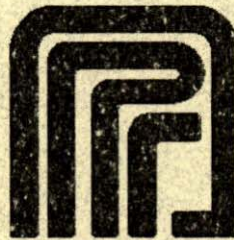


**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**

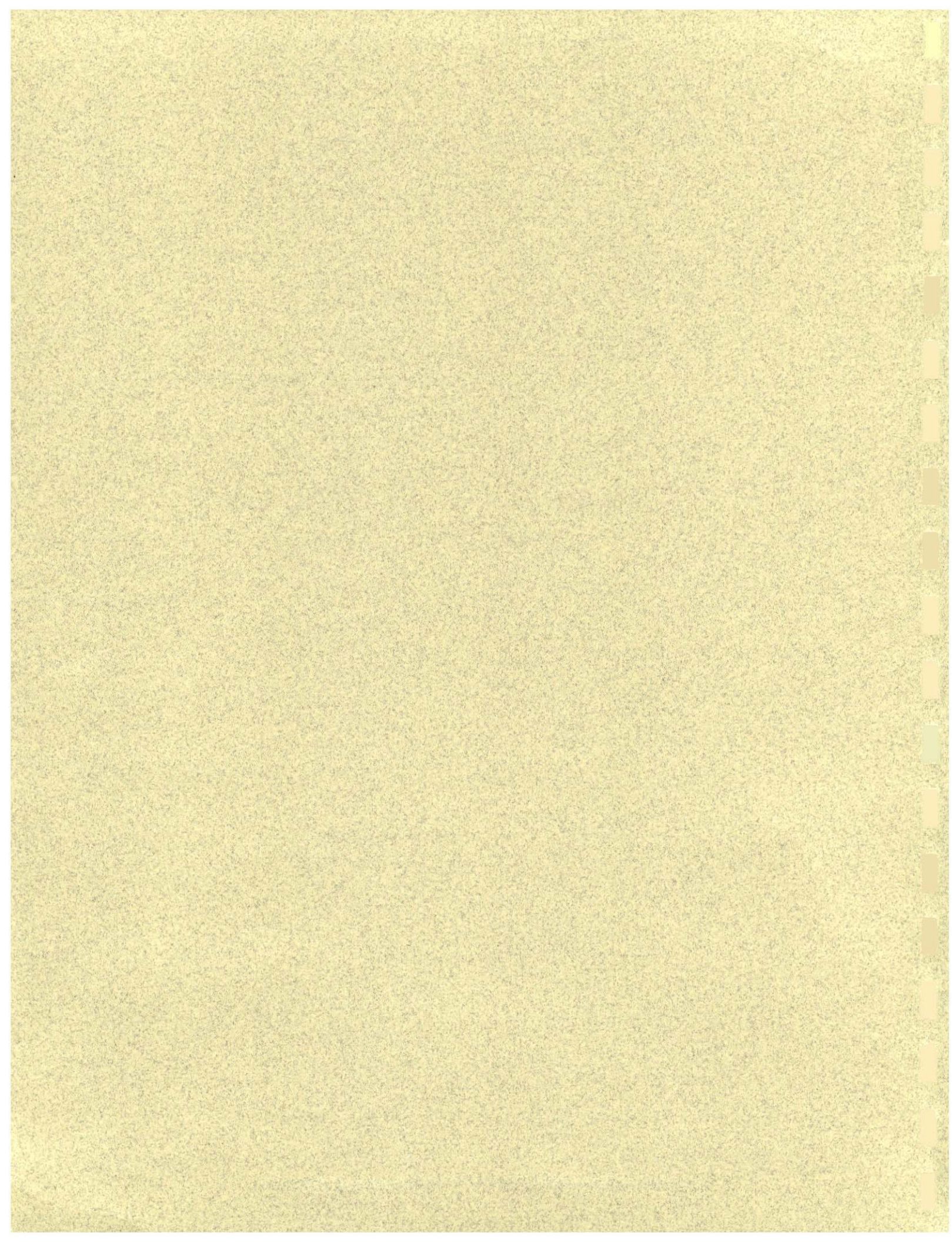
**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Pauly, Rogers, and Co., P.C.**  
**12700 SW 72<sup>nd</sup> Ave**  
**Tigard, OR 97223**







