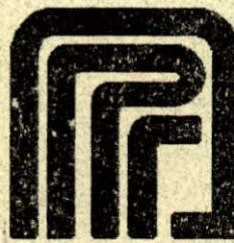


**CLACKAMAS COUNTY FIRE DISTRICT NO. 1**  
**CLACKAMAS, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**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, 2007**

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

**BOARD OF DIRECTORS**

**TERM EXPIRES**

David McTeague	Chairperson	June 30, 2007
Marilyn Wall	Vice Chairperson	June 30, 2007
James Doane	Secretary/Treasurer	June 30, 2007
Don Trotter	Director	June 30, 2009
George Warren	Director	June 30, 2009

All directors receive their mail at the address listed below

**OFFICERS**

Ed Kirchhofer, District Fire Chief

**ADMINISTRATION**

Ed Kirchhofer, Executive Officer  
Susan McSperitt, Finance Director

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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November 30, 2007

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, 2007, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007 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.



**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

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, 2007.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$19,067,598 (net assets). Of this amount, \$8,639,352 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$142,954. This decrease is due to an increase in the capitalization limit from \$500 to \$5,000. Items capitalized in prior years that were under the new limit were eliminated from the net assets.
- The investment in capital assets decreased \$568,480 to \$16,845,192 during the year.
- Long-term debt, including capitalized leases, decreased \$891,816 to \$26,936,900. The decrease is attributable to payment of bonded debt and final payment on the American LaFrance capital leases.

**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 \$19,067,598 at June 30, 2007. Of this amount, \$8,639,352 was unrestricted, \$223,604 was restricted and \$10,204,642 was invested in fixed assets.

<i>Assets</i>	<b>2007</b>	<b>2006</b>	<b>% +/-</b>
Cash and investments	\$ 10,068,235	\$ 9,391,618	7.2
Current assets	21,123,823	21,739,609	-2.8
Note receivable	-0-	-0-	-0-
Capital assets	16,845,192	17,413,672	-3.3
<i>Total Assets</i>	48,037,250	48,544,899	-1.0
<i>Liabilities</i>			
Accounts payable	\$ 710,476	\$ 482,291	47.3
Payroll liabilities and Compensated absences	1,283,626	1,023,340	25.4
Noncurrent liabilities	26,975,550	27,828,716	-3.1
<i>Total Liabilities</i>	28,969,652	29,334,347	-1.2

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

**Net Assets**

Investment in capital assets (net of related debt)	10,204,642	9,919,956	2.9
Restricted for special purposes	223,604	863,280	-74.1
Unrestricted	8,639,352	8,427,316	2.5
<i>Total Net Assets</i>	\$19,067,598	\$ 19,210,552	-7

**Statement of Activities.** During the current fiscal year, the District's net assets decreased by \$142,954. The key elements of the change in the District's net assets for the year ended June 30, 2007 are as follows:

**Assets:**

- Net income (revenue vs. expenditure) for all funds increased net assets by \$509,072.
- Prepaid PERS decreased by \$924,318. Each year this will decrease as it offsets the unfunded actuarial liability with PERS.
- Capital assets were written down with the conversion of the capitalization limit. Any asset under the \$5,000 limit on the asset list was eliminated with a total adjustment (net of accumulated depreciation) of \$1,050,467.

**Liabilities:**

- Accounts payable at year end was \$228,185 higher than last year due to prepayment of the workers compensation coverage for Fiscal 2007. However this payment is offset by the increase in prepaid assets.
- Payroll liabilities increased due to the new timing issue with the PERS payment. The electronic system that PERS uses creates a timing lag of approximately two to three weeks from the end of the pay period. PERS expenses for the last pay period of the year are accrued until the payment is submitted.
- Vacation liability increases and decreases year to year based on use and contract commitments.

