

CLACKAMAS COUNTY FIRE DISTRICT
NO. 1, Clackamas County, Oregon
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

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

BOARD OF DIRECTORS

JUNE 30, 2004

BOARD OF DIRECTORS

TERM EXPIRES

George Warren, Chairman
23590 S Beatie Road
Oregon City, Oregon 97045

June 30, 2005

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

June 30, 2005

Jim Doane, Secretary
P.O. Box 2555
Clackamas, Oregon 97015

June 30, 2007

Dave McTeague
14425 SE Johnson Road
Milwaukie, Oregon 97267

June 30, 2007

Marilyn Wall
3385 SE Aldercrest Road
Milwaukie, Oregon 97222

June 30, 2005

OFFICERS

Norm Whitely, Fire Chief

ADMINISTRATION

Kyle R. Gorman, Executive Officer

Norm Whitely, Registered Agent
11300 SE Fuller Road
Milwaukie, Oregon 97222

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

TABLE OF CONTENTS

JUNE 30, 2004

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Governmental Funds Financial Statements	
Balance Sheet - Governmental Funds	8
Reconciliation to the Statement of Net Assets	9
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Net Assets	11
Notes to Basic Financial Statements	12 -19
Required Supplemental Information	
Schedule of Funding Progress - Public Employees Retirement System	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	21
Debt Service Fund	22
Capital Projects Fund - Sinking	23
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Special Revenue Funds	
Equipment	26
Facilities	27
Other Schedules	
Statement of Property Tax Transactions	28
Schedule of Insurance in Force	29
REGULATORY SECTION	
Auditor's Comments And Disclosures Required by State Regulations	30-31



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, each major fund and aggregate remaining fund information of Clackamas County Fire District No. 1, Milwaukie, Oregon, as of and for the year ended June 30, 2004, 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, each major fund and aggregate remaining fund information of Clackamas County Fire District No. 1 as of June 30, 2004, 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 and other required supplemental information are not required parts of the basic financial statements, but are 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.

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

By: 

Charles A. Swank, Shareholder
September 28, 2004

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MEMBERS OF THE McGLADREY NETWORK • WORLDWIDE SERVICES THROUGH RSM INTERNATIONAL

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
(A Component Unit of Clackamas County)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

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, 2004.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$15,224,470 (net assets). Of this amount, \$6,795,807 (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 \$1,407,530. This increase is attributable to the revenues being greater than expenses.
- The investment in capital assets increased \$1,937,522 to \$16,970,731 during the year.
- Long-term debt, including capitalized leases, decreased \$788,469 to \$9,417,253 during the year.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *government-wide financial statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the functions of the District that are principally supported by property taxes and charges for services. The District's functions are controlled by the Board of Directors and may change from time to time.

The government-wide financial statements can be found on pages 6 and 7 of this report.

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 governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The District utilizes a general fund, two special revenue funds, a debt service fund and a capital projects fund to conduct its activities.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$7,500,246, an increase of \$673,597 in comparison with the prior year.

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 \$15,224,470 at June 30, 2004. Of this amount, \$6,795,807 was unrestricted, \$875,185 was restricted and \$7,553,478 was invested in fixed assets.

	<i>2004</i>	<i>2003</i>
<i>Net Assets</i>		
Cash and investments	\$ 7,374,160	\$ 7,299,033
Current assets	1,645,373	1,953,897
Note receivable	28,638	29,905
Capital assets	16,970,731	16,599,722
<i>Total Assets</i>	26,018,902	25,882,557

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2004

FINANCIAL ANALYSIS (Continued)

	<u>2004</u>	<u>2003</u>
Liabilities		
Accounts payable	\$ 577,060	\$ 1,420,275
Compensated absences	800,120	778,044
Noncurrent liabilities	<u>9,417,253</u>	<u>10,205,722</u>
Total Liabilities	10,794,433	12,404,041
Net Assets		
Investment in capital assets (net of related debt)	7,553,478	5,615,956
Restricted for special purposes	824,525	1,509,642
Unrestricted	<u>6,846,466</u>	<u>6,352,918</u>
Total Net Assets	<u>\$ 15,224,469</u>	<u>\$ 13,478,516</u>

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 statements can be found on pages 12 through 19 of this report.

