2011

All directors receive their mail at the address listed below

OFFICERS

Ed Kirchhofer, District Fire Chief

ADMINISTRATION

Kyle Gorman, Executive Officer
Susan McSperitt, Finance Director

Ed Kirchhofer, Registered Agent
11300 SE Fuller Road

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

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PAULY, ROGERS AND CO., P.C.

® CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OR 97223
• (503) 620-2632 • FAX (503) 684-7523

September 22, 2010

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

INDEPENDENT AUDITORS' REPORT

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 at June 30, 2010, the results of its operations, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clackamas County Fire District #1's basic financial statements. The supplementary information, including budgetary comparison schedules listed in the table of contents and the Schedule of Property Tax Transactions of Balances of Taxes Uncollected, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pauly Rogers & Co. P.C.
PAULY, ROGERS and CO., P.C.

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

As management of the District, we offer readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$20,959,568 (net assets). Of this amount, \$7,241,577 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$531,129. This increase is due to a combination of revenue out pacing expenses and asset additions.
- The investment in capital assets increased \$1,491,807 to \$19,814,575 during the year.
- Long-term debt, increased by \$266,866 to \$26,610,072. The net increase is attributable to payment of bonded debt and loan payment to the City of Oregon City, the refunding of the 2001 Bond Issue, and the addition of the Promissory Note for the Training Center property.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 District's net assets were \$20,959,568 at June 30, 2010. Of this amount, \$7,241,577 was unrestricted, \$398,488 was restricted for special purposes and \$13,319,503 was invested in fixed assets net of related debt.

<i>Assets</i>	2010	2009	% +/-
Cash and investments	\$ 11,942,367	\$ 10,759,888	11.0
Current assets	19,956,657	20,732,602	-3.7
Note receivable	-0-	-0-	-0-
Capital assets	19,814,575	18,322,768	7.7
<i>Total Assets</i>	51,713,599	48,815,258	5.9
<i>Liabilities</i>			
Accounts payable	\$ 516,787	\$ 563,220	-8.2
Payroll liabilities and Compensated absences	1,761,054	1,554,483	13.3
Noncurrent liabilities	28,476,091	27,269,116	4.4
<i>Total Liabilities</i>	30,754,032	29,386,819	4.7

Net Assets

Investment in capital assets (net of related debt)	13,319,503	12,229,562	8.9
Restricted for special purposes	398,488	352,320	13.1
Unrestricted	7,241,577	7,846,557	-7.7
<i>Total Net Assets</i>	<u>\$20,959,568</u>	<u>\$ 20,428,439</u>	<u>2.6</u>

Statement of Activities. During the current fiscal year, the District's net assets increased by \$531,129. The key elements of the change in the District's net assets for the year ended June 30, 2010 are as follows:

Assets:

- Net income (revenue vs. expenditure) for all funds increased net assets by \$1,159,340.
- Property tax receivable increased by \$123,534 to \$2,158,311. This represents taxes levied but not received.
- Prepaid PERS decreased by \$924,318, to \$16,637,727. Each year this will decrease as it offsets the unfunded actuarial liability with PERS.
- Capital assets net of depreciation increased by \$1,491,807, predominantly due to the purchase of the property adjacent to the Training Center from a private party. In addition to the Training Center property purchase, the District completed the purchase of two fire engines, refurbished a fire truck, replaced the living quarters at the Clarkes Fire Station with a modular structure, purchased small equipment, and IT equipment.

Liabilities:

- Payment on the 2001 Bond issue, the 2005 PERS Refunding Bond, and refunding the 2001 Bond issue has reduced the District's obligations by a net \$810,000. Favorable market conditions allowed the District to refund a portion of the 2001 Bond issue saving the District's taxpayers \$185,952 over the next five years.
- The GASB #45 reporting requirements implemented last year increased the District's liabilities by \$940,109 to \$1,866,019 in Other Post Employment Benefits. This liability is discussed in detail on Page 20 of the Notes to Basic Financial Statements.
- Vacation liability increases and decreases year to year based on use and contract commitments.

