

***CLACKAMAS COUNTY FIRE DISTRICT
NO. 1, Clackamas County, Oregon
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2003***

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
BOARD OF DIRECTORS
JUNE 30, 2003

BOARD OF DIRECTORS

TERM EXPIRES

Milo Haas, RPH, Chairman
4912 SE Robin Road
Milwaukie, Oregon 97267

June 30, 2003

Tiny Lidstrom, Vice-Chairman
8975 SE Spencer Drive
Portland, Oregon 97266

June 30, 2005

Marilyn Wall, Secretary
3385 SE Aldercrest Road
Milwaukie, Oregon 97222

June 30, 2005

David Mansfield
11506 SE 147th Avenue
Portland, Oregon 97236

June 30, 2003

George Warren
23590 S Beatie Road
Oregon City, Oregon 97045

June 30, 2005

OFFICERS

Randy R. Bruegman, Fire Chief
Norm Whitely, Fire Chief (Effective September 22, 2003)

ADMINISTRATION

Kyle R. Gorman, Executive Officer

Randy R. Bruegman, Registered Agent
11300 SE Fuller Road
Milwaukie, Oregon 97222

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

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GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clackamas County Fire District No. 1
Milwaukie, Oregon

We have audited the accompanying financial statements of the governmental activities and each fund of Clackamas County Fire District No. 1, Milwaukie, Oregon, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements. These 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Clackamas County Fire District No. 1 as of June 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Clackamas County Fire District No. 1's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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As described in the summary of significant accounting policies, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2002.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, Shareholder
September 26, 2003

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
(A Component Unit of Clackamas County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2003.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$13,478,516 (net assets). Of this amount, \$6,089,141 (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 \$1,431,144. This increase is attributable to the revenues being greater than expenditures.

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 protection.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

USING THIS ANNUAL REPORT

The District's annual report consists of the Statement of Net Assets and the Statement of Activities and fund financial statements. The District use the full accrual method of accounting in which all assets and all liabilities associated with the operations are included in the Statement of Net Assets and the Statement of Activities. The focus is on income measurement, which, together with the maintenance of equity, is an important financial indication.

The District's fund financial statements provide detailed information from an individual fund prospective. The District establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities. The District's funds use the modified accrual method of accounting in which only current assets and current liabilities associated with the operation of these funds are included on the balance sheet. The focus is on current available resources.

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.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2003

FINANCIAL ANALYSIS

The District's net assets were \$13,478,516 at June 30, 2003. Of this amount, \$6,089,141 was unrestricted, \$1,773,419 was restricted and \$5,615,956 was invested in fixed assets.

Net Assets

Cash and investments	\$ 7,299,033
Current assets	1,953,897
Note receivable	29,905
Capital assets	<u>16,599,722</u>
<i>Total Assets</i>	25,882,557

Liabilities

Accounts payable	1,420,275
Compensated absences	778,044
Noncurrent liabilities	<u>10,205,722</u>
<i>Total Liabilities</i>	12,404,041

Net Assets

Investment in capital assets (net of related debt)	5,615,956
Restricted for special purposes.	1,773,419
Unrestricted	<u>6,089,141</u>
<i>Total Net Assets</i>	<u>\$ 13,478,516</u>

CAPITAL ASSETS

At June 30, 2003, the District had \$16,599,722 invested in capital assets, including land, buildings, and furniture and equipment, net of related debt. This amount represents a net increase (including additions, deductions and depreciation) of \$4,042,387, or approximately 32% from last year.

This year's additions of \$6,103,349 are mainly the result of the new construction of new stations and equipment additions.

LONG-TERM DEBT

At June 30, 2003, the District had long-term debt outstanding of \$10,205,722 (general obligation bonds of \$9,630,000 and capital leases of \$575,722). The amount represents a decrease of \$1,035,444, or approximately 10% from last year.