**Revenues:**

	2007	2006	% +/-
Program revenues:			
Charges for Service	\$2,824,978	\$ 2,750,364	2.7
Capital Grants and Contributions	-0-	396,200	-100.0
General Revenues:			
Taxes and assessments	25,065,943	23,312,314	7.5
Miscellaneous	839,200	786,267	6.7
Gain on disposition of assets	-0-	-0-	-0-
<b>Total Revenues</b>	<b>28,730,121</b>	<b>27,245,145</b>	<b>5.2</b>

**Expenses:**

Fire Protection	25,905,434	24,994,321	3.7
Interest on long-term debt	1,044,857	193,674	439.5
Loss on Disposal of Asset	1,922,784	-0-	-0-
<b>Total Expenses</b>	<b>28,873,075</b>	<b>25,187,995</b>	<b>14.6</b>

Change in net assets	-142,954	2,057,150	-106.95
Fund net assets – July 1, 2006	19,210,552	17,153,402	12.0
Fund net assets – June 30, 2007	\$19,067,598	\$19,210,552	-7

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

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***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 \$1,265,156 due to an increase in revenue from taxes, investment interest, 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, 2007, the District had \$16,859,364 invested in capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$554,308 Fiscal 2006 additions are mainly the result of the completed construction of the Pleasant Valley Fire Station and major equipment purchases including staff vehicles, water rescue tow vehicle, 800 MHz infrastructure, and the final payment on the American LaFrance leases.

***LONG-TERM DEBT***

At June 30, 2007, the District had long-term debt outstanding of \$26,975,550 (general obligation bonds of \$6,370,000, PERS Bonds of \$20,335,000, and Oregon City Apparatus Purchase Contract of \$270,550). The amount represents a decrease of \$853,166.

***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 2007 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.

As of the date of this report, the District has successfully pursued the annexation of the City of Oregon City into the District. The annexation effective date is July 1, 2008. As with the annexation of the City of Milwaukie, contract revenue will reduce and tax revenue will increase. The change brings stabilized funding to the citizens of the City of Oregon City for fire protection services.

**CLACKAMAS COUNTY FIRE DISTRICT #1**  
**CLACKAMAS, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

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***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, Finance Director, 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, 2007

ASSETS:

Cash and Investments	\$ 10,068,235
Property Taxes Receivable	1,032,773
Accounts Receivable	22,969
Prepaid Expenses	343,371
Inventories	314,028
Prepaid PERS	19,410,682
Capital Assets, net	<u>16,845,193</u>
Total Assets	<u>48,037,251</u>

LIABILITIES

Current Liabilities:

Accounts Payable	710,476
Payroll Liabilities	149,215
Accrued Vacation	<u>1,134,411</u>
Total Current Liabilities	<u>1,994,102</u>

Non-Current Liabilities:

Due Within 1 Year:

Loan Payable	77,300
Bonds Payable	690,000

Due In More than 1 Year:

Loan Payable	193,250
Bonds Payable	<u>26,015,000</u>

Total Non-Current Liabilities	26,975,550
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Total Liabilities	<u>28,969,652</u>
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NET ASSETS

Invested in Capital Assets Net of Related Debt	10,204,643
Restricted for special purposes	223,604
Unrestricted	<u>8,639,352</u>
Total Net Assets	<u>\$ 19,067,599</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, 2007

FUNCTIONS	DISBURSEMENTS	FUNCTION RECEIPTS		NET (DISBURSEMENT) RECEIPTS AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Fire Services	\$ 25,957,445	\$ 2,824,978	\$ -	\$ (23,132,467)
Facilities Acquisition Expense	836,749	-	-	(836,749)
Interest on Long-Term Debt	1,044,857	-	-	(1,044,857)
Total Governmental Activities	<u>\$ 27,839,051</u>	<u>\$ 2,824,978</u>	<u>\$ -</u>	<u>(25,014,073)</u>

GENERAL REVENUES:

Taxes	\$ 25,065,943
Miscellaneous	839,200
Gain/(Loss) on Disposal of Assets	<u>(1,034,023)</u>
Total General Revenues	<u>24,871,120</u>
Change in Net Assets	(142,953)
Beginning Net Assets	<u>19,210,552</u>
Ending Net Assets	<u>\$ 19,067,599</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	GOVERNMENTAL FUNDS		TOTAL
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
<b>ASSETS</b>			
Cash and Investments	\$ 9,704,527	\$ 363,708	\$ 10,068,235
Taxes Receivable	986,707	46,066	1,032,773
Accounts Receivable	22,969	-	22,969
Prepaid Expenses	343,371	-	343,371
Inventories	314,028	-	314,028
<b>Total Assets</b>	<b>\$ 11,371,602</b>	<b>\$ 409,774</b>	<b>\$ 11,781,376</b>
<b>LIABILITIES AND FUND BALANCES</b>			107,582
<b>Liabilities:</b>			
Accounts Payable	\$ 710,476	\$ -	\$ 710,476
Payroll Liabilities	149,215	-	149,215
Deferred Tax Revenues	986,707	46,066	1,032,773
<b>Total Liabilities</b>	<b>1,846,398</b>	<b>46,066</b>	<b>1,892,464</b>
<b>Fund Balances</b>			
Reserved for:			
Inventory	314,028	-	314,028
Unreserved, Reported in:			
General Fund	9,211,176	-	9,211,176
Special Revenue Funds	-	186,563	186,563
Capital Projects Fund	-	37,041	37,041
Debt Service Fund	-	140,104	140,104
<b>Total Fund Balances</b>	<b>9,525,204</b>	<b>363,708</b>	<b>9,888,912</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,371,602</b>	<b>\$ 409,774</b>	<b>\$ 11,781,376</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, 2007

	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	OTHER GOVERNMENTAL FUNDS	
<b>REVENUES:</b>			
Taxes	\$ 23,959,382	\$ 940,845	\$ 24,900,227
Contract Income	2,824,978	-	2,824,978
Earnings on Investments	584,971	49,088	634,059
Miscellaneous	250,131	(44,990)	205,141
<b>Total Revenues</b>	<b>27,619,462</b>	<b>944,943</b>	<b>28,564,405</b>
<b>EXPENDITURES:</b>			
<b>Fire Protection Services:</b>			
Personal Services	21,163,415	-	21,163,415
Materials and Services	3,539,315	-	3,539,315
Capital Outlay	656,688	1,738,654	2,395,342
Debt Service	-	973,705	973,705
<b>Total Expenditures</b>	<b>25,359,418</b>	<b>2,712,359</b>	<b>28,071,777</b>
Excess of Revenues Over, (Under) Expenditures	2,260,044	(1,767,416)	492,628
<b>Other Financing Sources, (Uses):</b>			
Proceeds from Sales	5,112	11,332	16,444
Transfers In	-	1,000,000	1,000,000
Transfers Out	(1,000,000)	-	(1,000,000)
<b>Total Other Financing Sources, (Uses)</b>	<b>(994,888)</b>	<b>1,011,332</b>	<b>16,444</b>
<b>Net Change in Fund Balance</b>	<b>1,265,156</b>	<b>(756,084)</b>	<b>509,072</b>
<b>Beginning Fund Balance</b>	<b>8,260,048</b>	<b>1,119,792</b>	<b>9,379,840</b>
<b>Ending Fund Balance</b>	<b>\$ 9,525,204</b>	<b>\$ 363,708</b>	<b>\$ 9,888,912</b>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

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

June 30, 2007

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Total Fund Balances - Governmental Funds	\$ 9,888,912
<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	16,845,193
<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>	
	(28,109,961)
<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>	
	19,410,682
Deferred revenue related to property taxes	<u>1,032,773</u>
Net Assets	<u>\$ 19,067,599</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, 2007

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Net Changes in Fund Balances - Governmental Funds	\$	509,072
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.		675,056
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.		(568,479)
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.		(924,318)
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>165,716</u>
Change in Net Assets of Governmental Activities	\$	<u>(142,953)</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  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2007