Revenues:

	2010	2009	% +/-
Program revenues:			
Charges for Service	\$ 5,700	\$ 4,470	27.5
Capital Grants and Contributions	488,723	578,064	-15.5
General Revenues:			
Taxes and assessments	34,031,114	32,700,279	4.0
Miscellaneous	569,013	838,187	-32.1
Gain on disposition of assets	-0-	-0-	-0-
Total Revenues	<u>35,094,550</u>	<u>34,121,000</u>	<u>3.0</u>

Expenses:

Operating Expenses	33,520,869	33,348,573	.5
Interest on long-term debt	1,042,552	262,330	297.4
Loss on Disposal of Asset	-0-	-0-	-0-
Total Expenses	<u>34,563,421</u>	<u>33,610,903</u>	<u>2.8</u>
Change in net assets	531,129	510,097	15.5
Fund net assets – July 1, 2009	20,428,439	19,918,342	2.6
Fund net assets – June 30, 2010	<u>\$20,959,568</u>	<u>\$20,428,439</u>	<u>2.6</u>

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 12 through 21 of this report.

REQUIRED SUPPLEMENTAL INFORMATION

Progress in funding the 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 Districts funds are broken into the following categories:

General Fund

The resources allocated in the General Fund are for the day to day operations of the District. The fund balance in the General Fund increased by \$646,256 due to a combination of an increase in collections rate on property tax revenue and conservative spending.

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 \$118,945 in preparation for future equipment needs. The District utilized funding in the Equipment Reserve Fund to refurbish Truck 15, order one cab and chassis for a fire engine to be delivered in Fiscal 2010, and received delivery of two fire engines ordered in Fiscal 2008.

Capital Projects Fund (land and buildings) – The balance in the Capital Projects Fund was reduced by \$72,777. The District utilized funding in the Capital Projects Fund to replace the living quarters at the Clarkes Station #13, make a payment to the City of Oregon City for fire stations, and purchase land adjacent to the Training Center.

Training Enterprise Fund – This fund, reinstated this fiscal year, earned \$13,582 in revenue from classes provided to outside agencies and interest accrued. There were no expenditures in this fund.

Debt Service Fund – The revenue collected in this fund for the payment of the bonded debt was ahead of budgeted projections which increased the fund balance to \$41,236.

PERS Reserve Fund – This is a new fund budgeted beginning July 1, 2009 to prepare for the anticipated PERS employer rate increases for the 2011-13 biennium. The District was able to save \$423,732. Further discussion of the PERS employer rate increases are provided in the next page of this report.

INVESTMENTS

The bulk of the Districts 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, 2010 the District had \$11,636,712 invested with the LGIP. An audit of the OSTF Fund indicates a 99.56 percent funded status for overall assets placed with the fund. Investment losses, such as the Lehman Bros. bankruptcy, lowered the book value of all of the funds in the LGIP. Although the book value for the OSTF is underfunded by .44 percent, which would impact the District by \$51,202, the Board of the OSTF has maintained the liquidity of the District assets placed with them. The OSTF Board has instead lowered the District's future investment earnings to regain the losses suffered during the 2008 fiscal year. The District anticipated the loss would be recovered by the end of Fiscal 2009, however economic recovery has slowed this process.

CAPITAL ASSETS

At June 30, 2010, the District had \$19,814,575 invested in capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$1,491,806. Fiscal 2009 additions are mainly the result of the purchase of the property adjacent to the Training Center and major equipment purchases including staff vehicles, completion of two fire engines, refurbish one fire truck, small equipment and IT equipment.

LONG-TERM DEBT

At June 30, 2010, the District had long-term debt outstanding of \$26,610,072 (general obligation bonds of \$4,310,000., PERS Bonds of \$20,115,000, a Loan Payable to the City of Oregon City for Fire Station purchases with a balance of \$985,072, and a Promissory Note for the purchase of the Training Center Property for \$1,200,000). The amount represents a net increase of \$266,866.

