

CLACKAMAS COUNTY FIRE DISTRICT NO. 1
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

BOARD OF DIRECTORS

TERM EXPIRES

Thomas Joseph	Chairperson	June 30, 2015
Marilyn Wall	Vice Chairperson	June 30, 2015
Don Trotter	Secretary/Treasurer	June 30, 2017
David McTeague	Director	June 30, 2015
John Blanton	Director	June 30, 2017

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

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON
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November 11, 2013

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, 2013, 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. 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, 2013, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. 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 budgetary comparison schedules 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before 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 Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 11, 2013, 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

BASIC FINANCIAL STATEMENTS

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$19,799,948 (net position). Of this amount, \$4,732,377 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$235,354. This decrease is due to a combination of increases in accrued liabilities, debt retirement, and reduced asset investment.
- The investment in capital assets decreased \$766,103 to \$18,303,780 during the year.
- Long-term debt decreased by \$1,405,506 to \$22,718,359. 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.

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 position were \$19,799,948 at June 30, 2013. Of this amount, \$4,732,377 was unrestricted, \$23,105 was restricted for special purposes and \$15,044,466 was invested in fixed assets net of related debt.

<i>Assets</i>	2013	2012	% +/-
Cash and investments	\$ 12,757,925	\$ 12,420,150	2.7
Current assets	17,781,225	18,306,294	-2.9
Note receivable	-0-	-0-	-0-
Capital assets	18,303,780	19,069,883	-4.0
<i>Total Assets</i>	48,842,930	49,796,327	-1.9
<i>Liabilities</i>			
Accounts payable	\$ 334,245	\$ 270,120	23.7
Payroll liabilities and Compensated absences	2,336,658	2,215,994	5.4
Noncurrent liabilities	26,372,079	27,274,911	-3.3
<i>Total Liabilities</i>	29,042,982	29,761,025	-2.4

Net Position

Investment in capital assets (net of related debt)	15,044,466	14,581,019	3.2
Restricted for special purposes	23,105	22,057	4.8
Unrestricted	4,732,377	5,432,226	-12.9
<i>Total Net Position</i>	<u>\$19,799,948</u>	<u>\$20,035,302</u>	-1.2

Statement of Activities. During the current fiscal year, the District's net position decreased by \$235,354. The key elements of the change in the District's net position for the year ended June 30, 2013 are as follows:

Assets:

- Net income (revenue vs. expenditure) for all funds increased net position by \$616,147.
- Property tax receivable increased by \$33,693 to \$2,401,086. This represents taxes levied but not received.
- Prepaid expense increased by \$417,974 predominately due to two transactions. First, the workers' compensation policy normally paid for the ensuing fiscal year was paid after June 30, 2013 and was not carried on the balance sheet at year end as in prior years causing a reduction in prepaid expense year over year. This reduction was more than offset by the prepayment of a tractor drawn aerial (TDA) budgeted and scheduled to be delivered during Fiscal Year 2013-14. The prepayment of the TDA allowed the District to avoid a scheduled price increase and take advantage of a prepayment discount from the manufacturer.
- Prepaid PERS decreased by \$924,318, to \$13,864,773. Each year this will decrease as it offsets the unfunded actuarial liability with PERS.
- Capital assets net of depreciation decreased by \$766,103, predominantly due to depreciation expense exceeding the District's investment in capital assets. However, the District completed the purchase of a water tender, four staff vehicles, a facility maintenance vehicle, purchased small equipment and IT equipment. In addition to equipment and apparatus purchases, the District replaced the second floor patio infrastructure at the Mt. Scott Station #5.