**CLACKAMAS COUNTY FIRE DISTRICT #1**

**CLACKAMAS, OREGON**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

**\*\*\*\*\***



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

**BOARD OF DIRECTORS**

**TERM EXPIRES**

Jim Doane	Chairperson	June 30, 2007
Tiny Lidstrom	Director	June 30, 2008
Dave McTeague	Director	June 30, 2007
Marilyn Wall	Director	June 30, 2007
George Warren	Director	June 30, 2008

All directors receive their mail at the address listed below

**OFFICERS**

Ed Kirchhofer, District Fire Chief

**ADMINISTRATION**

Kyle Gorman, Executive Officer

Ed Kirchhofer, Registered Agent  
11300 SE Fuller Road  
Milwaukie, Oregon 97222

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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, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

September 29, 2006

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, 2006, 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 an opinion on these financial statements based on our audit. The financial statements of the Clackamas County Fire District as of June 30, 2005 were audited by other auditors whose report dated September 27, 2005, expressed an unqualified opinion on those statements.

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 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 opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of Clackamas County Fire District #1 at June 30, 2006 and 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 and the budgetary comparison information, as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. 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, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Pauly, Rogers and 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, 2006**

---

As management of the District, we offer readers of the District's financial statements is narrative overview and analysis of the financial activities of the District for fiscal year ended June 30, 2006.

***FINANCIAL HIGHLIGHTS***

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$19,210,552 (net assets). Of this amount, \$8,427,316 (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 \$2,057,150. This increase is attributable to the revenues being greater than expenses.
- The investment in capital assets increased \$529,796 to \$17,413,672 during the year.
- Long-term debt, including capitalized leases, increased \$19,189,975 to \$27,828,716. This increase is due to refunding the PERS unfunded actuarial liability.

***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 only in fire and EMS protection.

***INDEPENDENT AUDITOR'S REPORT***

Our auditor has provided assurance in his 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 \$19,210,552 at June 30, 2006. Of this amount, \$8,427,316 was unrestricted, \$863,280 was restricted and \$9,919,956 was invested in fixed assets.

<i>Assets</i>	2006	2005	% +/-
Cash and investments	\$ 9,391,618	\$ 8,718,302	7.7
Current assets	21,739,609	1,477,027	1,371.8
Note receivable	-0-	27,239	-100.0
Capital assets	17,413,672	16,883,876	3.1
<i>Total Assets</i>	48,544,899	27,106,444	79.1
<i>Liabilities</i>			
Accounts payable	\$ 482,291	\$ 435,405	10.8
Payroll liabilities and Compensated absences	1,023,340	878,896	16.4
Noncurrent liabilities	27,828,716	8,638,741	222.1
<i>Total Liabilities</i>	29,334,347	9,953,042	194.7
<i>Net Assets</i>			
Investment in capital assets (net of related debt)	9,919,956	8,245,135	20.3
Restricted for special purposes	863,280	858,691	.5
Unrestricted	8,427,316	8,049,579	4.7
<i>Total Net Assets</i>	\$ 19,210,552	\$ 17,153,402	12.0

**Statement of Activities.** During the current fiscal year, the District's net assets increased by \$2,057,150. The key elements of the change in the District's net assets for the year ended June 30, 2005 are as follows:

- Property tax revenues increased \$4,079,586 (21 percent) during the year. This increase is artificially inflated due to a shift in revenue from contract services to tax revenue from the City of Milwaukie annexation. Additionally, tax revenue increased from urban renewal excess placed back on the District's tax rolls by the County.
- Ambulance Service Area (ASA) savings created \$200,041 in new revenue.
- Interest on investments increased \$245,346.
- Capital grants and contributions were \$396,200.