As mentioned previously, the District was able to refund a portion of the remaining debt on the 2001 Bond issue. A savings to the taxpayer was realized by taking advantage of favorable market conditions that allowed the District to refund bonds at a higher interest rate with those of a lower interest rate. While refunding the bonds did not improve the District's financial position, it will save District taxpayers \$185,952 over the next five years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is primarily dependent upon property taxes and service contracts for the funding of operations; therefore, the District is affected by the local economic conditions. The budget for Fiscal 2010 has already been approved by the board, and includes a conservative revenue increase related to property value increases/additions and increased expenses due to labor contract commitments.

Cash Flow

Due to the successful annexation of the City of Oregon City effective at the beginning of Fiscal 2008, there has been a shift in revenue from Contract Revenue to Tax Revenue. This shift has affected the cash flow of the District in that the City of Oregon City submitted payment for services to the District on a monthly basis. Now that the District is assessing taxes directly to the citizens of Oregon City, the funding to provide the services are received with the regular tax receipts. This poses a cash flow issue for the District because there is not sufficient ending fund balance to pay for operations from July 1 through the middle of November when tax revenues are received. The District has begun to close this funding gap by conservative budgeting and spending habits and may not have to utilize Tax Anticipation Financing during Fiscal 2010. The funding mechanism will be set up to provide cash flow assurance, but analysis indicates it may not be needed.

PERS Update

On September 27, 2010, PERS notified the District of rate changes that will take effect on July 1, 2011. As shown on the table below, the rates increase significantly for the Tier 1/Tier 2 and OPSRP employee groups. The District continues to be concerned regarding current economic conditions. In response to this concern the District implemented a PERS Reserve Fund during the Fiscal 2009 budget cycle to transfer the saving of the PERS reduction from the 2007 Tier 1/Tier 2 rates. These funds will be utilized to mitigate the PERS increases anticipated in 2011.

Payroll	2005	2007	2009	2010
Tier 1/Tier 2	12.86%	12.81%	10.62%	17.55%
OPSRP – General Service	8.04%	8.90%	3.79%	8.59%
OPSRP – Police & Fire	11.65%	12.17%	6.50%	11.30%

Grant Administration

The District is in the third of the four year performance period on one of the SAFER Grants awarded to the District from the Department of Homeland Security. The SAFER Grant allowed the District to augment fire station staffing with grant funding in the amount of \$1,265,100 over a four year period. The District is required to match this funding at an increasing rate over the four year period. The District's matching amount is \$3,667,640. The grant will allow 12 firefighters to be hired and placed at specific stations to increase four response units to 4-person staffing as is recommended by NFPA 1710.

The second SAFER Grant the District has received was for Volunteer Recruitment and Retention. This grant requires no matching funds on the District's part and provides \$290,440 in funding over four years to accomplish the mission of the grant request. The District is in the fourth of the four year performance period of the grant. Volunteer participation has doubled in the last year, and recruitment has been at an all time high. The District considers the mission of this grant to have been a tremendous success.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to show the 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 McSperitt at Ph. #503-742-2600 or e-mail: susanmcs@ccfd1.com.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

BASIC FINANCIAL STATEMENTS

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS:

Cash and Investments	\$ 11,942,367
Property Taxes Receivable	2,158,311
Accounts Receivable	530,080
Prepaid Expenses	431,736
Inventories	198,803
Prepaid PERS	16,637,727
Capital Assets, net	<u>19,814,575</u>
 Total Assets	 <u>51,713,599</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	516,787
Payroll Liabilities	215,945
Accrued Vacation	<u>1,545,209</u>
 Total Current Liabilities	 <u>2,277,941</u>

Non-Current Liabilities:	
Accrued OPEB Liability	1,866,019
Due Within 1 Year:	
Bonds Payable	1,015,000
Capital Lease	174,034
Due In More than 1 Year:	
Bonds Payable	23,410,000
Capital Lease	<u>2,011,038</u>
 Total Non-Current Liabilities	 28,476,091

Total Liabilities	<u>30,754,032</u>
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NET ASSETS

Invested in Capital Assets Net of Related Debt	13,319,503
Restricted for special purposes	398,488
Unrestricted	<u>7,241,577</u>
 Total Net Assets	 <u>\$ 20,959,568</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, 2010

