

CLACKAMAS COUNTY FIRE DISTRICT NO. 1
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008



Pauly, Rogers and Co., P.C.
12700 SW 72nd Ave.
Tigard, OR 97223



PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2008

Board of Directors
Clackamas County Fire District

AUDIT PROCESS - EXECUTIVE SUMMARY

We were engaged, in compliance with the Oregon Municipal Audit Law, to audit the financial statements, fiscal affairs and accounts of the Clackamas County Fire District for the 2007-2008 fiscal year.

Purpose of the Audit

The audit was designed to determine the fair presentation or compliance with:

- generally accepted accounting principles and auditing standards,
- the Oregon Municipal Audit Law and the related administrative rules, and
- Oregon Local Budget Law

Results of Audit

1. Audit opinion letter - an unqualified opinion has been issued on the financial statements. This means we have given a "clean" opinion on your financials with no reservations.
2. State minimum standards for audits - We found no exceptions or issues requiring comment. We are required to report on internal control, accounting records, bank collateral, legal requirements for investments, public contracts and purchasing, insurance and fidelity bonds, statutory bonded debt limit, and programs funded from outside sources.

Management Letter

We had no new management comments in the current year's audit. We did include two comments in our management letter from previous year along with their status.

Other Matters

We found the books and records of the District were maintained in a very professional manner throughout the 2007-2008 fiscal year and were in good condition for audit.

Summary

There were no disagreements with management, no difficulties encountered in performing the audit, no significant audit adjustments, or no disagreements about accounting policies or accounting estimates.

The District's financial affairs have been professionally conducted. The accounting records were in very good condition and we commend the staff for their assistance and support during the audit.


PAULY, ROGERS AND CO., P.C.

McSperitt, Susan

From: DisclosureUSA Filing Notifications [filingnotifications@disclosureusa.org]
Sent: Tuesday, October 21, 2008 11:53 AM
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Issuer Name(s):

CLACKAMAS CNTY ORE FIRE DIST NO 1
OREGON ST LOC GOVTS

The following documents were filed:
Financial Report for the Year Ended June 30, 2008

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Filing Summary Information

Filing #: **20081021279468**

Filing Date: 10/21/2008 1:53:13 PM

CLACKAMAS CNTY ORE FIRE DIST NO 1

Issue Date **Bond Title**

2001-02-01

OREGON ST LOC GOVTS

Issue Date **Bond Title**

2005-09-23

TAXABLE-PENSION OBLIGATIONS

CUSIPs

17902GAH0	17902GAJ6	17902GAK3	17902GAM9	17902GAN7	17902GAP2
68608DDK7	68608DDL5	68608DDM3	68608DDN1	68608DDP6	68608DDQ4
68608DDW1	68608DEE0				

Doc Type	Doc Date	Fiscal Period Ending	File Name	File Size	Doc Title
Audited Annual Financial Statements	9/19/2008	6/30/2008	Clackamas County Fire Financials - 2008.pdf	1439367	Financial Report for the Year Ended June 30, 2008

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Filer type: Obligor

CLACKAMAS COUNTY FIRE DISTRICT #1

CLACKAMAS, OREGON

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

BOARD OF DIRECTORS

TERM EXPIRES

Marilyn Wall	Chairperson	June 30, 2011
George Warren	Vice Chairperson	June 30, 2009
Don Trotter	Secretary/Treasurer	June 30, 2009
James Doane	Director	June 30, 2011
David McTeague	Director	June 30, 2011

All directors receive their mail at the address listed below

OFFICERS

Ed Kirchhofer, District Fire Chief

ADMINISTRATION

Kyle Gorman, Executive Officer
Susan McSperitt, Finance Director

Ed Kirchhofer, Registered Agent
11300 SE Fuller Road
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 AVE. • TIGARD, OR 97223
• (503) 620-2632 • FAX (503) 684-7523

September 19, 2008

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, 2008, 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, 2008 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.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
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Disclosure USA
Filed 12/21/08 - Jmm

September 19, 2008

Clackamas County Fire District
Board of Directors

In planning and performing our audit of the financial statements of Clackamas County Fire District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Clackamas County Fire District's internal control over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal controls that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

The Auditing Standards Board issued SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, effective for audits of financial statements for periods ending on or after December 15, 2006. This statement requires auditors to evaluate identified control deficiencies and determine whether those deficiencies, individually or in combination, are significant deficiencies or material weaknesses, and if so communicate them in writing to those charged with governance.