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 23,439,775	\$ 23,439,775	\$ 23,959,382	\$ 519,607
Contract Income	2,832,858	2,832,858	2,824,978	(7,880)
Earnings on Investments	322,000	322,000	584,971	262,971
Miscellaneous	232,000	232,000	250,131	18,131
<b>Total Revenue</b>	<b>26,826,633</b>	<b>26,826,633</b>	<b>27,619,462</b>	<b>792,829</b>
<b>EXPENDITURES:</b>				
Personal Services	21,321,626	21,321,626 (1)	21,163,415	158,211
Materials and Services	3,848,297	3,848,297 (1)	3,539,315	308,982
Capital Outlay	695,137	695,137 (1)	656,688	38,449
Contingency	1,450,000	1,450,000 (1)	-	1,450,000
<b>Total Expenditures</b>	<b>27,315,060</b>	<b>27,315,060</b>	<b>25,359,418</b>	<b>1,955,642</b>
Excess of Revenues Over, (Under) Expenditures	(488,427)	(488,427)	2,260,044	2,748,471
<b>Other Financing Sources, (Uses):</b>				
Proceeds from Sales	-	-	5,112	5,112
Transfers Out	(1,000,000)	(1,000,000) (1)	(1,000,000)	-
<b>Total Other Financing Sources, (Uses)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(994,888)</b>	<b>5,112</b>
<b>Net Change in Fund Balance</b>	<b>(1,488,427)</b>	<b>(1,488,427)</b>	<b>1,265,156</b>	<b>2,753,583</b>
Beginning Fund Balance	7,195,989	7,195,989	8,260,048	1,064,059
<b>Ending Fund Balance</b>	<b>\$ 5,707,562</b>	<b>\$ 5,707,562</b>	<b>\$ 9,525,204</b>	<b>\$ 3,817,642</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**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. THE FINANCIAL REPORTING ENTITY**

The District was organized under provisions of Oregon Statutes Chapter 478 for the purpose of providing fire protection and other emergency services. The Clackamas County Fire District #1 is a municipal corporation governed by an elected five member board. As required by accounting principles generally accepted in the United States of America, these financial statements present Clackamas County Fire District #1 (the primary government) and any component units. Component units, as established by GASB Statement 39, 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**

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

**GOVERNMENTAL FUND TYPES**

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

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

**C. DESCRIPTION OF FUNDS**

The District reports the following major fund:

**GENERAL FUND**

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

**D. BUDGET**

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

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

Expenditures can not legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted. Budget amounts shown in the basic financial statements reflect the original appropriations. Expenditures of the various funds were within authorized appropriation levels.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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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 \$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**

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**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	\$	(48,172)
Petty Cash		4,000
Cash with County / Fiscal Agent		164,663
Investments		<u>9,947,744</u>
Total	\$	<u>10,068,235</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, 2007.

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, 2007. 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	\$ 106,407	\$ 106,407	\$ -
State Treasurer's Investment Pool	9,841,337	9,841,337	-
<b>Total</b>	<b>\$ 9,947,744</b>	<b>\$ 9,947,744</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, 2007 are as follows:

	July 1, 2006	Additions	Deletions	June 30, 2007
Land (non Depreciable)	\$ 502,515	\$ -	\$ -	\$ 502,515
Buildings	16,247,993	1,466,519	-	17,714,512
Trucks and Equipment	13,666,593	980,835	(3,937,548)	10,709,880
Construction in Progress	888,761	-	(888,761)	-
<b>Total Assets</b>	<b>31,305,862</b>	<b>2,447,354</b>	<b>(4,826,309)</b>	<b>28,926,907</b>
Less Accumulated Depreciation	(13,892,190)	(1,076,605)	2,887,081	(12,081,714)
<b>Capital Assets, Net</b>	<b>\$ 17,413,672</b>	<b>\$ 1,370,749</b>	<b>\$ (1,939,228)</b>	<b>\$ 16,845,193</b>

**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, 2007 and 2006 were \$1,835,690 and \$2,078,578, 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, 2007 is comprised of the following:

	<u>Outstanding July 1, 2006</u>	<u>Additions</u>	<u>Payments and Deletions</u>	<u>Outstanding June 30, 2007</u>
Series 2001 Bonds Payable	\$ 7,020,000	\$ -	\$ 650,000	\$ 6,370,000
2005 PERS Bonds	20,335,000	-	-	20,335,000
Oregon City Loan Payable	270,550	-	-	270,550
Capital Leases	203,166	-	203,166	-
Accrued Compensated Absences	956,301	178,110	-	1,134,411
<b>Total</b>	<b>\$ 28,785,017</b>	<b>\$ 178,110</b>	<b>\$ 853,166</b>	<b>\$ 28,109,961</b>

Amounts Payable in Fiscal years (Less  
Accrued Compensated Absences):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 767,300	\$ 1,302,616	\$ 2,069,916
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
2011-2012	1,118,650	1,153,154	2,271,804
2013-2017	5,453,650	4,900,662	10,354,312
2018-2022	5,735,000	3,714,627	9,449,627
2023-2027	10,070,000	1,886,509	11,956,509
20027-2028	1,085,000	5,429	1,090,429
<b>Total</b>	<b>\$ 26,975,550</b>	<b>\$ 16,665,888</b>	<b>\$ 43,641,438</b>