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Fire Services	\$ 33,520,869	\$ 5,700	\$ 488,723	\$ (33,026,446)
Interest on Long-Term Debt	1,042,552	-	-	(1,042,552)
Total Governmental Activities	<u>\$ 34,563,421</u>	<u>\$ 5,700</u>	<u>\$ 488,723</u>	<u>(34,068,998)</u>

GENERAL REVENUES:

Taxes	\$ 34,031,114
Miscellaneous	569,013
Total General Revenues	<u>34,600,127</u>
Change in Net Assets	531,129
Beginning Net Assets	<u>20,428,439</u>
Ending Net Assets	<u>\$ 20,959,568</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	GOVERNMENTAL FUNDS		TOTAL
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
ASSETS			
Cash and Investments	\$ 11,070,499	\$ 871,868	\$ 11,942,367
Taxes Receivable	2,091,166	67,145	2,158,311
Accounts Receivable	522,245	7,835	530,080
Prepaid Expenses	431,736	-	431,736
Interfund Loans Receivable	-	-	-
Inventories	198,803	-	198,803
Total Assets	\$ 14,314,449	\$ 946,848	\$ 15,261,297
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 516,787	\$ -	\$ 516,787
Payroll Liabilities	215,945	-	215,945
Interfund Loans Payable	-	-	-
Deferred Tax Revenues	1,908,700	61,132	1,969,832
Total Liabilities	2,641,432	61,132	2,702,564
Fund Balances			
Reserved for:			
Inventory	198,803	-	198,803
Unreserved, Reported in:			
General Fund	11,474,214	-	11,474,214
Special Revenue Funds	-	445,992	445,992
Capital Projects Fund	-	398,488	398,488
Debt Service Fund	-	41,236	41,236
Total Fund Balances	11,673,017	885,716	12,558,733
Total Liabilities and Fund Balances	\$ 14,314,449	\$ 946,848	\$ 15,261,297

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

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

June 30, 2010

Total Fund Balances - Governmental Funds	\$ 12,558,733
<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 Assets includes those capital assets among the assets of the District as a whole.</p>	
Net Capital Assets	19,814,575
<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 Assets.</p>	
	(28,155,281)
<p>The unamortized portion of prepaid pension costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds</p>	
	16,637,727
Deferred revenue related to property taxes	1,969,832
Accrual of OPEB	<u>(1,866,019)</u>
Net Assets	<u>\$ 20,959,568</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 BALANCE
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	OTHER GOVERNMENTAL FUNDS	
REVENUES:			
Taxes	\$ 32,808,775	\$ 1,075,725	\$ 33,884,500
Contract Income	5,700	-	5,700
Earnings on Investments	163,136	9,934	173,070
Miscellaneous	799,233	13,447	812,680
Total Revenues	33,776,844	1,099,106	34,875,950
EXPENDITURES:			
Fire Protection Services:			
Personal Services	26,685,079	-	26,685,079
Materials and Services	4,212,404	-	4,212,404
Capital Outlay	395,183	1,523,066	1,918,249
Debt Service	-	972,864	972,864
Total Expenditures	31,292,666	2,495,930	33,788,596
Excess of Revenues Over, (Under) Expenditures	2,484,178	(1,396,824)	1,087,354
Other Financing Sources, (Uses):			
Proceeds from Sales	51,986	20,000	71,986
Bond Proceeds	-	3,540,000	3,540,000
Refunded Bond Payment	-	(3,540,000)	(3,540,000)
Transfers In	-	1,967,237	1,967,237
Transfers Out	(1,967,237)	-	(1,967,237)
Total Other Financing Sources, (Uses)	(1,915,251)	1,987,237	71,986
Net Change in Fund Balance	568,927	590,413	1,159,340
Beginning Fund Balance	11,104,090	295,303	11,399,393
Ending Fund Balance	\$ 11,673,017	\$ 885,716	\$ 12,558,733