SAS No. 112 specifically identifies a few common control deficiencies which must be addressed in each audit to determine if a significant deficiency exists, and based on our evaluation we have identified significant deficiencies in the design or implementation of internal controls, which are noted below.

We noted no issues to be considered significant deficiencies for 2007-08.

The following are our recommendations for the previous year. The comments are repeated from our report to management for the year ended June 30, 2007, for perspective.

We consider the following deficiencies to be significant deficiencies in internal control:

1. We noted that the District does not have a written internal control policies and procedures document, however the District does have extensive internal controls in place and in operation. In applying SAS 112 we believe that the District should adopt formal policies/procedures for all accounting areas, especially as it pertains to

internal controls and the identification of key controls. We recommend at a minimum that the following areas be addressed (this constitutes a partial list, other areas of internal control should be addressed):

- Computer security and who should has access to passwords and how often passwords are changed.
- Controls over expenditures to ensure that there are no fraudulent checks or checks written in error - Who tracks the check sequence, who reviews the canceled checks back from the bank, who has custody of checks, and who is authorized to approve disbursements?
- Detailed explanation of the controls over cash accounts, including how many people it takes to open/close an account, controls over wire transfers, and review of bank reconciliations.
- Controls over cash receipting – How do you ensure that all receipts are recorded in the general ledger. How often are deposits taken to the bank.
- What internal controls and monitoring is used for reviewing and ensuring that the financial statements are accurate and are in conformance with GAAP (the control procedure here would be sending staff to training on new pronouncements, etc.)
- Any internal audit functions, antifraud programs, etc.
- Monitoring of internal controls by management and the governing body to ensure that controls are functioning properly and are evaluated when systems, the environment, and employees change.
- Other areas that could be discussed - capital asset accounting, employee dishonesty insurance, physical security of documents, payroll processing/timesheets, and any other applicable financial areas.

Status: The District adopted a formal written accounting policy and procedures manual during the fiscal year. The policy addresses the concerns of the auditors and District staff. The policy will be reviewed annually, and any changes will be approved by the Districts Board of Directors.

2. We noted that staff maintains their fixed asset register in excel. Excel is not made to account for fixed assets and is prone to formula errors and other problems. We recommend that the District purchase an off the shelf fixed asset system to account for their fixed assets. We also noted that the District has a low capitalization policy for fixed assets. GASB (Governmental Accounting Standards Board) and GFOA (Government Finance Officers Association) recommend that most governments adopt a \$5,000 capitalization limit, and we believe that this would be a good limit for the District to use.

Status: The District converted to a \$5,000 capitalization limit, reducing the item count of the asset inventory. The inventory will be converted to a fixed asset system during this next fiscal year when staff time allows.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any significant deficiencies that are considered to be material weaknesses:

This communication is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

As management of the District, we offer readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$19,918,342 (net assets). Of this amount, \$8,419,954 (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 \$850,743. This increase is due to a combination of revenue outpacing expenses and a reduction in long-term debt
- The investment in capital assets increased \$264,159 to \$17,109,352 during the year.
- Long-term debt, decreased \$660,000 to \$26,285,550. The decrease is attributable to payment of bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

Our auditor has provided assurance in 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 \$19,918,342 at June 30, 2008. Of this amount, \$8,419,954 was unrestricted, \$354,586 was restricted for special purposes and \$11,143,802 was invested in fixed assets net of related debt.