Liabilities:

- Payment on the 2010 Refunding Bond and the 2005 PERS Refunding Bond has reduced the District's obligations by a net \$1,225,000. During Fiscal Year 2009-10, favorable market conditions allowed the District to refund a portion of the 2001 Bond issue saving the District's taxpayers \$185,952 through the retirement of the debt in 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 District's liabilities by \$180,506.
- The Government Accounting Standards Board pronouncement #45 (GASB 45) requires the District to report the implied subsidy for health insurance provided to retiree's of the District. This benefit is also known as Other Post Employment Benefits (OPEB) and the 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 District's liabilities by \$502,674 to \$3,653,720. This liability is discussed in further detail on Page 21 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 \$85,656 to \$1,851,518.

<i>Revenues:</i>	2013	2012	% +/-
Program revenues:			
Charges for Service	\$ 5,700	\$ 6,940	-17.9
Capital Grants and Contributions	5,010	158,784	-96.8
General Revenues:			
Taxes and assessments	36,191,218	35,707,780	1.4
Miscellaneous	966,207	794,414	21.6
Gain on disposition of assets	-0-	-0-	-0-
Total Revenues	37,168,135	36,667,918	1.4
<i>Expenses:</i>			
Operating Expenses	37,268,345	37,364,319	-0.3
Interest on long-term debt	135,143	87,900	53.7
Loss on Disposal of Asset	-0-	-0-	-0-
Total Expenses	37,403,488	37,452,219	-0.1
Change in net position	-235,353	-784,301	-70.0
Beginning net position	20,819,603	20,959,568	-3.8
Ending net position	\$19,799,948	\$20,819,603	-1.2

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 13 through 22 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, 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 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 District. The fund balance in the General Fund decreased by \$62,194 due to planned expenditures exceeding current resources collected. The General Fund balance decrease was anticipated to be higher during the budget process. Due to an unanticipated dividend from SAIF, the District's workers' compensation carrier, in the amount of \$176,605 and reductions to planned expenditures during the fiscal year, the decrease was limited to \$62,194 rather than the \$1,263,068 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 \$879,893 in preparation for future equipment needs. The District utilized funding in the Equipment Reserve Fund to purchase a water tender, four staff vehicles, and a facility maintenance vehicle.

Capital Projects Fund (land and buildings) – The balance in the Capital Projects Fund increased by \$6,319. The District utilized funding in the Capital Projects Fund to make a payment to the City of Oregon City for fire stations, and make payments on the loan for the property adjacent to the Training Center.

Training Enterprise Fund – This fund earned \$1,775 in revenue from classes provided to outside agencies and interest accrued. The District utilized funding in the Training Enterprise Fund to purchase training manikins. The fund balance decreased by \$7,123.

Debt Service Fund – The fund balance increased by \$12,100 in the Debt Service Fund. The ending balance is \$23,105.

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 District transferred \$650,000 to the General Fund during Fiscal Year 2011-12 and transferred the balance of \$212,943 during Fiscal 2012-13. The PERS Reserve Fund is at a zero balance. Further discussion of the PERS employer rate increases are provided in the next page of this report.

INVESTMENTS

The bulk of the 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, 2013 the District had \$11,927,901 invested with the LGIP. The current audit of the OSTF Fund indicates 100.65 percent funded status for overall assets placed with the fund as of June 30, 2013.

CAPITAL ASSETS

At June 30, 2012, the District had \$18,303,780 invested in capital assets, including land, buildings, and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$766,103. Fiscal Year 2012-13 additions are mainly the result of major equipment purchases including a water tender, four staff vehicles, one facility maintenance vehicle, small equipment and IT equipment. In addition to major equipment purchases, the second floor patio infrastructure was replaced at Mt. Scott Fire Station #5. The decrease in net assets is attributable to depreciation outpacing the District's investment in capital assets.

LONG-TERM DEBT

At June 30, 2013, the District had long-term debt outstanding of \$22,718,359 (general obligation bonds of \$1,790,000., PERS Bonds of \$19,275,000, a Loan Payable to the City of Oregon City for Fire Station purchases with a balance of \$615,670, and a Promissory Note for the purchase of the Training Center Property for \$1,037,689). The amount represents a decrease of \$1,405,506.