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 budgets for 2003-2004 have already been approved by the Board, and include increased revenue and expenses related to a new contract between the District and the City of Oregon City to provide fire protection services and the merger with Clarkes Rural Fire Protection District #68. Budgeted expenses also increased due to a 37.43% increase in the District's PERS employer rate which went from 13.49% to 18.54%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Susan McSperitt, Budget Officer, Clackamas County Fire District No. 1.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

ASSETS

Cash and investments	\$ 7,299,033
Accounts receivable	181,158
Property taxes receivable	1,151,786
Prepaid expenses	321,205
Inventories	299,748
Note receivable	29,905
Capital assets	<u>16,599,722</u>

Total Assets 25,882,557

LIABILITIES

Accounts payable	1,420,275
Compensated absences	778,044
Noncurrent liabilities:	
Due within one year:	
Bonds payable	690,000
Capital lease	98,469
Due in more than one year:	
Bonds payable	8,940,000
Capital lease	<u>477,253</u>

Total Liabilities 12,404,041

NET ASSETS

Investment in capital assets (net of related debt)	5,615,956
Restricted for special purposes	1,773,419
Unrestricted	<u>6,089,141</u>

Total Net Assets \$ 13,478,516

The accompanying notes are an integral part of the financial statements.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2003

	<u>Expenses</u>	<u>Program Receipts</u> <i>Fees, Fines, and Charges for Services</i>	<u>Net (Expense) Revenues and Changes in Net Assets</u> <u>Totals</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
Personnel services	\$ 14,965,733	\$ 2,659,951	\$ (12,305,782)
Materials and services	2,081,801	362,721	(1,719,080)
Interest expense	491,690	-	(491,690)
Depreciation	<u>1,518,942</u>	<u>-</u>	<u>(1,518,942)</u>
<i>Total governmental activities</i>	<u>\$ 19,058,166</u>	<u>\$ 3,022,672</u>	<u>(16,035,494)</u>
General revenues			
Taxes and assessments			16,680,477
Interest on investments			109,091
Miscellaneous			<u>677,070</u>
<i>Total general revenues</i>			<u>17,466,638</u>
<i>Change in net assets</i>			1,431,144
<i>Net assets, July 1, 2002</i>			<u>12,047,372</u>
<i>Net assets, June 30, 2003</i>			<u>\$ 13,478,516</u>

The accompanying notes are an integral part of the financial statements.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2003

	<u>General</u>	<u>Special Revenue</u>	
		<u>Equipment</u>	<u>Facilities</u>
ASSETS			
Cash and investments	\$ 5,562,742	\$ 108,018	\$ 165,854
Receivables			
Accounts	69,352	-	-
Undistributed tax collections	137,324	-	-
Property taxes	967,239	-	-
Other receivables	111,806	-	-
Prepaid expenses	321,205	-	-
Inventories	299,748	-	-
Note receivable	-	-	29,905
Total Assets	\$ 7,469,416	\$ 108,018	\$ 195,759
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,420,275	\$ -	\$ -
Deferred revenue	967,239	-	29,905
Total Liabilities	2,387,514	-	29,905
Fund Balances			
Reserved			
Reserved for debt service	-	-	-
Reserved for prepaid expenses	-	108,018	165,854
Reserved for capital projects	-	-	-
Unreserved	5,081,902	-	-
Total Fund Balances	5,081,902	108,018	165,854
Total Liabilities and Fund Balances	\$ 7,469,416	\$ 108,018	\$ 195,759

Fund Balances

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.

Net Assets

<u>Debt Service</u>	<u>Capital Projects Sinking</u>	<u>Total</u>
\$ 5,195	\$ 1,457,224	\$ 7,299,033
-	-	69,352
8,454	-	145,778
38,769	-	1,006,008
-	-	111,806
-	-	321,205
-	-	299,748
-	-	29,905
<u>\$ 52,418</u>	<u>\$ 1,457,224</u>	<u>\$ 9,282,835</u>

\$ -	\$ -	\$ 1,420,275
<u>38,769</u>	<u>-</u>	<u>1,035,913</u>
38,769	-	2,456,188
13,649	-	13,649
-	-	273,872
-	1,457,224	1,457,224
<u>-</u>	<u>-</u>	<u>5,081,902</u>
<u>13,649</u>	<u>1,457,224</u>	<u>6,826,647</u>
<u>\$ 52,418</u>	<u>\$ 1,457,224</u>	<u>\$ 9,282,835</u>