<i>Revenues:</i>	2006	2005	% +/-
Program revenues:			
Charges for Service	\$ 2,750,364	\$ 5,667,850	-51.5
Capital Grants and Contributions	396,200	163,649	142.1
General Revenues:			
Taxes and assessments	23,312,314	19,232,728	21.2
Miscellaneous	786,267	68,337	1050.6
Gain on disposition of assets	-0-	387,662	-100.0
<i>Total Revenues</i>	27,245,145	25,520,226	6.8
<i>Expenses:</i>			
Fire Protection	24,994,321	23,232,292	7.6
Interest on long-term debt	193,674	400,535	-51.6
<i>Total Expenses</i>	25,187,995	23,632,827	6.6
Change in net assets	2,057,150	1,887,399	9.0
Fund net assets – July 1, 2005	17,153,402	15,266,003	12.4
Fund net assets – June 30, 2006	\$ 19,210,552	\$ 17,153,402	12.0

## ***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 20 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 \$1,013,490 due to an increase in revenue from taxes, investment interest, ASA revenue, and a reduction in anticipated expenditures.

#### ***Other Funds***

Other Funds include the Special Fund (equipment reserve), Capital Projects Fund, Bond Fund, and Sinking Fund (capital). These fund balances decreased due to the large equipment purchases and construction of the Pleasant Valley Fire Station.

### ***CAPITAL ASSETS***

At June 30, 2006, the District had \$17,413,672 invested in capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$529,796. This year's additions are mainly the result of the construction of the Pleasant Valley Fire Station and major equipment purchases including self-contained breathing apparatus and the chassis for a new engine to be delivered in October of 2006.

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

At June 30, 2006, the District had long-term debt outstanding of \$27,828,716 (general obligation bonds of \$7,020,000, PERS Bonds of \$20,335,000 and capital leases of \$473,716). The amount represents an increase of \$19,189,975.

## ***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 2006 has already been approved by the board, and includes increased revenue related to property value increases and additions and increased expenses due to labor contract commitments. The PERS employer rate was reduced in October 2005 to 12.86% subsequent to the restructure of the PERS unfunded actuarial liability. PERS has not notified the District of future increases as of the date of this report.

The budget for Fiscal 2006 includes the construction completion of the Pleasant Valley Fire Station. The station is scheduled to be opened in January 2007; the budget was adopted to include appropriations for this purpose.

## ***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 Susan McSperitt, Budget Officer, Clackamas County Fire District #1.



**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, 2006

ASSETS:

Cash and Investments	\$	9,391,618
Property Taxes Receivable		867,057
Accounts Receivable		197,868
Prepaid Expenses		38,316
Inventories		301,368
Prepaid PERS		20,335,000
Capital Assets, net		<u>17,413,672</u>
Total Assets		<u>48,544,899</u>

LIABILITIES

Current Liabilities:

Accounts Payable		482,291
Payroll Liabilities		67,039
Accrued Vacation		<u>956,301</u>
Total Current Liabilities		<u>1,505,631</u>

Non-Current Liabilities:

Due Within 1 Year:		
Loan Payable		38,650
Bonds Payable		650,000
Capital Lease		203,166
Due In More than 1 Year:		
Loan Payable		231,900
Bonds Payable		26,705,000
Capital Lease		-
Total Non-Current Liabilities		<u>27,828,716</u>

Total Liabilities		<u>29,334,347</u>
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NET ASSETS

Invested in Capital Assets Net of Related Debt		9,919,956
Restricted for special purposes		863,280
Unrestricted		<u>8,427,316</u>
Total Net Assets	\$	<u>19,210,552</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, 2006