The District was able to refund a portion of the remaining debt on the 2001 Bond issue during Fiscal 2009-10. A savings to the taxpayer was realized by taking advantage of favorable market conditions that allowed the District to refund bonds issued at a higher interest rate with those of a lower interest rate. While refunding the bonds did not improve the Districts financial position, it will save District taxpayers \$185,952 in interest over the remaining life of the bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is primarily dependent upon property taxes for the funding of operations; therefore, the District is affected by the local economic conditions. The budget for Fiscal 2013-14 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.

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 has posed a cash flow issue for the District because there has not been sufficient ending fund balance to pay for operations from July 1 through the middle of November when tax revenues are received. Additionally, the economic downturn since 2008 has slowed tax revenue growth significantly. The District will utilize Tax Anticipation Financing during Fiscal 2013-14.

PERS Update

On September 27, 2010, PERS notified the District of rate changes that will take affect on July 1, 2011. As shown on the table below, the rates increase significantly for the Tier1/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. At the end of Fiscal 2010-11 the District had \$860,955 available to offset the cost of the PERS Employer rate increases. Of these funds, \$650,000 was utilized during Fiscal Year 2011-12 to mitigate the anticipated PERS increases and the balance utilized during Fiscal Year 2012-13.

Employer rates for the 2013-15 biennium were announced by PERS in September of 2012 and reported in the Audited Financial Statement for Fiscal Year Ending June 30, 2012. Since then legislative action has been taken to mitigate the employer cost increases. The 2013-15 rates have been adjusted as listed below.

Payroll	2005	2007	2009	2011	2013	2013 Adjusted
Tier 1/Tier 2	12.86%	12.81%	10.62%	17.55%	21.64%	17.82%
OPSRP – General Service	8.04%	8.90%	3.79%	8.59%	13.25%	10.72%
OPSRP – Police & Fire	11.65%	12.17%	6.50%	11.30%	15.98%	13.45%

Grant Administration

The District is in the final 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 was required to match this funding at an increasing rate over the four year period, with a fifth year fully funded by the District. The District’s matching amount of \$3,667,640. The grant allowed 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 District continues to pursue grant funding.

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 Geiger at Ph. #503-742-2600 or e-mail: susan.geiger@clackamasfire.com.

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF NET POSITION

June 30, 2013

ASSETS:

Cash and Investments	\$	12,757,925
Property Taxes Receivable		2,401,086
Accounts Receivable		379,031
Prepaid Expenses		965,856
Inventories		170,479
Prepaid PERS		13,864,773
Capital Assets, net		18,303,780
		<u>18,303,780</u>
Total Assets	\$	<u>48,842,930</u>

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	334,245
Payroll Liabilities		485,140
Accrued Vacation		1,851,518
		<u>1,851,518</u>
Total Current Liabilities		<u>2,670,903</u>
Non-Current Liabilities:		
Accrued OPEB Liability		3,653,720
Due Within 1 Year:		
Bonds Payable		1,325,000
Capital Lease		184,045
Due In More than 1 Year:		
Bonds Payable		19,740,000
Capital Lease		1,469,314
		<u>1,469,314</u>
Total Non-Current Liabilities		26,372,079
Total Liabilities		<u>29,042,982</u>

NET POSITION

Invested in Capital Assets Net of Related Debt		15,044,466
Restricted for special purposes		23,105
Unrestricted		4,732,377
		<u>4,732,377</u>
Total Net Position	\$	<u>19,799,948</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, 2013