\$ 6,826,647

1,035,913

16,599,722

(10,983,766)

\$ 13,478,516

The accompanying notes are an integral part of the financial statements.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Equipment</u>	<u>Facilities</u>
REVENUES			
Taxes and assessments	\$ 15,741,295	\$ -	\$ -
Other local sources	3,013,816	-	-
Interest on investments	100,414	2,920	2,852
Miscellaneous	<u>267,035</u>	<u>315,700</u>	<u>33,532</u>
<i>Total Revenues</i>	19,122,560	318,620	36,384
EXPENDITURES			
Current			
Personnel services	15,042,771	-	-
Materials and services	2,573,491	-	32,738
Capital outlay	334,526	813,122	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>17,950,788</u>	<u>813,122</u>	<u>32,738</u>
REVENUES OVER (UNDER) EXPENDITURES	1,171,772	(494,502)	3,646
OTHER FINANCING SOURCES (USES)			
Transfers in	-	627,384	25,000
Transfers out	<u>(692,384)</u>	<u>-</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(692,384)</u>	<u>627,384</u>	<u>25,000</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	479,388	132,882	28,646
FUND BALANCES, Beginning of year	<u>4,602,514</u>	<u>(24,864)</u>	<u>137,208</u>
FUND BALANCES, End of year	<u>\$ 5,081,902</u>	<u>\$ 108,018</u>	<u>\$ 165,854</u>

<u>Debt Service</u>	<u>Capital Projects Sinking</u>	<u>Totals</u>
\$ 975,283	\$ -	\$ 16,716,578
-	-	3,013,816
2,905	-	109,091
-	<u>69,659</u>	<u>685,926</u>
978,188	69,659	20,525,411
-	45,000	15,087,771
-	-	2,573,491
-	4,480,880	5,661,266
<u>1,073,600</u>	-	<u>1,073,600</u>
<u>1,073,600</u>	<u>4,525,880</u>	<u>24,396,128</u>
(95,412)	(4,456,221)	(3,870,717)
40,000	-	692,384
-	-	(692,384)
<u>40,000</u>	-	-
(55,412)	(4,456,221)	(3,870,717)
<u>69,061</u>	<u>5,913,445</u>	<u>10,697,364</u>
<u>\$ 13,649</u>	<u>\$ 1,457,224</u>	<u>\$ 6,826,647</u>

The accompanying notes are an integral part of the financial statements.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2003

<i>Net change in fund balances</i>	\$ (3,870,717)
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(34,446)
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.	5,697,767
Depreciation expense on capital assets is reported in the governmental-wide Statement of Activities and Changes in Net Asset, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(1,518,942)
Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, the payment of debt principal does not affect the Statement of Activities but is reported as a decrease in noncurrent liabilities in the Statement of Net Assets.	<u>1,157,482</u>
<i>Change in net assets</i>	<u>\$ 1,431,144</u>

The accompanying notes are an integral part of the financial statements.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clackamas County Fire District No. 1 was incorporated under the provisions of Oregon statutes. The District provides fire protection, safety, first aid and public education as authorized by its charter. The administration of the District is governed by a five member board of directors.

On July 1, 1998, Oak Lodge Rural Fire Protection District No. 51 was merged into Clackamas County Fire District No. 1. Beginning fund balances have been restated to include Oak Lodge.

On October 1, 1999, a contract for services became effective, and equipment and personnel from Clarkes Rural Fire Protection District No. 68 were transferred to Clackamas County Fire District No. 1. On April 1, 2003, Clarkes Rural Fire Protection District was merged into Clackamas County Fire District No. 1.

The District under contract provides fire protection and emergency medical services to the City of Milwaukie. The contract is through June 30, 2008.

The financial statements of the Clackamas County Fire District No. 1 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 government's accounting policies are described below.

Reporting Entity

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues re reported instead as *general receipts*.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the District has only governmental funds (general, special revenue, debt service, and capital projects). All funds are reported as major individual funds, and are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. Accounting principles generally accepted in the United States of America require the use of the modified accrual basis of accounting by governmental type funds. Under this system, revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liabilities is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

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, disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Budgets are adopted on the modified accrual basis of accounting. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end.