FUNCTIONS	DISBURSEMENTS	FUNCTION RECEIPTS		NET (DISBURSEMENT) RECEIPTS AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Fire Services	\$ 24,994,321	\$ 2,750,364	\$ 396,200	\$ (21,847,757)
Interest on Long-Term Debt	193,674	-	-	(193,674)
Total Governmental Activities	<u>\$ 25,187,995</u>	<u>\$ 2,750,364</u>	<u>\$ 396,200</u>	<u>(22,041,431)</u>
GENERAL REVENUES:				
				\$ 23,312,314
				786,267
Total General Revenues				<u>24,098,581</u>
Change in Net Assets				2,057,150
Beginning Net Assets				<u>17,153,402</u>
Ending Net Assets				<u>\$ 19,210,552</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	GOVERNMENTAL FUNDS		TOTAL
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
<b>ASSETS</b>			
Cash and Investments	\$ 8,271,826	\$ 1,119,792	\$ 9,391,618
Taxes Receivable	815,381	51,676	867,057
Accounts Receivable	197,868	-	197,868
Prepaid Expenses	38,316	-	38,316
Inventories	301,368	-	301,368
<b>Total Assets</b>	<b>\$ 9,624,759</b>	<b>\$ 1,171,468</b>	<b>\$ 10,796,227</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 482,291	\$ -	\$ 482,291
Payroll Liabilities	67,039	-	67,039
Deferred Tax Revenues	815,381	51,676	867,057
<b>Total Liabilities</b>	<b>1,364,711</b>	<b>51,676</b>	<b>1,416,387</b>
<b>Fund Balances</b>			
Reserved for:			
Inventory	301,368	-	301,368
Unreserved, Reported in:			
General Fund	7,958,680	-	7,958,680
Special Revenue Funds	-	277,490	277,490
Capital Projects Fund	-	692,959	692,959
Debt Service Fund	-	149,343	149,343
<b>Total Fund Balances</b>	<b>8,260,048</b>	<b>1,119,792</b>	<b>9,379,840</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,624,759</b>	<b>\$ 1,171,468</b>	<b>\$ 10,796,227</b>

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, 2006

	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	OTHER GOVERNMENTAL FUNDS	
REVENUES:			
Taxes	\$ 21,930,567	\$ 1,394,276	\$ 23,324,843
Contract Income	2,750,364	-	2,750,364
Earnings on Investments	380,993	107,991	488,984
Miscellaneous	268,448	396,200	664,648
Total Revenues	25,330,372	1,898,467	27,228,839
EXPENDITURES:			
Fire Protection Services:			
Personal Services	19,865,486	-	19,865,486
Materials and Services	3,209,765	-	3,209,765
Capital Outlay	549,101	1,894,830	2,443,931
Debt Service	-	1,338,699	1,338,699
Total Expenditures	23,624,352	3,233,529	26,857,881
Excess of Revenues Over, -Under Expenditures	1,706,020	(1,335,062)	370,958
Other Financing Sources, -Uses:			
Bond Proceeds	20,237,471	-	20,237,471
PERS UAL Payment	(20,165,001)	-	(20,165,001)
Proceeds from Sales	-	28,835	28,835
Transfers In	-	765,000	765,000
Transfers Out	(765,000)	-	(765,000)
Total Other Financing Sources, -Uses	(692,530)	793,835	101,305
Net Change in Fund Balance	1,013,490	(541,227)	472,263
Beginning Fund Balance	7,246,558	1,661,019	8,907,577
Ending Fund Balance	\$ 8,260,048	\$ 1,119,792	\$ 9,379,840

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, 2006

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Total Fund Balances - Governmental Funds	\$ 9,379,840
<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	17,413,672
<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>	
	(28,785,017)
<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>	
	20,335,000
Deferred revenue related to property taxes	<u>867,057</u>
Net Assets	<u>\$ 19,210,552</u>

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, 2006

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Net Changes in Fund Balances - Governmental Funds	\$	472,263
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.		(19,267,380)
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.		529,796
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.		20,335,000
Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued.		<u>(12,529)</u>
Change in Net Assets of Governmental Activities	\$	<u>2,057,150</u>

The accompanying notes are an integral part of this statement.



CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2006

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 21,436,544	\$ 21,436,544	\$ 21,930,567	\$ 494,023
Contract Income	2,757,432	2,757,432	2,750,364	(7,068)
Earnings on Investments	185,124	185,124	380,993	195,869
Miscellaneous	245,000	245,000	268,448	23,448
<b>Total Revenue</b>	<b>24,624,100</b>	<b>24,624,100</b>	<b>25,330,372</b>	<b>706,272</b>
<b>EXPENDITURES:</b>				
Personal Services	20,179,737	20,179,737 (1)	19,865,486	314,251
Materials and Services	3,518,566	3,518,566 (1)	3,209,765	308,801
Capital Outlay	292,767	667,767 (1)	549,101	118,666
Contingency	1,450,000	1,450,000 (1)	-	1,450,000
<b>Total Expenditures</b>	<b>25,441,070</b>	<b>25,816,070</b>	<b>23,624,352</b>	<b>2,191,718</b>
Excess of Revenues Over, -Under Expenditures	(816,970)	(1,191,970)	1,706,020	2,897,990
<b>Other Financing Sources, -Uses:</b>				
Bond Proceeds	-	20,355,000	20,237,471	(117,529)
PERS UAL Payment	-	(20,355,000) (1)	(20,165,001)	189,999
Transfers Out	(765,000)	(765,000) (1)	(765,000)	-
<b>Total Other Financing Sources, -Uses</b>	<b>(765,000)</b>	<b>(765,000)</b>	<b>(692,530)</b>	<b>72,470</b>
<b>Net Change in Fund Balance</b>	<b>(1,581,970)</b>	<b>(1,956,970)</b>	<b>1,013,490</b>	<b>2,970,460</b>
Beginning Fund Balance	6,582,041	6,582,041	7,246,558	664,517
<b>Ending Fund Balance</b>	<b>\$ 5,000,071</b>	<b>\$ 4,625,071</b>	<b>\$ 8,260,048</b>	<b>\$ 3,634,977</b>

(1) Appropriation Level

The accompanying notes are an integral part of this statement.

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**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 funds:

**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**

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**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 \$500 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. There are no restricted assets.

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

**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	\$ (77,632)
Petty Cash	3,800
Cash with County / Fiscal Agent	205,487
Investments	<u>9,259,963</u>
Total	<u>\$ 9,391,618</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, 2006.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2006. 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>
Sweep Investment Account	\$ 453,660	\$ 453,660	\$ -
State Treasurer's Investment Pool	8,806,303	8,806,303	-
<b>Total</b>	<b>\$ 9,259,963</b>	<b>\$ 9,259,963</b>	<b>\$ -</b>

**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 Risk**

State statutes require that the District obtain from its depositories a certificate of participation for the full amount of the District's deposits. The depositories are required to pledge, with an independent pool manager, as agent for the District, securities in the District's name equal to twenty-five percent of the face value of the certificate of participation issued to the District. The District's deposits at year-end were covered, as required by law, by federal depository insurance or by certificates of participation held by the pool manager.

**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, 2006 are as follows:

	BALANCE 6/30/05	ADDITIONS	DELETIONS	BALANCE 6/30/06
Land and Buildings	\$ 16,723,819	\$ 26,689	\$ -	\$ 16,750,508
Trucks and Equipment	12,410,580	1,256,013	-	13,666,593
Construction in Progress	-	888,761	-	888,761
Total Assets	29,134,399	2,171,463	-	31,305,862
Less Accumulated Depreciation	(12,250,523)	(1,641,667)	-	(13,892,190)
Capital Assets, net	<u>\$ 16,883,876</u>	<u>\$ 529,796</u>	<u>\$ -</u>	<u>\$ 17,413,672</u>

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM**

**Plan Description:**

The District is a participating employer in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. 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 return 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](http://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 12.86% of covered payroll. The District's contribution to the plan for the years ending June 30, 2006 and 2005 were \$2,078,578 and \$2,273,187, 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, 2006 is comprised of the following:

	<u>Outstanding</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Payments and</u> <u>Deletions</u>	<u>Outstanding</u> <u>June 30, 2006</u>
Series 1995 Bonds Payable	\$ 355,000	-	\$ 355,000	\$ -
Series 2001 Bonds Payable	7,645,000	-	625,000	7,020,000
2005 PERS Bonds	-	20,335,000	-	20,335,000
Oregon City Loan Payable	309,200	-	38,650	270,550
Capital Leases	329,541	-	126,375	203,166
Accrued Compensated Absences	878,896	77,405	-	956,301
<b>Total</b>	<b><u>\$ 9,517,637</u></b>	<b><u>\$ 20,412,405</u></b>	<b><u>\$ 1,145,025</u></b>	<b><u>\$ 28,785,017</u></b>

Amounts Payable in Fiscal Years:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	\$ 891,816	\$ 1,338,504	\$ 2,230,320
2007-2008	728,650	1,302,616	2,031,266
2008-2009	818,650	1,268,217	2,086,867
2009-2010	913,650	1,235,687	2,149,337
2010-2011	1,013,650	1,198,987	2,212,637
2012-2016	5,817,300	5,176,312	10,993,612
2017-2021	5,045,000	3,961,627	9,006,627
2022-2026	9,075,000	2,340,622	11,415,622
2027-2028	3,525,000	181,820	3,706,820
<b>Total</b>	<b><u>\$ 27,828,716</u></b>	<b><u>\$ 18,004,392</u></b>	<b><u>\$ 45,833,108</u></b>

**6. INTERFUND TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 765,000
Other Governmental Funds	765,000	-
	<b><u>\$ 765,000</u></b>	<b><u>\$ 765,000</u></b>

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**

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**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.



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

**SUPPLEMENTARY DATA**

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2006

	GOVERNMENTAL FUNDS				TOTAL
	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	CAPITAL SINKING FUND	
<b>ASSETS</b>					
Cash and Investments	\$ 277,490	\$ 149,343	\$ 585,790	\$ 107,169	\$ 1,119,792
Taxes Receivable	-	51,676	-	-	51,676
<b>Total Assets</b>	<b>\$ 277,490</b>	<b>\$ 201,019</b>	<b>\$ 585,790</b>	<b>\$ 107,169</b>	<b>\$ 1,171,468</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Tax Revenues	-	51,676	-	-	51,676
<b>Total Liabilities</b>	<b>-</b>	<b>51,676</b>	<b>-</b>	<b>-</b>	<b>51,676</b>
<b>Fund Balances</b>					
<b>Unreserved, Reported in:</b>					
Special Revenue Fund	277,490	-	-	-	277,490
Debt Service Fund	-	149,343	-	-	149,343
Capital Projects Fund	-	-	585,790	-	585,790
Capital Sinking Fund	-	-	-	107,169	107,169
<b>Total Fund Balances</b>	<b>277,490</b>	<b>149,343</b>	<b>585,790</b>	<b>107,169</b>	<b>1,119,792</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 277,490</b>	<b>\$ 201,019</b>	<b>\$ 585,790</b>	<b>\$ 107,169</b>	<b>\$ 1,171,468</b>