<i>Assets</i>	2008	2007	% +/-
Cash and investments	\$ 10,264,965	\$ 10,068,235	2.0
Current assets	20,851,639	21,123,823	-1.2
Note receivable	-0-	-0-	-0-
Capital assets	17,109,352	16,845,193	1.6
<i>Total Assets</i>	48,225,956	48,037,251	.4
<i>Liabilities</i>			
Accounts payable	\$ 734,302	\$ 710,476	3.7
Payroll liabilities and Compensated absences	1,287,762	1,283,626	.3
Noncurrent liabilities	26,285,550	26,975,550	-2.6
<i>Total Liabilities</i>	28,307,614	28,969,652	-2.3

Net Assets

Investment in capital assets (net of related debt)	11,143,802	10,204,643	9.2
Restricted for special purposes	354,586	223,604	58.6
Unrestricted	8,419,954	8,639,352	-2.5
<i>Total Net Assets</i>	<u>\$19,918,342</u>	<u>\$ 19,067,598</u>	<u>4.5</u>

Statement of Activities. During the current fiscal year, the District's net assets increased by \$850,743. The key elements of the change in the District's net assets for the year ended June 30, 2008 are as follows:

Assets:

- Net income (revenue vs. expenditure) for all funds increased net assets by \$503,019.
- Property tax receivable increased by \$303,816, to \$1,336,589. This represents taxes levied but not received.
- Prepaid PERS decreased by \$924,318, to \$18,486,364. Each year this will decrease as it offsets the unfunded actuarial liability with PERS.
- Capital assets net of depreciation increased by \$264,159, predominantly due to apparatus purchases.

Liabilities:

- Payment on the 2001 Bond issue and the 2005 PERS Refunding Bond has reduced the District's obligations by \$688,946.
- Vacation liability increases and decreases year to year based on use and contract commitments.

Revenues:

	2008	2007	% +/-
Program revenues:			
Charges for Service	\$2,921,346	\$2,824,978	3.4
Capital Grants and Contributions	-0-	-0-	-0-
General Revenues:			
Taxes and assessments	26,635,278	25,065,943	6.3
Miscellaneous	968,152	839,200	15.4
Gain on disposition of assets	-0-	-0-	-0-
Total Revenues	30,524,776	28,730,121	6.3

Expenses:

Operating Expenses	29,377,953	25,905,434	13.4
Interest on long-term debt	296,080	1,044,857	-71.7
Loss on Disposal of Asset	-0-	1,922,784	-100.0
Total Expenses	29,674,033	28,873,075	2.8

Change in net assets	850,743	-142,954	695.1
Fund net assets – July 1, 2007	19,067,598	19,210,552	-8
Fund net assets – June 30, 2008	\$19,918,342	\$19,067,598	4.5

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 \$494,723 due to an increase in revenue from taxes, 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 increased to fund future capital needs.

CAPITAL ASSETS

At June 30, 2008, the District had \$17,109,353 invested in capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$264,160 Fiscal 2007 additions are mainly the result of and major equipment purchases including staff vehicles, a water tender, completion of two fire engines, and 800 MHz infrastructure.

LONG-TERM DEBT

At June 30, 2008, the District had long-term debt outstanding of \$26,285,550 (general obligation bonds of \$5,695,000, PERS Bonds of \$20,320,000, and Oregon City Apparatus Purchase Contract of \$270,550). The amount represents a decrease of \$690,000.

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 2008 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 notified the District of rate changes to take affect July 1, 2007 and are listed on the table below. On September 11, 2008, PERS again notified the District of rate changes that will take affect on July 1, 2009. As shown of the table below, the rates will be decreasing slightly for the Tier1/Tier 2 rates and significantly for the OPSRP rates. This will represent a savings for the District at a time when the PERS Bond payments will be increasing.

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

The Fiscal 2008 Adopted Budget includes a reduction in Contract Revenues and an increase in Tax Revenues. This represents a revenue shift due to the successful annexation of the City of Oregon City. The shift from Contract Revenue to Tax Revenue has affected the cash flow of the District in that the City of Oregon City submitted payment for services to the District on a monthly basis. Now that the District is assessing taxes directly to the citizens of Oregon City, the funding to provide the services will be received with the regular tax receipts. This poses a cash flow

issue for the District because there is not sufficient ending fund balance to pay for operations from July 1 through the middle of November when tax revenues are received. This funding gap will be financed with Tax Anticipation Financing.