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Fire Services	\$ 37,268,345	\$ 5,700	\$ 5,010	\$ (37,257,635)
Interest on Long-Term Debt	135,143	-	-	(135,143)
Total Governmental Activities	<u>\$ 37,403,488</u>	<u>\$ 5,700</u>	<u>\$ 5,010</u>	<u>(37,392,778)</u>
GENERAL REVENUES:				
				\$ 36,191,218
				966,207
				<u>37,157,425</u>
				(235,353)
				<u>20,035,301</u>
				<u>\$ 19,799,948</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	GOVERNMENTAL FUNDS		TOTAL
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
ASSETS			
Cash and Investments	\$ 12,741,423	\$ 16,502	\$ 12,757,925
Taxes Receivable	2,336,143	64,943	2,401,086
Accounts Receivable	373,461	5,570	379,031
Prepaid Expenses	965,856	-	965,856
Inventories	170,479	-	170,479
Total Assets	\$ 16,587,362	\$ 87,015	\$ 16,674,377
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 334,245	\$ -	\$ 334,245
Payroll Liabilities	485,140	-	485,140
Interfund Loans Payable	-	-	-
Deferred Tax Revenues	2,151,595	59,982	2,211,577
Total Liabilities	2,970,980	59,982	3,030,962
Fund Balances			
Non-Spendable for -			
Inventory	170,479	-	170,479
Prepaid Expenses	965,856	-	965,856
Restricted for -			
Debt Payments	-	23,105	23,105
Grant Restrictions	-	-	-
Committed - Training Classes	-	3,928	3,928
Assigned for -			
Future Equipment Purchases	1,456,565	-	1,456,565
Future Capital Projects	138,428	-	138,428
PERS Payments	-	-	-
Unassigned	10,885,054	-	10,885,054
Total Fund Balances	13,616,382	27,033	13,643,415
Total Liabilities and Fund Balances	\$ 16,587,362	\$ 87,015	\$ 16,674,377

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, 2013

Total Fund Balances - Governmental Funds	\$ 13,643,415
<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	18,303,780
<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>	
	(24,569,877)
<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>	
	13,864,773
Deferred revenue related to property taxes.	2,211,577
Accrual of OPEB	<u>(3,653,720)</u>
Net Position	<u>\$ 19,799,948</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, 2013

	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	OTHER GOVERNMENTAL FUNDS	
REVENUES:			
Taxes	\$ 35,223,332	\$ 946,144	\$ 36,169,476
Contract Income	5,700	-	5,700
Earnings on Investments	266,606	2,031	268,637
Miscellaneous	658,553	1,700	660,253
Total Revenues	36,154,191	949,875	37,104,066
EXPENDITURES:			
Fire Protection Services:			
Personal Services	30,255,651	-	30,255,651
Materials and Services	4,382,588	-	4,382,588
Capital Outlay	1,002,156	8,898	1,011,054
Debt Service	-	936,000	936,000
Total Expenditures	35,640,395	944,898	36,585,293
Excess of Revenues Over, (Under) Expenditures	513,796	4,977	518,773
Other Financing Sources, (Uses):			
Proceeds from Sales	97,377	-	97,377
Transfers In	1,626,943	-	1,626,943
Transfers Out	(1,626,943)	-	(1,626,943)
Total Other Financing Sources, (Uses)	97,377	-	97,377
Net Change in Fund Balance	611,173	4,977	616,150
Beginning Fund Balance	13,005,209	22,056	13,027,265
Ending Fund Balance	\$ 13,616,382	\$ 27,033	\$ 13,643,415

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, 2013

Net Changes in Fund Balances - Governmental Funds	\$	616,150
<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		1,405,506
		<u>1,405,506</u>
<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>		
		(766,103)
<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>		
		21,742
Change in Accrued Vacation		(85,656)
Change in Accrued OPEB Liability		(502,674)
		<u>(235,353)</u>
Change in Net Position of Governmental Activities	\$	<u>(235,353)</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 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 and a supplemental budget. 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

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 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:

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 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 does not have an item that qualifies for reporting in this category.