Prior to July 1 of each fiscal year, a budget is prepared by management, approved by the budget committee and adopted and appropriated by the Board of Directors by resolution. The tax levy is certified to the County Tax Assessor by July 15. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total expenditures by the categories of personnel services, materials and services and capital outlay is the level of control established by the resolution.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. No supplemental budgets were made during the year ended June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are recorded at cost using the first-in, first-out method. Inventories are charged to expense as consumed.

Cash and Investments

The District maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined statements of assets and liabilities as cash and investments.

Oregon Revised Statutes authorize the District to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Receivables and deferred Revenues

Property taxes are levied by the County Assessor and collected by the County Tax collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15 and May 15. Uncollected property taxes levied for the current year are recorded as receivable at year end. The District's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

Governmental capital assets are valued at estimated historical cost or actual historical cost. Capital assets are recorded as expenditures in the funds and capitalized on the Statement of Net Assets. Maintenance and repairs of capital assets are charged to expenditures as incurred and are not capitalized. Upon disposal, the statement of net assets is relieved of the related cost. Depreciation is computed on capital assets, using estimated useful lives of 5 to 40 years.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the statement of net assets. No expenditure is reported for these amounts. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long-Term Obligations

All long-term debt is recognized as a liability on the Statement of Net Assets. Repayment of general bonded debt will be made from debt service funds.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

ORGANIZATION AND OPERATION

The District's financial operations are accounted for in the following funds and account groups:

General Fund

This fund accounts for the financial operations of the District not accounted for in any other fund. Principal sources of revenue are property taxes and contract revenues. Primary expenditures are for fire protection and administration.

Special Revenue Funds

These funds account for the equipment and facilities reserves. Revenue is primarily from transfers from the General Fund.

Debt Service Fund

This fund is used to accumulate resources for payment of general long-term debt. Property taxes are the primary revenue source.

Capital Projects Fund

This fund is used to account for resources set aside for capital improvements. Revenue is from bond proceeds.

CASH AND INVESTMENTS

Oregon Revised Statutes (294.035) authorizes the Authority to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool. Such investments are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method, which approximates fair value.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

CASH AND INVESTMENTS (Continued)

The District's deposits in its checking accounts were entirely covered by Federal Depository Insurance and certificates of participation as authorized by Oregon Statutes.

	<u>Total</u>
Cash on hand and in checking accounts	\$ 147,597
Investments in Local Government Investment Pool (fair value \$7,158,587)	<u>7,151,436</u>
	<u>\$ 7,299,033</u>

Deposits

The District's deposits are categorized below to give an indication of the level of risk. Category 1 are deposits that are insured or collateralized with securities held by the District or by an agent of the District in the District's name. Category 2 are deposits that are collateralized with securities that are held by the pledging financial institution's trust department (District's counterparty) or agent in the District's name. Category 3 are deposits that are not collateralized. Category 3 includes deposits that are collateralized other than in the District's name.

At year end, the book balance of the District's bank deposits (checking accounts) was \$147,597 and the bank balance was \$285,926. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes. Oregon statutes require each depository, throughout the period of its possession of public funds, to maintain on deposit securities having a value not less than 25% of the certificates issued by its collateral pool manager (Category 1, 25%; Category 3, 75%).

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2003, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was equal to 100.1% of the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to classification. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

NOTE RECEIVABLE

10% note due from Bradley Fleck Properties; monthly payments of \$350 for 15 years. The note is collateralized by an office building and land. Balance owing at June 30, 2003 was \$29,905.

CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year July 1, 2001 through June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Land and buildings	\$ 11,897,245	\$ 4,409,262	\$ -	\$ 16,306,507
Equipment and furniture	9,390,655	1,288,505	542,020	10,137,140
Totals	\$ 21,287,900	\$ 5,697,767	\$ 542,020	26,443,647
Depreciation				<u>9,843,926</u>
				\$ 16,599,721

Beginning fixed assets has been adjusted to reflect inventory of assets.