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2006

	GOVERNMENTAL FUNDS				TOTAL GOVERNMENTAL FUNDS
	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	CAPITAL SINKING FUND	
REVENUES:					
Taxes	\$ -	\$ 1,394,276	\$ -	\$ -	\$ 1,394,276
Contract Income	-	-	-	-	-
Earnings on Investments	21,056	26,118	25,969	34,848	107,991
Miscellaneous	396,200	-	-	-	396,200
<b>Total Revenues</b>	<b>417,256</b>	<b>1,420,394</b>	<b>25,969</b>	<b>34,848</b>	<b>1,898,467</b>
EXPENDITURES:					
Fire Protection Services:					
Capital Outlay	\$ 1,228,374	\$ -	\$ 2,581	\$ 663,875	1,894,830
Debt Service	-	1,338,699	-	-	1,338,699
<b>Total Expenditures</b>	<b>1,228,374</b>	<b>1,338,699</b>	<b>2,581</b>	<b>663,875</b>	<b>3,233,529</b>
Excess of Revenues Over, -Under Expenditures	(811,118)	81,695	23,388	(629,027)	(1,335,062)
Other Financing Sources, -Uses:					
Proceeds from Sales	-	-	28,835	-	28,835
Transfers In	740,000	-	25,000	-	765,000
Transfers Out	-	-	-	-	-
<b>Total Other Financing Sources, -Uses</b>	<b>740,000</b>	<b>-</b>	<b>53,835</b>	<b>-</b>	<b>793,835</b>
Net Change in Fund Balance	(71,118)	81,695	77,223	(629,027)	(541,227)
Beginning Fund Balance	348,608	67,648	508,567	736,196	1,661,019
Ending Fund Balance	\$ 277,490	\$ 149,343	\$ 585,790	\$ 107,169	\$ 1,119,792

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2006

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Grant Income	\$ -	\$ 566,000	\$ 396,200	\$ (169,800)
Earnings on Investments	3,723	3,723	21,056	17,333
Total Revenue	3,723	569,723	417,256	(152,467)
EXPENDITURES:				
Capital Outlay	775,500	1,341,500	1,228,374 (1)	113,126
Total Expenditures	775,500	1,341,500	1,228,374	113,126
Excess of Revenues Over, -Under Expenditures	(771,777)	(771,777)	(811,118)	(39,341)
Other Financing Sources, -Uses:				
Transfers In	740,000	740,000	740,000	-
Total Other Financing Sources, -Uses	740,000	740,000	740,000	-
Net Change in Fund Balance	(31,777)	(31,777)	(71,118)	(39,341)
Beginning Fund Balance	148,921	148,921	348,608	199,687
Ending Fund Balance	\$ 117,144	\$ 117,144	\$ 277,490	\$ 160,346

(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, 2006

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,321,147	\$ 1,321,147	\$ 1,394,276	\$ 73,129
Earnings on Investments	2,000	2,000	26,118	24,118
Total Revenue	<u>1,323,147</u>	<u>1,323,147</u>	<u>1,420,394</u>	<u>97,247</u>
EXPENDITURES:				
Debt Service:				
Principle	980,000	980,000	980,000	-
Interest	<u>358,699</u>	<u>358,699</u>	<u>358,699</u>	-
Total Expenditures	<u>1,338,699</u>	<u>1,338,699</u>	<u>1,338,699</u>	(1) -
Net Change in Fund Balance	(15,552)	(15,552)	81,695	97,247
Beginning Fund Balance	<u>15,552</u>	<u>15,552</u>	<u>67,648</u>	<u>52,096</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,343</u>	<u>\$ 149,343</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, 2006

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Earnings on Investments	\$ 12,372	\$ 12,372	\$ 25,969	\$ 13,597
Total Revenues	12,372	12,372	25,969	13,597
<b>EXPENDITURES:</b>				
Capital Outlay	415,000	415,000	2,581 (1)	412,419
Total Expenses	415,000	415,000	2,581	412,419
Excess of Revenues Over, -Under Expenditures	(402,628)	(402,628)	23,388	426,016
<b>Other Financing Sources, -Uses:</b>				
Proceeds from Sale	4,200	4,200	28,835	24,635
Transfers In	25,000	25,000	25,000	-
Total Other Financing Sources, -Uses	29,200	29,200	53,835	24,635
Net Change in Fund Balance	(373,428)	(373,428)	77,223	450,651
Beginning Fund Balance	494,887	494,887	508,567	13,680
Ending Fund Balance	\$ 121,459	\$ 121,459	\$ 585,790	\$ 464,331