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 BALANCE TO STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Net Changes in Fund Balances - Governmental Funds	\$	1,159,340
<p>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.</p>		
Repayments	<u>933,134</u>	933,134
<p>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.</p>		
		291,807
<p>In the governmental funds, the current year payment to PERS to advance fund the District's UAL is charged as expenditures. In the Statement of Net Assets it is reported as an asset and amortized over the life of the pension bonds issued to fund the payment.</p>		
		(924,318)
<p>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.</p>		
		146,614
Change in Accrued Vacation		(135,340)
Change in Accrued OPEB Liability		<u>(940,109)</u>
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>531,129</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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, 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 Assets 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 nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange 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 Assets 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 can not legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted. 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 Assets. 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

All of the District's full time employees are participants in Public Employees' Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures.

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 only 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 ASSETS

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

Invested in capital assets, net of related debt – 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 assets – 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.

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.

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

Deposits with Financial Institutions:	
Demand Deposits	\$ 301,855
Petty Cash	3,800
Investments	11,636,712
Total	<u>\$ 11,942,367</u>

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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, 2010.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2010 the fair value of the position in the LGIP is 99.56% 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	\$ 11,636,712	\$ 11,636,712	\$ -
Total	\$ 11,636,712	\$ 11,636,712	\$ -

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.

Concentration of Credit/Deposit Risk

At year-end, the District's net carrying amount of deposits was \$301,855 and the bank balance was \$382,436. Of these deposits, \$382,436 was covered by federal depository insurance. Oregon Revised Statutes and District policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2010 are as follows:

	July 1, 2009	Additions	Deletions	June 30, 2010
Land (non Depreciable)	\$ 543,970	\$ 1,098,901	\$ -	\$ 1,642,871
Buildings	19,202,744	644,112	-	19,846,856
Trucks and Equipment	12,080,209	1,242,837	(347,000)	12,976,046
Construction in Progress	350,000	150,000	(350,000)	150,000
Total Assets	32,176,923	3,135,850	(697,000)	34,615,773
Less: Accumulated Depreciation				
Buildings	5,515,441	511,216	-	6,026,657
Trucks and Equipment	8,338,714	769,994	(334,167)	8,774,541
Total Accumulated Depreciation	13,854,155	1,281,210	(334,167)	14,801,198
Capital Assets, Net	\$ 18,322,768	\$ 1,854,640	\$ (362,833)	\$ 19,814,575

4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Plan Description:

The District is a participating employer in the State of Oregon Public Employees Retirement System Plan. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

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

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at www.state.or.us.

Description of Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The District is required to contribute at actuarially determined rates, as adopted by the PERS Board. The current rate effective October 1, 2006 is 10.62% of covered payroll and 3.79% for OPSRP. The District's contribution to the plan for the years ending June 30, 2010, 2009 and 2008 were \$1,872,636, \$2,221,239, and \$2,034,718, respectively, and were equal to the required contributions for each year.

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, 2010 is comprised of the following:

	Outstanding July 1, 2009	Additions	Payments and Deletions	Outstanding June 30, 2010
Series 2001 Bonds Payable	\$ 4,985,000	\$ -	\$ 4,215,000	\$ 770,000
2005 PERS Bonds	20,250,000	-	135,000	20,115,000
2010 Refunding Bond	-	3,540,000	-	3,540,000
Oregon City Loan Payable - Fire Station	1,108,206	-	123,134	985,072
Promissory Note	-	1,200,000	-	1,200,000
Accrued Compensated Absences	1,409,869	135,339	-	1,545,208
Total	<u>\$ 27,753,075</u>	<u>\$ 4,875,339</u>	<u>\$ 4,473,134</u>	<u>\$ 28,155,280</u>

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

	Principal	Interest	Total
2010-2011	1,189,034	1,190,505	2,379,539
2011-2012	1,297,173	1,142,950	2,440,123
2012-2013	1,405,506	1,107,592	2,513,098
2013-2014	1,509,045	1,090,146	2,599,191
2014-2015	1,637,802	1,019,230	2,657,032
2015-2020	5,162,724	4,394,921	9,557,645
2020-2025	8,668,787	2,831,986	11,500,774
2025-2030	5,740,000	469,050	6,209,050
	<u>\$ 26,610,072</u>	<u>\$ 13,246,382</u>	<u>\$ 39,856,453</u>

The Accrued Compensated Absences are considered to be current liabilities.