The Department of Homeland Security has approved the District's SAFER Grant request to augment fire station staffing in the amount of \$1,265,100 over a four year period. The District is required to match this funding at an increasing rate over the four year period. The District's matching amount is \$3,667,640. The grant will allow 12 firefighters to be hired and placed at specific stations to increase four response units to 4-person staffing as is recommended by NFPA 1710. At the end of the four year period the positions will be fully funded by the District. This should coincide with the release of the Clackamas Town Center Tax Increment Financing District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Finance Director for Clackamas County Fire District #1, Susan McSperitt at Ph. #503-742-2600 or e-mail: susanmcs@ccfd1.com.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

BASIC FINANCIAL STATEMENTS

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CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS:

Cash and Investments	\$	10,264,965
Property Taxes Receivable		1,336,589
Accounts Receivable		80,967
Prepaid Expenses		559,096
Inventories		388,623
Prepaid PERS		18,486,364
Capital Assets, net		<u>17,109,352</u>
Total Assets		<u>48,225,956</u>

LIABILITIES

Current Liabilities:

Accounts Payable		734,302
Payroll Liabilities		167,297
Accrued Vacation		<u>1,120,465</u>

Total Current Liabilities 2,022,064

Non-Current Liabilities:

Due Within 1 Year:

Loan Payable		-
Bonds Payable		780,000

Due In More than 1 Year:

Loan Payable		270,550
Bonds Payable		<u>25,235,000</u>

Total Non-Current Liabilities 26,285,550

Total Liabilities 28,307,614

NET ASSETS

Invested in Capital Assets Net of Related Debt		11,143,802
Restricted for special purposes		354,586
Unrestricted		<u>8,419,954</u>
Total Net Assets	\$	<u>19,918,342</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, 2008

FUNCTIONS	FUNCTION REVENUES			NET (DISBURSEMENT) RECEIPTS AND CHANGES IN NET ASSETS
	DISBURSEMENTS	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Fire Services	\$ 29,377,953	\$ 2,921,346	\$ -	\$ (26,456,607)
Interest on Long-Term Debt	296,080	-	-	(296,080)
Total Governmental Activities	<u>\$ 29,674,033</u>	<u>\$ 2,921,346</u>	<u>\$ -</u>	<u>(26,752,687)</u>

GENERAL REVENUES:

Taxes	\$ 26,635,278
Miscellaneous	968,152
Gain/(Loss) on Disposal of Assets	-
Total General Revenues	<u>27,603,430</u>
Change in Net Assets	850,743
Beginning Net Assets	<u>19,067,599</u>
Ending Net Assets	<u>\$ 19,918,342</u>

The accompanying notes are an integral part of this statement.

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	GOVERNMENTAL FUNDS		TOTAL
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	
ASSETS			
Cash and Investments	\$ 9,892,962	\$ 372,003	\$ 10,264,965
Taxes Receivable	1,289,252	47,337	1,336,589
Accounts Receivable	80,967	-	80,967
Prepaid Expenses	559,096	-	559,096
Inventories	388,623	-	388,623
Total Assets	\$ 12,210,900	\$ 419,340	\$ 12,630,240
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 734,302	\$ -	\$ 734,302
Payroll Liabilities	167,297	-	167,297
Deferred Tax Revenues	1,289,252	47,337	1,336,589
Total Liabilities	2,190,851	47,337	2,238,188
Fund Balances			
Reserved for:			
Inventory	388,623	-	388,623
Unreserved, Reported in:			
General Fund	9,631,426	-	9,631,426
Special Revenue Funds	-	111,074	111,074
Capital Projects Fund	-	243,512	243,512
Debt Service Fund	-	17,417	17,417
Total Fund Balances	10,020,049	372,003	10,392,052
Total Liabilities and Fund Balances	\$ 12,210,900	\$ 419,340	\$ 12,630,240

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, 2008

	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	OTHER GOVERNMENTAL FUNDS	
REVENUES:			
Taxes	\$ 25,499,053	\$ 832,409	\$ 26,331,462
Contract Income	2,921,346	-	2,921,346
Earnings on Investments	537,751	31,904	569,655
Miscellaneous	391,633	-	391,633
Total Revenues	29,349,783	864,313	30,214,096
EXPENDITURES:			
Fire Protection Services:			
Personal Services	23,068,271	-	23,068,271
Materials and Services	4,007,592	-	4,007,592
Capital Outlay	729,076	941,801	1,670,877
Debt Service	-	971,080	971,080
Total Expenditures	27,804,939	1,912,881	29,717,820
Excess of Revenues Over, (Under) Expenditures	1,544,844	(1,048,568)	496,276
Other Financing Sources, (Uses):			
Proceeds from Sales	-	6,864	6,864
Transfers In	-	1,050,000	1,050,000
Transfers Out	(1,050,000)	-	(1,050,000)
Total Other Financing Sources, (Uses)	(1,050,000)	1,056,864	6,864
Net Change in Fund Balance	494,844	8,296	503,140
Beginning Fund Balance	9,525,205	363,707	9,888,912
Ending Fund Balance	\$ 10,020,049	\$ 372,003	\$ 10,392,052