**6. INTERFUND TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,000,000
Debt Service Fund	850,000	
Capital Projects Fund	150,000	-
	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</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**



CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS  
June 30, 2007

	GOVERNMENTAL FUNDS				TOTAL
	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	CAPITAL SINKING FUND	
<b>ASSETS</b>					
Cash and Investments	\$ 186,563	\$ 140,104	\$ 37,041	\$ -	\$ 363,708
Taxes Receivable	-	46,066	-	-	46,066
<b>Total Assets</b>	<b>\$ 186,563</b>	<b>\$ 186,170</b>	<b>\$ 37,041</b>	<b>\$ -</b>	<b>\$ 409,774</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Deferred Tax Revenues	\$ -	\$ 46,066	\$ -	\$ -	\$ 46,066
<b>Total Liabilities</b>	<b>-</b>	<b>46,066</b>	<b>-</b>	<b>-</b>	<b>46,066</b>
<b>Fund Balances</b>					
Unreserved, Reported in:					
Special Revenue Fund	186,563	-	-	-	186,563
Debt Service Fund	-	140,104	-	-	140,104
Capital Projects Fund	-	-	37,041	-	37,041
Capital Sinking Fund	-	-	-	-	-
<b>Total Fund Balances</b>	<b>186,563</b>	<b>140,104</b>	<b>37,041</b>	<b>-</b>	<b>363,708</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 186,563</b>	<b>\$ 186,170</b>	<b>\$ 37,041</b>	<b>\$ -</b>	<b>\$ 409,774</b>

The accompanying notes are an integral part of this statement.

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, 2007

	GOVERNMENTAL FUNDS				TOTAL GOVERNMENTAL FUNDS
	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	CAPITAL SINKING FUND	
REVENUES:					
Taxes	\$ -	\$ 940,845	\$ -	\$ -	\$ 940,845
Earnings on Investments	16,143	23,621	8,911	413	49,088
Miscellaneous	(44,990)	-	-	-	(44,990)
Total Revenues	(28,847)	964,466	8,911	413	944,943
EXPENDITURES:					
Fire Protection Services:					
Capital Outlay	915,458	-	715,614	107,582	1,738,654
Debt Service	-	973,705	-	-	973,705
Total Expenditures	915,458	973,705	715,614	107,582	2,712,359
Excess of Revenues Over, (Under) Expenditures	(944,305)	(9,239)	(706,703)	(107,169)	(1,767,416)
Other Financing Sources, (Uses):					
Proceeds from Sales	3,378	-	7,954	-	11,332
Transfers In	850,000	-	150,000	-	1,000,000
Total Other Financing Sources, (Uses)	853,378	-	157,954	-	1,011,332
Net Change in Fund Balance	(90,927)	(9,239)	(548,749)	(107,169)	(756,084)
Beginning Fund Balance	277,490	149,343	585,790	107,169	1,119,792
Ending Fund Balance	\$ 186,563	\$ 140,104	\$ 37,041	\$ -	\$ 363,708

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, 2007

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Grant Income	\$ -	\$ -	\$ (44,990)	\$ (44,990)
Earnings on Investments	15,000	15,000	16,143	1,143
Total Revenue	15,000	15,000	(28,847) 107,582	(43,847)
<b>EXPENDITURES:</b>				
Capital Outlay	1,136,217	1,136,217 (1)	915,458	220,759
Total Expenditures	1,136,217	1,136,217	915,458	220,759
Excess of Revenues Over, (Under) Expenditures	(1,121,217)	(1,121,217)	(944,305)	176,912
<b>Other Financing Sources, (Uses):</b>				
Proceeds from Sales	-	-	3,378	3,378
Transfers In	850,000	850,000	850,000	-
Total Other Financing Sources, (Uses)	850,000	850,000	853,378	3,378
Net Change in Fund Balance	(271,217)	(271,217)	(90,927)	180,290
Beginning Fund Balance	278,393	278,393	277,490	(903)
Ending Fund Balance	\$ 7,176	\$ 7,176	\$ 186,563	\$ 179,387