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

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

Demand Deposits	\$	804,023
Petty Cash		3,800
Cash with Fiscal Agent		22,201
Investments		<u>11,927,901</u>
Total	<u>\$</u>	<u>12,757,925</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, 2013. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2013 the fair value of the position in the LGIP is 100.65% 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	<u>\$ 11,927,901</u>	<u>\$ 11,927,901</u>	<u>\$ -</u>
Total	<u>\$ 11,927,901</u>	<u>\$ 11,927,901</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

Concentration of Credit/Deposit Risk

At year-end, the District's net carrying amount of deposits was \$804,023 and the bank balance was \$1,137,667. 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, 2013 are as follows:

	July 1, 2012	Additions	Deletions	June 30, 2013
Land (non Depreciable)	\$ 1,642,871	\$ -	\$ -	\$ 1,642,871
Buildings	20,041,270	25,857	-	20,067,127
Trucks and Equipment	14,649,452	577,366	(747,244)	14,479,574
Construction in Progress	-	-	-	-
Total Assets	36,333,593	603,223	(747,244)	36,189,572
Less: Accumulated Depreciation				
Buildings	7,055,831	517,327	-	7,573,158
Trucks and Equipment	10,207,879	796,919	(692,164)	10,312,634
Total Accumulated Depreciation	17,263,710	1,314,246	(692,164)	17,885,792
Capital Assets, Net	\$ 19,069,883	\$ (711,023)	\$ (55,080)	\$ 18,303,780

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 versus 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 July 1, 2011 is 17.55% of covered payroll and 8.59% for OPSRP. The District's contribution to the plan for the years ending June 30, 2013, 2012 and 2011 were \$3,166,277, \$3,151,522, and \$1,930,486, respectively, and were equal to the required contributions for each year.

5. LONG-TERM DEBT

The changes in long-term debt for the year ended June 30, 2013 is comprised of the following:

	Outstanding July 1, 2012	Additions	Payments & Deletions	Outstanding June 30, 2013
2005 PERS Bonds	\$ 19,635,000	\$ -	\$ 360,000	\$ 19,275,000
2010 Refunding Bond	2,655,000	-	865,000	1,790,000
Oregon City Loan Payable - Fire Station	738,804	-	123,134	615,670
Promissory Note	1,095,061	-	57,372	1,037,689
Accrued Compensated Absences	1,765,862	85,656	-	1,851,518
Total	<u>\$ 25,889,727</u>	<u>\$ 85,656</u>	<u>\$ 1,405,506</u>	<u>\$ 24,569,877</u>

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

	2005 PERS Bonds			2010 Refunding GO Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013-2014	445,000	955,842	1,400,842	880,000	73,700	953,700
2014-2015	540,000	935,083	1,475,083	910,000	27,300	937,300
2015-2016	645,000	908,844	1,553,844	-	-	-
2016-2017	755,000	877,504	1,877,153	-	-	-
2017-2018	870,000	840,818	1,877,153	-	-	-
2018-2023	6,480,000	3,432,006	9,912,006	-	-	-
2023-2028	9,540,000	1,382,605	10,922,605	-	-	-
	<u>\$ 19,275,000</u>	<u>\$ 9,332,702</u>	<u>\$ 29,018,686</u>	<u>\$ 1,790,000</u>	<u>\$ 101,000</u>	<u>\$ 1,891,000</u>
	Oregon City Loan			Promissory Note - Training Facility		
	Principal	Interest	Total	Principal	Interest	Total
2013-2014	123,134	-	123,134	60,911	60,604	121,515
2014-2015	123,134	-	123,134	64,668	56,847	121,515
2015-2016	123,134	-	123,134	68,656	52,859	121,515
2016-2017	123,134	-	123,134	72,891	48,624	121,515
2017-2018	123,134	-	123,134	77,387	44,129	121,516
2018-2023	-	-	-	464,697	142,880	607,577
2023-2028	-	-	-	228,479	14,553	243,032
	<u>\$ 615,670</u>	<u>\$ -</u>	<u>\$ 615,670</u>	<u>\$ 1,037,689</u>	<u>\$ 420,496</u>	<u>\$ 1,458,185</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	\$ 212,943	\$ 1,414,000
Capital Reserve Fund	250,000	-
Equipment Reserve	1,164,000	-
PERS Reserve	-	212,943
	\$ 1,626,943	\$ 1,626,943