LONG-TERM DEBT

Changes in long-term debt for the year were as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2003</u>
Series 1995 bonds payable	\$ 1,340,000	\$ -	\$ 320,000	\$ 1,020,000
Series 2001 bonds payable	8,905,000	-	295,000	8,610,000
Capital leases	966,166	-	390,444	575,722
Lease option	30,000	-	30,000	-
Accrued compensated absences	900,082	-	122,038	778,044
	<u>\$ 12,141,248</u>	<u>\$ -</u>	<u>\$ 1,157,482</u>	<u>\$ 10,983,766</u>

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

LONG-TERM DEBT (Continued)

At June 30, 2003, future maturities of bond principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 690,000	\$ 431,346	\$ 1,121,346
2005	940,000	400,536	1,340,536
2006	980,000	358,699	1,338,699
2007	650,000	323,705	973,705
2008	675,000	296,080	971,080
Thereafter	<u>5,695,000</u>	<u>1,113,870</u>	<u>6,808,870</u>
	<u>\$ 9,630,000</u>	<u>\$ 2,924,236</u>	<u>\$ 12,554,236</u>

At June 30, 2003, future maturities of capital leases principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 98,469	\$ 42,374	\$ 140,843
2005	106,179	34,664	140,843
2006	114,493	26,350	140,843
2007	123,457	17,385	140,842
2008	<u>133,124</u>	<u>7,719</u>	<u>140,843</u>
	<u>\$ 575,722</u>	<u>\$ 128,492</u>	<u>\$ 704,214</u>

PENSION PLAN

Plan Description

District employees participate in the Oregon Public Employees Retirement System (PERS). Contributions are made for employees after six months of employment unless they are members of PERS, and eligible for contributions when they begin employment. PERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in a PERS covered position. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Contributions made by, or on behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by Oregon revised Statutes, Chapter 238. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplement information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

PENSION PLAN (Continued)

Funding Policy

The District's contributions rate, based on the most current actuarial valuation, was 13.49% of covered payroll. The required employee contribution is 6% of covered compensation. The contribution requirements of the District are established or may be amended by the PERS Retirement Board while the employees' rate is set by the state statute, ORS 238.200. The District's payroll for employees covered by PERS for the year ended June 30, 2003 was \$10,519,777, the District's total payroll was \$10,867,210.

Annual Pension Cost

For fiscal 2002-03, the District's annual pension cost of approximately \$2,065,426 for PERS was equal to the District's required and actual contributions, including the employee portion of \$61,317. The required contributions and liabilities were determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

The following table presents three-year trend information for the District's defined benefit pension plan:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$ 1,704,407	100%	\$ 1,704,407
6/30/02	1,721,476	100	1,721,476
6/30/03	2,065,426	100	2,065,426

The following table presents a schedule of funding progress for the District's defined benefit pension plan:

<u>Actuarial Valuation Ending December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability (UAL)</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
12/31/99	\$ 58,225,274	\$ 60,164,335	\$ (1,939,061)	97%	\$ 9,768,912	20%
12/31/00	76,304,850	81,289,823	(4,984,973)	94	10,841,156	46
12/31/01	70,048,575	84,847,516	(14,798,941)	83	10,639,477	139

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
REVENUE				
Current year taxes	\$ 14,893,198	\$ 14,893,198	\$ 15,013,014	\$ 119,816
Prior years taxes	650,000	650,000	724,368	74,368
Other taxes	-	-	3,913	3,913
Interest	250,000	250,000	100,414	(149,586)
Training income	-	-	8,620	8,620
Contract income	3,018,609	3,018,609	3,013,816	(4,793)
Income, sales of goods and services	-	-	1,618	1,618
Miscellaneous	15,000	15,000	247,941	232,941
Response income	60,000	60,000	8,856	(51,144)
<i>Total Revenue</i>	18,886,807	18,886,807	19,122,560	235,753
EXPENDITURES				
Current operating				
Personnel services	15,455,366	15,434,366	15,042,771	391,595
Materials and services	2,584,423	2,575,423	2,573,491	1,932
Capital outlay	304,560	334,560	334,526	34
General operating contingency	1,450,000	1,294,000	-	1,294,000
<i>Total Expenditures</i>	19,794,349	19,638,349	17,950,788	1,687,561
REVENUES OVER (UNDER)				
EXPENDITURES	(907,542)	(751,542)	1,171,772	1,923,314
OTHER FINANCING SOURCES (USES)				
Transfers out	(536,384)	(692,384)	(692,384)	-
NET CHANGE IN FUND BALANCE	(1,443,926)	(1,443,926)	479,388	1,923,314
FUND BALANCE, Beginning of year	4,255,896	4,255,896	4,602,514	346,618
FUND BALANCE, End of year	\$ 2,811,970	\$ 2,811,970	\$ 5,081,902	\$ 2,269,932