6. INTERFUND TRANSFERS

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,967,237
Capital Reserve Fund	980,000	-
PERS Reserve Fund	422,237	-
Capital Projects Fund	565,000	-
	<u>\$ 1,967,237</u>	<u>\$ 1,967,237</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.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

8. 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.

9. OTHER POST EMPLOYMENT BENEFITS

Post Employment Health Insurance Subsidy

Plan Description - The District operates a single-employer retiree benefit plan that provides postemployment health benefits to eligible employees and their spouses. 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 - The District's annual other postemployment 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

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

	2010
Annual required contribution	\$ 1,153,824
Interest on net pension obligation	-
Adjustment to annual required contribution	603
Annual pension cost	1,154,427
Contributions made	(214,318)
Increase in net pension obligation	940,109
NPO (Asset) at beginning of year	925,910
NPO (Asset) at end of year	\$ 1,866,019

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2009 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 4% compounded annually and a payroll growth rate of 3.00%, (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 10 percent inflation for the current year, grading down to annual rate of 5 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.

Funding Status and Funding Progress – As of July 1, 2009, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,589,965, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,589,965. The covered payroll (annual payroll of active employees covered by the plan) was undetermined by the actual, and thus the ratio of the UAAL to the covered payroll was undetermined. The schedule of funding progress, presented as 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.

11. RISK MANAGEMENT

The District established the Health Self-Insurance Plan during the 2009-2010 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 \$50,000 reported in the funds at June 30, 2010 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

12. CONTINGENCY

This past December the Department of Revenue notified the County that Comcast Corporation appealed their 2009-2010 property value. Comcast is currently treated as a public utility account, valued by the Department of Revenue, and potentially impacts a number of counties. The total potential refund impact to all taxing districts in Clackamas County is estimated to be about 1.8 million dollars. The District's share of this estimate is roughly \$105,000. However, no liability has been accrued since the outcome is unknown.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2010

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 32,643,345	\$ 32,643,345	\$ 32,808,775	\$ 165,430
Contract Income	14,400	14,400	5,700	(8,700)
Earnings on Investments	160,000	160,000	163,136	3,136
Grants	476,327	476,327	488,723	12,396
Miscellaneous	322,000	322,000	310,510	(11,490)
Total Revenue	33,616,072	33,616,072	33,776,844	160,772
EXPENDITURES:				
Personal Services	26,940,646	26,940,646 (1)	26,685,079	255,567
Materials and Services	4,310,493	4,307,357 (1)	4,212,404	94,953
Capital Outlay	532,103	550,239 (1)	395,183	155,056
Contingency	1,853,000	1,838,000 (1)	-	1,838,000
Total Expenditures	33,636,242	33,636,242	31,292,666	2,343,576
Excess of Revenues Over, (Under) Expenditures	(20,170)	(20,170)	2,484,178	2,504,348
Other Financing Sources, (Uses):				
Proceeds from Sales	5,000	5,000	51,986	46,986
Interfund Loan	60,000	60,000	77,329	17,329
Transfers In	-	-	-	-
Transfers Out	(1,661,237)	(1,967,237) (1)	(1,967,237)	-
Total Other Financing Sources, (Uses)	(1,596,237)	(1,902,237)	(1,837,922)	64,315
Net Change in Fund Balance	(1,616,407)	(1,922,407)	646,256	2,568,663
Beginning Fund Balance	9,512,320	9,512,320	11,026,761	1,514,441
Ending Fund Balance	\$ 7,895,913	\$ 7,589,913	\$ 11,673,017	\$ 4,083,104

(1) Appropriation Level

The accompanying notes are an integral part of this statement.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