(1) Appropriation Level

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, 2007

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 900,153	\$ 900,153	\$ 940,845	\$ 40,692
Earnings on Investments	20,000	20,000	23,621	3,621
<b>Total Revenue</b>	<b>920,153</b>	<b>920,153</b>	<b>964,466</b>	<b>44,313</b>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	650,000	650,000	650,000	-
Interest	323,705	323,705	323,705	-
<b>Total Expenditures</b>	<b>973,705</b>	<b>973,705 (1)</b>	<b>973,705</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(53,552)</b>	<b>(53,552)</b>	<b>(9,239)</b>	<b>44,313</b>
<b>Beginning Fund Balance</b>	<b>53,552</b>	<b>53,552</b>	<b>149,343</b>	<b>95,791</b>
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 140,104</b>	<b>\$ 140,104</b>

(1) Appropriation Level

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, 2007

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 20,000	\$ 20,000	\$ 8,911	\$ (11,089)
Total Revenues	20,000	20,000	8,911	(11,089)
EXPENDITURES:				
Capital Outlay	748,000	748,000 (1)	715,614	32,386
Total Expenses	748,000	748,000	715,614	32,386
Excess of Revenues Over, (Under) Expenditures	(728,000)	(728,000)	(706,703)	21,297
Other Financing Sources, (Uses):				
Proceeds from Sale	-	-	7,954	7,954
Transfers In	150,000	150,000	150,000	-
Total Other Financing Sources, (Uses)	150,000	150,000	157,954	7,954
Net Change in Fund Balance	(578,000)	(578,000)	(548,749)	29,251
Beginning Fund Balance	582,402	582,402	585,790	3,388
Ending Fund Balance	\$ 4,402	\$ 4,402	\$ 37,041	\$ 32,639

(1) Appropriation Level

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, 2007

CAPITAL SINKING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 10,000	\$ 10,000	\$ 413	\$ (9,587)
Total Revenues	10,000	10,000	413	(9,587)
EXPENDITURES:				
Capital Outlay	688,000	688,000 (1)	107,582	580,418
Total Expenses	688,000	688,000	107,582	580,418
Net Change in Fund Balance	(678,000)	(678,000)	(107,169)	570,831
Beginning Fund Balance	678,000	678,000	107,169	(570,831)
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

The accompanying notes are an integral part of this statement.



CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2007

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2006	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2007
Current:						
2006-2007	\$ 25,620,725	\$ 619,025	\$ (44,306)	\$ 9,687	\$ 24,269,153	\$ 697,928
Prior Years:						
2005-2006	578,781	2	18,194	21,017	423,171	194,818
2004-2005	147,383	(42)	2,170	10,666	83,033	77,227
2003-2004	76,568	(6)	679	9,892	56,106	31,039
2002-2003	39,178	(2)	(9,680)	4,222	21,183	12,539
Prior	25,147	(20)	(1,528)	533	4,950	19,222
Total Prior	867,057	(67)	9,834	46,330	588,444	334,845
Total	\$ 26,487,782	\$ 618,958	\$ (34,472)	\$ 56,017	\$ 24,857,597	\$ 1,032,773

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 24,857,597
Accrual of Receivables:	
Other Taxes	42,630
Total Revenue	\$ 24,900,227

The accompanying notes are an integral part of this statement.

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

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

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November 30, 2007

**2006-2007 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, 2007, and have issued our report thereon dated November 5, 2007.

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, 2007, 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. We have issued a report on significant deficiencies dated November 5, 2007.

**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.

A material weakness is a significant deficiency 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. The District's financial accounting records are adequate for audit.

**BUDGET TRANSACTIONS**

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

**2006-2007 & 2007-2008 BUDGETS**

The budgets adopted by the District for the 2006-2007 & 2007-2008 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 2006-2007, 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, 2007, 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 2006-2007.

**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, 2007.

**PROGRAMS FUNDED FROM OUTSIDE SOURCES**

The District had no programs funded from outside sources during the year ended June 30, 2007.

**STATE HIGHWAY**

The District had no programs funded from State Highway funds during the year ended June 30, 2007.

  
PAULY, ROGERS AND CO., P.C.