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - EQUIPMENT
YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 8,548	\$ 8,548	\$ 2,920	\$ (5,628)
Grants	207,900	207,900	-	(207,900)
Miscellaneous	-	-	315,700	315,700
<i>Total Revenues</i>	216,448	216,448	318,620	102,172
EXPENDITURES				
Capital outlay	715,330	715,330	813,122	(97,792) *
Contingency	90,000	90,000	-	90,000
<i>Total Expenditures</i>	805,330	805,330	813,122	(7,792)
REVENUES OVER (UNDER) EXPENDITURES	(588,882)	(588,882)	(494,502)	94,380
OTHER FINANCING SOURCES (USES)				
Transfers in	511,384	511,384	627,384	116,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(77,498)	(77,498)	132,882	210,380
FUND BALANCE, Beginning of year	98,789	98,789	(24,864)	(123,653)
FUND BALANCE, End of year	\$ 21,291	\$ 21,291	\$ 108,018	\$ 86,727

* Overexpenditure result of sale of equipment and repayment of related debt.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - FACILITIES
YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 2,088	\$ 2,088	\$ 2,852	\$ 764
Miscellaneous	34,200	34,200	33,532	(668)
<i>Total Revenues</i>	<u>36,288</u>	<u>36,288</u>	<u>36,384</u>	<u>96</u>
EXPENDITURES				
Capital outlay	32,738	32,738	32,738	-
Contingency	<u>40,000</u>	<u>40,000</u>	-	<u>40,000</u>
<i>Total Expenditures</i>	<u>72,738</u>	<u>72,738</u>	<u>32,738</u>	<u>40,000</u>
REVENUES OVER (UNDER) EXPENDITURES	(36,450)	(36,450)	3,646	40,096
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(11,450)	(11,450)	28,646	40,096
FUND BALANCE, Beginning of year	<u>58,500</u>	<u>58,500</u>	<u>137,208</u>	<u>78,708</u>
FUND BALANCE, End of year	<u>\$ 47,050</u>	<u>\$ 47,050</u>	<u>\$ 165,854</u>	<u>\$ 118,804</u>

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Current year taxes	\$ 934,568	\$ 934,568	\$ 930,772	\$ (3,796)
Prior years' taxes	-	-	44,511	44,511
Interest on investments	8,228	8,228	2,905	(5,323)
<i>Total Revenues</i>	942,796	942,796	978,188	35,392
EXPENDITURES				
Debt service	1,073,602	1,073,602	1,073,600	2
Operating contingency	15,000	15,000	-	15,000
<i>Total Expenditures</i>	1,088,602	1,088,602	1,073,600	15,002
REVENUES OVER (UNDER)				
EXPENDITURES	(145,806)	(145,806)	(95,412)	50,394
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	40,000	40,000
NET CHANGE IN FUND BALANCE	(145,806)	(145,806)	(55,412)	90,394
FUND BALANCE, Beginning of year	165,806	165,806	69,061	(96,745)
FUND BALANCE, End of year	\$ 20,000	\$ 20,000	\$ 13,649	\$ (6,351)

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND - SINKING FUND
YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 100,980	\$ 100,980	\$ 69,659	\$ (31,321)
EXPENDITURES				
Personnel services	45,000	45,000	45,000	-
Capital outlay	4,481,163	4,481,163	4,480,880	283
Operating contingency	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
<i>Total Expenditures</i>	<u>4,676,163</u>	<u>4,676,163</u>	<u>4,525,880</u>	<u>150,283</u>
REVENUES OVER (UNDER) EXPENDITURES	(4,575,183)	(4,575,183)	(4,456,221)	118,962
FUND BALANCE, Beginning of year	<u>6,647,627</u>	<u>6,647,627</u>	<u>5,913,445</u>	<u>(734,182)</u>
FUND BALANCE, End of year	<u>\$ 2,072,444</u>	<u>\$ 2,072,444</u>	<u>\$ 1,457,224</u>	<u>\$ (615,220)</u>