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 postemployment 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 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

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

	2011	2012	2013
Annual required contribution	\$ 864,771	\$ 921,876	\$ 786,357
Interest on net pension obligation	74,641	99,239	110,286
Adjustment to annual required contribution	(126,812)	(168,604)	(210,070)
Annual pension cost	812,600	852,511	686,573
Contributions made	(197,653)	(182,431)	(183,899)
Increase in net pension obligation	614,947	670,080	502,674
NPO (Asset) at beginning of year	1,866,019	2,480,966	3,151,046
NPO (Asset) at end of year	<u>\$ 2,480,966</u>	<u>\$ 3,151,046</u>	<u>\$ 3,653,720</u>
Percentage of OPEB Cost Contributed	33%	27%	19%

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2012 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 7.75 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. 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, 2010, the plan was 0% funded. The actuarial accrued liability for benefits was \$6,243,344, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,243,344. As of July 1, 2012, the most recent actuarial valuation date, 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. 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 2010-2011 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 \$75,000 reported in the funds at June 30, 2013 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

10. PREPAID PERS LIABILITY

As a result of the issuance of the 2005 Limited Tax Pension Obligation Bonds, as described in Long-Term Debt Note, the District has reported a Prepaid PERS Liability in the Statement of Net Assets. The prepaid liability is equal to the initial payment made to PERS from the bond proceeds, less accumulated amortization, for a total at June 30, 2013 of \$13,864,773. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

12. 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.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF FUNDING PROGRESS

For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as of % 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%	20,161,039	29%

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes	\$ 35,303,854	\$ 35,303,854	\$ 35,223,332	\$ (80,522)
Contract Income	50,696	50,696	5,700	(44,996)
Earnings on Investments	80,000	80,000	259,450	179,450
Grants	-	-	5,010	5,010
Miscellaneous	580,950	580,950	653,543	72,593
Total Revenue	<u>36,015,500</u>	<u>36,015,500</u>	<u>36,147,035</u>	<u>131,535</u>
EXPENDITURES:				
Personal Services	30,892,473	30,892,473 (1)	30,255,651	636,822
Materials and Services	4,813,624	4,813,624 (1)	4,382,588	431,036
Capital Outlay	371,750	371,750 (1)	371,710	40
Contingency	1,941,664	1,941,664 (1)	-	1,941,664
Total Expenditures	<u>38,019,511</u>	<u>38,019,511</u>	<u>35,009,949</u>	<u>3,009,562</u>
Excess of Revenues Over, (Under) Expenditures	(2,004,011)	(2,004,011)	1,137,086	3,141,097
Other Financing Sources, (Uses):				
Proceeds from Sales	-	-	1,777	1,777
Interfund Loan	-	-	-	-
Transfers In	213,279	213,279	212,943	(336)
Transfers Out	(1,414,000)	(1,414,000) (1)	(1,414,000)	-
Total Other Financing Sources, (Uses)	<u>(1,200,721)</u>	<u>(1,200,721)</u>	<u>(1,199,280)</u>	<u>1,441</u>
Net Change in Fund Balance	(3,204,732)	(3,204,732)	(62,194)	3,142,538
Beginning Fund Balance	<u>10,580,857</u>	<u>10,580,857</u>	<u>12,083,583</u>	<u>1,502,726</u>
Ending Fund Balance	<u>\$ 7,376,125</u>	<u>\$ 7,376,125</u>	<u>\$ 12,021,389</u>	<u>\$ 4,645,264</u>
Reconciliation to GAAP Fund Balance				
Ending Fund Balances:				
Equipment Reserve Fund			\$ 1,456,565	
PERS Reserve Fund			-	
Capital Projects Fund			138,428	
			<u>\$ 13,616,382</u>	