SUPPLEMENTARY DATA

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2010

	GOVERNMENTAL FUNDS					TOTAL
	EQUIPMENT RESERVE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	TRAINING ENTERPRISE FUND	PERS RESERVE FUND	
ASSETS						
Cash and Investments	\$ 194,169	\$ 27,388	\$ 204,319	\$ 22,260	\$ 423,732	\$ 871,868
Accounts Receivable	-	7,835	-	-	-	7,835
Taxes Receivable	-	67,145	-	-	-	67,145
Total Assets	\$ 194,169	\$ 102,368	\$ 204,319	\$ 22,260	\$ 423,732	\$ 946,848
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred Tax Revenues	\$ -	\$ 61,132	\$ -	\$ -	\$ -	\$ 61,132
Total Liabilities	-	61,132	-	-	-	61,132
Fund Balances						
Unreserved, Reported in:						
Special Revenue Fund	-	-	-	22,260	423,732	445,992
Debt Service Fund	-	41,236	-	-	-	41,236
Capital Projects Fund	194,169	-	204,319	-	-	398,488
Total Fund Balances	194,169	41,236	204,319	22,260	423,732	885,716
Total Liabilities and Fund Balances	\$ 194,169	\$ 102,368	\$ 204,319	\$ 22,260	\$ 423,732	\$ 946,848

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	GOVERNMENTAL FUNDS			
	EQUIPMENT RESERVE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	TRAINING ENTERPRISE FUND
REVENUES:				
Taxes	\$ -	\$ 1,075,725	\$ -	\$ -
Earnings on Investments	1,454	4,070	2,780	135
Miscellaneous	-	-	-	13,447
Total Revenues	1,454	1,079,795	2,780	13,582
EXPENDITURES:				
Fire Protection Services:				
Capital Outlay	882,509	-	640,557	-
Debt Service	-	972,864	-	-
Total Expenditures	882,509	972,864	640,557	-
Excess of Revenues Over, (Under) Expenditures	(881,055)	106,931	(637,777)	13,582
Other Financing Sources, (Uses):				
Proceeds from Sales	20,000	-	-	-
Transfers In	980,000	-	565,000	-
Total Other Financing Sources, (Uses)	1,000,000	-	565,000	-
Net Change in Fund Balance	118,945	106,931	(72,777)	13,582
Beginning Fund Balance	75,224	(65,695)	277,096	8,678
Ending Fund Balance	\$ 194,169	\$ 41,236	\$ 204,319	\$ 22,260

PERS RESERVE FUND	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 1,075,725
1,495	9,934
-	13,447
1,495	1,099,106
-	322,746
-	1,523,066
-	972,864
-	2,495,930
1,495	(1,396,824)
-	20,000
422,237	1,967,237
422,237	1,987,237
423,732	590,413
-	295,303
\$ 423,732	\$ 885,716

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ACTUAL AND BUDGET

For the Year Ended June 30, 2010

EQUIPMENT RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Grant Income	\$ -	\$ -	\$ -	\$ -
Earnings on Investments	5,000	5,000	1,454	(3,546)
Total Revenue	5,000	5,000	1,454	(3,546)
EXPENDITURES:				
Capital Outlay	908,457	908,457 (1)	882,509	25,948
Total Expenditures	908,457	908,457	882,509	25,948
Excess of Revenues Over, (Under) Expenditures	(903,457)	(903,457)	(881,055)	22,402
Other Financing Sources, (Uses):				
Proceeds from Sales	-	-	20,000	20,000
Transfers In	980,000	980,000	980,000	-
Total Other Financing Sources, (Uses)	980,000	980,000	1,000,000	20,000
Net Change in Fund Balance	76,543	76,543	118,945	42,402
Beginning Fund Balance	39,963	39,963	75,224	35,261
Ending Fund Balance	\$ 116,506	\$ 116,506	\$ 194,169	\$ 77,663

(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, 2010

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,027,865	\$ 1,045,194	\$ 1,075,725	\$ 30,531
Earnings on Investments	5,000	5,000	4,070	(930)
Total Revenue	1,032,865	1,050,194	1,079,795	29,601
EXPENDITURES:				
Debt Service:				
Principal	800,000	817,329	817,328	1
Interest	232,865	232,865	232,865	-
Total Expenditures	1,032,865	1,050,194 (1)	1,050,193	1
Excess of Revenue over, under Expenditures	-	-	29,602	29,602
OTHER FINANCING SOURCES				
Interfund Loan Receipts	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	-	-	29,602	29,602
Beginning Fund Balance	-	-	11,634	11,634
Ending Fund Balance	\$ -	\$ -	\$ 41,236	\$ 41,236