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, 2008

Total Fund Balances - Governmental Funds	\$ 10,392,052
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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.

Net Capital Assets	17,109,352
--------------------	------------

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.

(27,406,015)

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

18,486,364

Deferred revenue related to property taxes

<u>1,336,589</u>

Net Assets

<u>\$ 19,918,342</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, 2008

Net Changes in Fund Balances - Governmental Funds	\$	503,140
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.		703,946
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.		264,159
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>303,816</u>
Change in Net Assets of Governmental Activities	\$	<u><u>850,743</u></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, 2008

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 25,143,130	\$ 25,143,130	\$ 25,499,053	\$ 355,923
Contract Income	2,894,222	2,894,222	2,921,346	27,124
Earnings on Investments	480,000	480,000	537,751	57,751
Miscellaneous	277,000	277,000	391,633	114,633
Total Revenue	28,794,352	28,794,352	29,349,783	555,431
EXPENDITURES:				
Personal Services	22,740,527	23,110,368 (1)	23,068,271	42,097
Materials and Services	4,226,173	4,233,354 (1)	4,007,592	225,762
Capital Outlay	869,877	942,855 (1)	729,076	213,779
Contingency	1,450,000	1,000,000 (1)	-	1,000,000
Total Expenditures	29,286,577	29,286,577	27,804,939	1,481,638
Excess of Revenues Over, (Under) Expenditures	(492,225)	(492,225)	1,544,844	2,037,069
Other Financing Sources, (Uses):				
Proceeds from Sales	-	-	-	-
Transfers Out	(1,050,000)	(1,050,000) (1)	(1,050,000)	-
Total Other Financing Sources, (Uses)	(1,050,000)	(1,050,000)	(1,050,000)	-
Net Change in Fund Balance	(1,542,225)	(1,542,225)	494,844	2,037,069
Beginning Fund Balance	8,153,777	8,153,777	9,525,205	1,371,428
Ending Fund Balance	\$ 6,611,552	\$ 6,611,552	\$ 10,020,049	\$ 3,408,497

(1) Appropriation Level

The accompanying notes are an integral part of this statement.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

The District was organized under provisions of Oregon Statutes Chapter 478 for the purpose of providing fire protection and other emergency services. The Clackamas County Fire District #1 is a municipal corporation governed by an elected five member board. As required by accounting principles generally accepted in the United States of America, these financial statements present Clackamas County Fire District #1 (the primary government) and any component units. Component units, as established by GASB Statement 39, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

The government-wide statements report information on the District irrespective of fund activity, and the fund financial statements report information using the District's funds. The District has only "governmental activities" and one "program" as defined in the Statement.

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

FUND FINANCIAL STATEMENTS

The accounts of the District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

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

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

C. DESCRIPTION OF FUNDS

The District reports the following major fund:

GENERAL FUND

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

D. BUDGET

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

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

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

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PROPERTY TAXES RECEIVABLE

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Assets. In the Fund Financial Statements property taxes that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operation of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

F. CAPITAL ASSETS

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives: 5 to 40 years.

G. RETIREMENT PLANS

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

H. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. VESTED COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. NET ASSETS

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

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. 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	\$ 498,510
Petty Cash	4,000
Cash with County / Fiscal Agent	184,566
Investments	<u>9,577,889</u>
Total	<u>\$ 10,264,965</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, 2008.