(1) Appropriation Level

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

SUPPLEMENTARY DATA

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

EQUIPMENT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Earnings on Investments	\$ 3,188	\$ 3,188	\$ 6,090	\$ 2,902
Total Revenue	<u>3,188</u>	<u>3,188</u>	<u>6,090</u>	<u>2,902</u>
EXPENDITURES:				
Capital Outlay	<u>386,000</u>	<u>386,000 (1)</u>	<u>385,797</u>	<u>203</u>
Total Expenditures	<u>386,000</u>	<u>386,000</u>	<u>385,797</u>	<u>203</u>
Excess of Revenues Over, (Under) Expenditures	(382,812)	(382,812)	(379,707)	3,105
Other Financing Sources, (Uses):				
Proceeds from Sales	-	-	95,600	95,600
Transfers In	<u>1,164,000</u>	<u>1,164,000</u>	<u>1,164,000</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>1,164,000</u>	<u>1,164,000</u>	<u>1,259,600</u>	<u>95,600</u>
Net Change in Fund Balance	781,188	781,188	879,893	98,705
Beginning Fund Balance	<u>563,517</u>	<u>563,517</u>	<u>576,672</u>	<u>13,155</u>
Ending Fund Balance	<u>\$ 1,344,705</u>	<u>\$ 1,344,705</u>	<u>\$ 1,456,565</u>	<u>\$ 111,860</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, 2013

PERS RESERVE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ -	\$ -	\$ 98	\$ 98
Total Revenues	-	-	98	98
EXPENDITURES:				
Expenditures	-	-	-	-
Total Expenses	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	-	-	98	98
Other Financing Sources, (Uses):				
Transfers Out	(213,279)	(213,279) (1)	(212,943)	
Transfers In	-	-	-	-
Total Other Financing Sources, (Uses)	(213,279)	(213,279)	(212,943)	-
Net Change in Fund Balance	(213,279)	(213,279)	(212,845)	434
Beginning Fund Balance	213,279	213,279	212,845	(434)
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(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, 2013

CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Earnings on Investments	\$ 1,200	\$ 1,200	\$ 968	\$ (232)
Total Revenues	<u>1,200</u>	<u>1,200</u>	<u>968</u>	<u>(232)</u>
EXPENDITURES:				
Capital Outlay	<u>244,650</u>	<u>244,650 (1)</u>	<u>244,649</u>	<u>1</u>
Total Expenses	<u>244,650</u>	<u>244,650</u>	<u>244,649</u>	<u>1</u>
Excess of Revenues Over, (Under) Expenditures	(243,450)	(243,450)	(243,681)	(231)
Other Financing Sources, (Uses):				
Transfers In	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net Change in Fund Balance	6,550	6,550	6,319	(231)
Beginning Fund Balance	<u>28,713</u>	<u>28,713</u>	<u>132,109</u>	<u>103,396</u>
Ending Fund Balance	<u>\$ 35,263</u>	<u>\$ 35,263</u>	<u>\$ 138,428</u>	<u>\$ 103,165</u>

(1) Appropriation Level

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2013

	GOVERNMENTAL FUNDS		
	DEBT SERVICE FUND	TRAINING ENTERPRISE FUND	TOTAL
ASSETS			
Cash and Investments	\$ 12,574	\$ 3,928	\$ 16,502
Accounts Receivable	5,570	-	5,570
Taxes Receivable	64,943	-	64,943
Total Assets	\$ 83,087	\$ 3,928	\$ 87,015
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred Tax Revenues	\$ 59,982	\$ -	\$ 59,982
Total Liabilities	59,982	-	59,982
Fund Balances			
Unreserved, Reported in:			
Special Revenue Fund	-	3,928	3,928
Debt Service Fund	23,105	-	23,105
Capital Projects Fund	-	-	-
Total Fund Balances	23,105	3,928	27,033
Total Liabilities and Fund Balances	\$ 83,087	\$ 3,928	\$ 87,015