(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, 2010

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 7,000	\$ 7,000	\$ 2,780	\$ (4,220)
Total Revenues	7,000	7,000	2,780	(4,220)
EXPENDITURES:				
Capital Outlay	337,135	643,135 (1)	640,557	2,578
Total Expenses	337,135	643,135	640,557	2,578
Excess of Revenues Over, (Under) Expenditures	(330,135)	(636,135)	(637,777)	(1,642)
Other Financing Sources, (Uses):				
Proceeds from Sale	-	-	-	-
Loan Proceeds	-	-	-	-
Transfers In	259,000	565,000	565,000	-
Total Other Financing Sources, (Uses)	259,000	565,000	565,000	-
Net Change in Fund Balance	(71,135)	(71,135)	(72,777)	(1,642)
Beginning Fund Balance	277,096	277,096	277,096	-
Ending Fund Balance	\$ 205,961	\$ 205,961	\$ 204,319	\$ (1,642)

(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, 2010

TRAINING ENTERPRISE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 10	\$ 10	\$ 135	\$ 125
Miscellaneous	12,000	-	13,447	13,447
Total Revenues	10	10	13,582	13,572
EXPENDITURES:				
Capital Outlay	6,500	6,500 (1)	-	6,500
Total Expenses	6,500	6,500	-	6,500
Excess of Revenues Over, (Under) Expenditures	(6,490)	(6,490)	13,582	20,072
Net Change in Fund Balance	(6,490)	(6,490)	13,582	20,072
Beginning Fund Balance	7,998	7,998	8,678	680
Ending Fund Balance	\$ 1,508	\$ 1,508	\$ 22,260	\$ 20,752

(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, 2010

PERS RESERVE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 3,167	\$ 3,167	\$ 1,495	\$ (1,672)
Total Revenues	3,167	3,167	1,495	(1,672)
EXPENDITURES:				
Expenditures	-	- (1)	-	-
Total Expenses	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	3,167	3,167	1,495	(1,672)
Other Financing Sources, (Uses):				
Transfers In	422,237	422,237	422,237	-
Total Other Financing Sources, (Uses)	422,237	422,237	422,237	-
Net Change in Fund Balance	425,404	425,404	423,732	(1,672)
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ 425,404	\$ 425,404	\$ 423,732	\$ (1,672)

(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, 2010

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2009	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT June 30, 2010
Current:						
2009-2010	\$ 34,860,257	\$ 838,531	\$ (69,282)	\$ 13,157	\$ 32,671,027	\$ 1,294,574
Prior Years:						
2008-2009	1,437,825	(546)	(24,966)	40,001	881,204	572,202
2007-2008	357,493	(158)	(6,500)	20,294	185,162	186,283
2006-2007	127,365	(89)	(4,501)	13,510	77,736	58,727
2005-2006	40,869	(78)	(4,740)	6,168	29,480	12,895
Prior	41,225	(75)	(5,335)	(7,464)	(5,129)	33,630
Total Prior	2,004,777	(946)	(46,042)	72,509	1,168,453	863,737
Total	\$ 36,865,034	\$ 837,585	\$ (115,324)	\$ 85,666	\$ 33,839,480	\$ 2,158,311

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 33,839,480
Other Taxes	38,101
Accrual of Receivables:	
June 30, 2010	188,478
June 30, 2009	(181,559)
Total Revenue	\$ 33,884,500

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

AUDITORS' COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS



PAULY, ROGERS AND CO., P.C.

® CERTIFIED PUBLIC ACCOUNTANTS

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• (503) 620-2632 • FAX (503) 684-7523

Independent Auditor's 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, 2010, and have issued our report thereon dated September 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether 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.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with 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/council members/commissioners 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.


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