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, 2008. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

The District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 9,577,889	\$ 9,577,889	\$ -
Total	<u>\$ 9,577,889</u>	<u>\$ 9,577,889</u>	<u>\$ -</u>

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, 2008 are as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Land (non Depreciable)	\$ 502,515	\$ 41,455	\$ -	\$ 543,970
Buildings	17,714,512	199,301	-	17,913,813
Trucks and Equipment	10,709,880	542,946	(284,257)	10,968,569
Construction in Progress	-	400,000	-	400,000
	<u>28,926,907</u>	<u>1,183,702</u>	<u>(284,257)</u>	<u>29,826,352</u>
Total Assets				
Less: Accumulated Depreciation	<u>(12,081,714)</u>	<u>(919,542)</u>	<u>284,257</u>	<u>(12,716,999)</u>
Capital Assets, Net	<u>\$ 16,845,193</u>	<u>\$ 264,160</u>	<u>\$ -</u>	<u>\$ 17,109,353</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.

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, 2008, 2007 and 2006 were \$2,034,718, \$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, 2008 is comprised of the following:

	<u>Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Payments and Deletions</u>	<u>Outstanding June 30, 2008</u>
Series 2001 Bonds Payable,	\$ 6,370,000	-	\$ 675,000	\$ 5,695,000
2005 PERS Bonds	20,335,000	-	15,000	20,320,000
Oregon City Loan Payable	270,550	-	-	270,550
Capital Leases	-	-	-	-
Accrued Compensated Absences	1,134,411	-	13,946	1,120,465
Total	<u>\$ 28,109,961</u>	<u>\$ -</u>	<u>\$ 703,946</u>	<u>\$ 27,406,015</u>

6. INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,050,000
Special Revenue Fund	850,000	-
Capital Projects Fund	200,000	-
	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>

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

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

8. RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Fire District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

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, 2008

	GOVERNMENTAL FUNDS			TOTAL
	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	
ASSETS				
Cash and Investments	\$ 111,074	\$ 17,417	\$ 243,512	\$ 372,003
Taxes Receivable		47,337		47,337
Total Assets	\$ 111,074	\$ 64,754	\$ 243,512	\$ 419,340
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred Tax Revenues	\$	\$ 47,337	\$	\$ 47,337
Total Liabilities	-	47,337	-	47,337
Fund Balances				
Unreserved, Reported in:				
Special Revenue Fund	111,074	-	-	111,074
Debt Service Fund	-	17,417	-	17,417
Capital Projects Fund	-	-	243,512	243,512
Capital Sinking Fund	-	-	-	-
Total Fund Balances	111,074	17,417	243,512	372,003
Total Liabilities and Fund Balances	\$ 111,074	\$ 64,754	\$ 243,512	\$ 419,340

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, 2008

	GOVERNMENTAL FUNDS			TOTAL GOVERNMENTAL FUNDS
	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	
REVENUES:				
Taxes	\$ -	\$ 832,409	\$ -	\$ 832,409
Earnings on Investments	9,448	15,984	6,472	31,904
Miscellaneous	-	-	-	-
Total Revenues	9,448	848,393	6,472	864,313
EXPENDITURES:				
Fire Protection Services:				
Capital Outlay	941,801	-	-	941,801
Debt Service	-	971,080	-	971,080
Total Expenditures	941,801	971,080	-	1,912,881
Excess of Revenues Over, (Under) Expenditures	(932,353)	(122,687)	6,472	(1,048,568)
Other Financing Sources, (Uses):				
Proceeds from Sales	6,864	-	-	6,864
Transfers In	850,000	-	200,000	1,050,000
Total Other Financing Sources, (Uses)	856,864	-	200,000	1,056,864
Net Change in Fund Balance	(75,489)	(122,687)	206,472	8,296
Beginning Fund Balance	186,563	140,104	37,040	363,707
Ending Fund Balance	\$ 111,074	\$ 17,417	\$ 243,512	\$ 372,003

CLACKAMAS FIRE DISTRICT #1

CLACKAMAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Grant Income	\$ -	\$ -	\$ -	\$ -
Earnings on Investments	24,000	24,000	9,448	(14,552)
Total Revenue	24,000	24,000	9,448	(14,552)
EXPENDITURES:				
Capital Outlay	996,156	996,156 (1)	941,801	54,355
Total Expenditures	996,156	996,156	941,801	54,355
Excess of Revenues Over, (Under) Expenditures	(972,156)	(972,156)	(932,353)	39,803
Other Financing Sources, (Uses):				
Proceeds from Sales	-	-	6,864	6,864
Transfers In	850,000	850,000	850,000	-
Total Other Financing Sources, (Uses)	850,000	850,000	856,864	6,864
Net Change in Fund Balance	(122,156)	(122,156)	(75,489)	46,667
Beginning Fund Balance	134,335	134,335	186,563	52,228
Ending Fund Balance	\$ 12,179	\$ 12,179	\$ 111,074	\$ 98,895