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, 2013

	GOVERNMENTAL FUNDS		
	DEBT SERVICE FUND	TRAINING ENTERPRISE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Taxes	\$ 946,144	\$ -	\$ 946,144
Earnings on Investments	1,956	75	2,031
Miscellaneous	-	1,700	1,700
Total Revenues	948,100	1,775	949,875
EXPENDITURES:			
Fire Protection Services:			
Capital Outlay	-	8,898	8,898
Debt Service	936,000	-	936,000
Total Expenditures	936,000	8,898	944,898
Excess of Revenues Over, (Under) Expenditures	12,100	(7,123)	4,977
Other Financing Sources, (Uses):			
Proceeds from Sales	-	-	-
Transfers In	-	-	-
Total Other Financing Sources, (Uses)	-	-	-
Net Change in Fund Balance	12,100	(7,123)	4,977
Beginning Fund Balance	11,005	11,051	22,056
Ending Fund Balance	\$ 23,105	\$ 3,928	\$ 27,033

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 934,000	\$ 934,000	\$ 946,144	\$ 12,144
Earnings on Investments	2,000	2,000	1,956	(44)
Total Revenue	<u>936,000</u>	<u>936,000</u>	<u>948,100</u>	<u>12,100</u>
EXPENDITURES:				
Debt Service:				
Principal		-		-
Interest	<u>936,000</u>	<u>936,000</u>	<u>936,000</u>	<u>-</u>
Total Expenditures	<u>936,000</u>	<u>936,000 (1)</u>	<u>936,000</u>	<u>-</u>
Excess of Revenue over, under Expenditures	-	-	12,100	12,100
OTHER FINANCING SOURCES				
Interfund Loan Receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	12,100	12,100
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>11,005</u>	<u>11,005</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,105</u>	<u>\$ 23,105</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, 2013

TRAINING ENTERPRISE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 100	\$ 100	\$ 75	\$ (25)
Miscellaneous	12,000	12,000	1,700	(10,300)
Total Revenues	12,100	12,100	1,775	(10,325)
EXPENDITURES:				
Capital Outlay	11,000	11,000 (1)	8,898	2,102
Total Expenses	11,000	11,000	8,898	2,102
Excess of Revenues Over, (Under) Expenditures	1,100	1,100	(7,123)	(8,223)
Net Change in Fund Balance	1,100	1,100	(7,123)	(8,223)
Beginning Fund Balance	10,635	10,635	11,051	416
Ending Fund Balance	\$ 11,735	\$ 11,735	\$ 3,928	\$ (7,807)

(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, 2013

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2012	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT June 30, 2013
Current:						
2012-2013	\$ 37,100,398	\$ 926,936	\$ (103,708)	\$ 12,535	\$ 34,985,531	\$ 1,096,758
Prior Years:						
2011-2012	1,191,800	(1,036)	(45,721)	31,994	565,456	613,653
2010-2011	606,656	(590)	(31,757)	30,147	214,264	391,372
2009-2010	398,568	(43)	(4,788)	38,702	211,961	220,564
2008-2009	121,540	(33)	(2,331)	19,181	99,097	39,326
Prior	50,848	(15)	(2,818)	(8,651)	(19)	39,413
Total Prior	2,369,412	(1,717)	(87,415)	111,373	1,090,759	1,304,328
Total	\$ 39,469,810	\$ 925,219	\$ (191,123)	\$ 123,908	\$ 36,076,290	\$ 2,401,086

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 36,076,290
Other Taxes	81,234
Accrual of Receivables:	
June 30, 2013	189,509
June 30, 2012	(177,557)
Total Revenue	\$ 36,169,476

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

AUDITORS' COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

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November 11, 2013

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, 2013, and have issued our report thereon dated November 11, 2013. 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.**
- **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.

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