(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, 2006

CAPITAL SINKING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 2,600	\$ 2,600	\$ 34,848	\$ 32,248
Total Revenues	2,600	2,600	34,848	32,248
EXPENDITURES:				
Capital Outlay	730,000	730,000	663,875 (1)	66,125
Total Expenses	730,000	730,000	663,875	66,125
Excess of Revenues Over, -Under Expenditures	(727,400)	(727,400)	(629,027)	98,373
Net Change in Fund Balance	(727,400)	(727,400)	(629,027)	98,373
Beginning Fund Balance	727,633	727,633	736,196	8,563
Ending Fund Balance	\$ 233	\$ 233	\$ 107,169	\$ 106,936

(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, 2006

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2005	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2006
Current: 2005-2006	\$ 23,981,283	\$ 583,488	\$ (37,627)	\$ 10,681	\$ 22,792,068	\$ 578,781
Prior Years:						
2004-2005	524,749	(373)	(27,506)	19,920	370,153	147,383
2003-2004	171,217	(120)	(15,986)	12,453	91,236	76,568
2002-2003	95,847	(193)	(13,970)	11,437	54,329	39,178
2001-2002	33,315	(109)	(13,113)	4,731	13,773	11,269
Prior	24,142	(222)	(22,303)	(31,417)	(43,234)	13,878
Total Prior	849,270	(1,017)	(92,878)	17,124	486,257	288,276
Total	\$ 24,830,553	\$ 582,471	\$ (130,505)	\$ 27,805	\$ 23,278,325	\$ 867,057

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 23,278,325
Accrual of Receivables:	
Multnomah County	34,296
Other Taxes	12,222
Total Revenue	\$ 23,324,843

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

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

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

September 29, 2006

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**2005-2006 AUDITORS' COMMENTS AND DISCLOSURES**

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Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

**REPORT ON INTERNAL ACCOUNTING CONTROL**

We have audited the basic financial statements of Clackamas County Fire District #1, Clackamas, Oregon, for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006.

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 misstatements.

In planning and performing our audit of the basic financial statements of Clackamas County Fire District #1, Clackamas, Oregon, for the year ended June 30, 2006, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of Clackamas County Fire District #1, Clackamas, Oregon, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

**REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)**

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

This report is intended solely for the information and use of the board, audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**ACCOUNTING RECORDS**

The District uses the Sage software MAS-200, which is adequate to meet the District's financial accounting requirements. However, when using MAS-200, each fund should be separately maintained. The District's financial accounting records are adequate for audit.

**BUDGET TRANSACTIONS**

Expenditures of the various funds appeared to be within authorized appropriation levels.

**2005-2006 & 2006-2007 BUDGETS**

The budgets adopted by the District for the 2005-2006 & 2006-2007 fiscal years were examined during the audit. Based on our testing, it was determined that the budget preparation and adoption procedures followed by Clackamas County Fire District #1 were in compliance with Oregon Local Budget Law.

**COLLATERAL SECURING BANK DEPOSIT**

The District's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2005-2006, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

**INVESTMENTS**

The District's investments for the year ending June 30, 2006, were reviewed and based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

**PUBLIC CONTRACTS AND PURCHASING**

The District's procedures for awarding public contracts were reviewed, and based upon our testing, we found no instances of non-compliance with ORS Chapter 279 during 2005-2006.

**INSURANCE AND FIDELITY BONDS**

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

**STATUTORY BONDED DEBT LIMITATION**

The District's bonded debt outstanding was within the provisions of ORS 552.645.

**OUTSTANDING WARRANTS**

The District had no outstanding endorsed warrants at June 30, 2006.

**PROGRAMS FUNDED FROM OUTSIDE SOURCES**

The District had no programs funded from outside sources during the year ended June 30, 2006.

**STATE HIGHWAY**

The District had no programs funded from State Highway funds during the year ended June 30, 2006.

*Pauly, Rogers and Co., P.C.*  
PAULY, ROGERS AND CO., P.C.

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