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2003

Tax Roll Year	Taxes Uncollected July 1, 2002	2002-2003 Tax Levy	Taxes Collected Current Year	Net Adjustment to Tax Roll	Taxes Uncollected June 30, 2003
Clackamas County					
Prior years	\$ 4,616	\$ -	\$ 148	\$ (740)	\$ 3,728
1993-1994	1,218	-	50	(75)	1,093
1994-1995	1,385	-	153	(119)	1,113
1995-1996	2,232	-	215	(200)	1,817
1996-1997	4,834	-	1,358	(250)	3,226
1997-1998	6,387	-	2,294	(588)	3,505
1998-1999	29,077	-	18,592	(2,050)	8,435
1999-2000	112,221	-	74,366	(1,853)	36,002
2000-2001	247,859	-	139,575	(2,607)	105,677
2001-2002	631,133	-	394,032	(9,834)	227,267
2002-2003	-	17,055,822	16,013,906	(427,772)	614,144
	<u>\$ 1,040,962</u>	<u>\$ 17,055,822</u>	16,644,689	<u>\$ (446,088)</u>	<u>\$ 1,006,007</u>
Multnomah County					
			<u>45,411</u>		
			<u>\$ 16,690,100</u>		

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2003

<u>Company</u>	<u>Policy Number</u>	<u>Policy Term</u>	<u>Amount of Insurance</u>	<u>Coverage</u>
Special Districts Insurance Services	17P52015	1/1/02-03	Various	Property Liability Crime General - Automobiles
Provident Agency	DCC6442314	7/1/01-02	\$ 25,000 2,500 1,000	Accidental Death & Dismemberment Accidental Medical Expense Weekly Disability Income
Hartford Fire Insurance Company Bond	52BPEAI9284	10/1/01-02	200,000	Public Employee Fidelity
SAIF	431322138	7/1/01- 6/30/02	500,000 500,000 500,000	Each Accident Disease - Policy Limit Disease - Employee Limit

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
YEAR ENDED JUNE 30, 2003

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

Significant Accounting Policies

The significant accounting policies followed in preparing the District's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the District is documented on the title page and in the notes to the basic financial statements.

Internal Accounting Control

We have audited the basic financial statements of Clackamas County Fire District No. 1 as of and for the year ended June 30, 2003, and have issued our report thereon dated September 26, 2003. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the District taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

Depositories and Collateral

The depositories and the amount of collateral pledged by these depositories to secure funds of the District were reviewed and appeared to be in compliance with Oregon Revised Statutes.

Investments

Our review of deposit and investment balances and the investment policies of the District appear to be in compliance with ORS 295, as it pertains to the investment of public funds during the year ended June 30, 2003.

Indebtedness

We reviewed compliance relating to short-term debt, including limitations on the amount of debt which may be incurred, liquidation of debt within other agreements, including any restrictions on the use of monies available to retire indebtedness. We found no instances in which the District had not complied with these legal or contractual provisions relating to short-term debt.

Budget

The District has complied with Local Budget Law (ORS 294) and ORS 264.300 in the preparation and adoption of its budget and tax levy for fiscal years ending June 30, 2003 and 2004.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
AUDITOR'S COMMENTS AND DISCLOSURES (Continued)
YEAR ENDED JUNE 30, 2003

Public Contracts and Purchasing

The District appears to have complied in all material respects with ORS 279 pertaining to purchasing and the awarding of public contracts.

Insurance and Fidelity Bonds


We reviewed the insurance policies and fidelity bonds of the District and have included a Schedule of Insurance in Force at June 30, 2003, in this report. Our professional training does not qualify us to state whether insurance coverage is adequate.

Schedule of Accountability of Independently Elected Officials

There are no elected District officials who collect or receive funds on behalf of the District.

This report is intended for the information of the Board of Directors and management of Clackamas County Fire District No. 1. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, Shareholder

September 26, 2003