(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, 2008

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 852,830	\$ 852,830	\$ 832,409	\$ (20,421)
Earnings on Investments	20,250	20,250	15,984	(4,266)
Total Revenue	<u>873,080</u>	<u>873,080</u>	<u>848,393</u>	<u>(24,687)</u>
EXPENDITURES:				
Debt Service:				
Principal	675,000	675,000	675,000	-
Interest	<u>296,080</u>	<u>296,080</u>	<u>296,080</u>	<u>-</u>
Total Expenditures	<u>971,080</u>	<u>971,080 (1)</u>	<u>971,080</u>	<u>-</u>
Net Change in Fund Balance	(98,000)	(98,000)	(122,687)	(24,687)
Beginning Fund Balance	<u>98,000</u>	<u>98,000</u>	<u>140,104</u>	<u>42,104</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,417</u>	<u>\$ 17,417</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, 2008

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 7,000	\$ 7,000	\$ 6,472	\$ (528)
Total Revenues	7,000	7,000	6,472	(528)
EXPENDITURES:				
Capital Outlay	178,000	178,000 (1)	-	178,000
Total Expenses	178,000	178,000	-	178,000
Excess of Revenues Over, (Under) Expenditures	(171,000)	(171,000)	6,472	177,472
Other Financing Sources, (Uses):				
Proceeds from Sale	-	-	-	-
Transfers In	200,000	200,000	200,000	-
Total Other Financing Sources, (Uses)	200,000	200,000	200,000	-
Net Change in Fund Balance	29,000	29,000	206,472	177,472
Beginning Fund Balance	50,789	50,789	37,040	(13,749)
Ending Fund Balance	\$ 79,789	\$ 79,789	\$ 243,512	\$ 163,723

(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, 2008

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2007	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2008
Current:						
2007-08	\$ 27,258,521	\$ 654,785	\$ (61,025)	\$ 9,653	\$ 25,614,276	\$ 938,088
Prior Years:						
2006-2007	697,928	(57)	(7,825)	21,489	476,600	235,049
2005-2006	194,819	(19)	(13,606)	11,556	94,266	98,522
2004-2005	77,227	(6)	(1,633)	10,667	56,784	29,483
2003-2004	31,040	(5)	(1,187)	4,888	24,044	10,702
Prior	31,012	(4)	(909)	60,171	65,533	24,745
Total Prior	1,032,026	(91)	(25,160)	108,771	717,227	398,501
Total	\$ 28,290,547	\$ 654,694	\$ (86,185)	\$ 118,424	\$ 26,331,503	\$ 1,336,589

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 26,331,503
Accrual of Receivables:	
Other Taxes	(41)
Total Revenue	\$ 26,331,462

CLACKAMAS COUNTY FIRE DISTRICT #1
CLACKAMAS, OREGON

AUDITORS' COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS



PAULY, ROGERS AND CO., P.C.
® CERTIFIED PUBLIC ACCOUNTANTS

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- (503) 620-2632 • FAX (503) 684-7523

September 19, 2008

2007-2008 AUDITORS' COMMENTS AND DISCLOSURES

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, 2008, and have issued our report thereon dated September 19, 2008.

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, 2008, 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 September 19, 2008.

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, except as noted on page 14.

2007-2008 & 2008-2009 BUDGETS

The budgets adopted by the District for the 2007-2008 & 2008-2009 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 2007-2008, 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, 2008, 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 2007-2008.

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, 2008

PROGRAMS FUNDED FROM OUTSIDE SOURCES

The District had no programs funded from outside sources during the year ended June 30, 2008.

STATE HIGHWAY

The District had no programs funded from State Highway funds during the year ended June 30, 2008.

Pauly Rogers and Co., P.C.

PAULY, ROGERS AND CO., P.C.