REQUIRED SUPPLEMENTAL INFORMATION

Progress in funding the District's pension obligations and budgetary comparison statement for the General Fund have been provided. The budget is adopted on the modified accrual basis.

CAPITAL ASSETS

At June 30, 2004, the District had \$16,970,731 invested in capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$303,900, or approximately 1.8% from last year.

This year's additions of \$1,269,992 are mainly the result of the new construction of new stations and equipment additions.

LONG-TERM DEBT

At June 30, 2004, the District had long-term debt outstanding of \$9,417,253 (general obligation bonds of \$8,940,000 and capital leases of \$477,253). The amount represents a decrease of \$788,469, or approximately 7.7% from last year.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2004

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 Fiscal 2004-05 have already been approved by the Board, and include both increased revenue related to property value increases and additions and increased expenses due to labor contract commitments. The PERS employer rate remains at 18.53% for Fiscal 2004-05, however PERS has notified the District to expect an approximate 5% increase for Fiscal 2005-06.

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
JUNE 30, 2004

ASSETS

Cash and investments	\$ 7,374,160
Accounts receivable	152,669
Property taxes receivable	1,059,664
Prepaid expenses	126,084
Inventories	306,956
Note receivable	28,638
Capital assets	16,970,731

<i>Total Assets</i>	26,018,902
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LIABILITIES

Accounts payable	577,059
Noncurrent liabilities:	
Due within one year:	
Bonds payable	940,000
Capital lease	106,179
Due in more than one year:	
Bonds payable	8,000,000
Capital lease	371,074
Accrued compensated absences	800,120

<i>Total Liabilities</i>	10,794,432
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NET ASSETS

Investment in capital assets (net of related debt)	7,553,478
Restricted for special purposes	875,185
Unrestricted	6,795,807

<i>Total Net Assets</i>	\$ 15,224,470
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The accompanying notes are an integral part of the financial statements.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	<u>Expenses</u>	<u>Program Revenues Fees, Fines, and Charges for Services</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
			<u>Governmental Activities</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
Fire services	\$ 22,349,388	\$ 5,418,695	\$ (16,930,693)
<i>Total governmental activities</i>	<u>\$ 22,349,388</u>	<u>\$ 5,418,695</u>	(16,930,693)
General revenues:			
Taxes and assessments			18,153,930
Miscellaneous			137,319
Gain on disposition of assets			46,974
<i>Total general revenues</i>			<u>18,338,223</u>
<i>Change in fund net assets</i>			1,407,530
<i>Fund net assets, July 1, 2003</i>			<u>13,816,940</u>
<i>Fund net assets, June 30, 2004</i>			<u>\$ 15,224,470</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, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash and investments	\$ 6,297,492	\$ 18,206	\$ 798,721
Accounts receivable	152,669	-	-
Note receivable	-	-	-
Property taxes receivable	891,569	50,660	-
Undistributed tax collections	109,837	7,598	-
Prepaid expenses	126,084	-	-
Inventories	306,956	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 7,884,607</u>	<u>\$ 76,464</u>	<u>\$ 798,721</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 577,059	\$ -	\$ -
Deferred revenue	891,569	50,660	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	1,468,628	50,660	-
Fund Balances			
Reserved for debt service	-	25,804	-
Reserved for prepaid expenses	126,084	-	-
Reserved for capital projects	-	-	798,721
Reserved for inventories	306,956	-	-
Reserved for note receivable	-	-	-
Unreserved, reported in:			
General fund	5,982,939	-	-
Special revenue funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	6,415,979	25,804	798,721
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,884,607</u>	<u>\$ 76,464</u>	<u>\$ 798,721</u>

<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 259,741	\$ 7,374,160
-	152,669
28,638	28,638
-	942,229
-	117,435
-	126,084
-	306,956
<u>\$ 288,379</u>	<u>\$ 9,048,171</u>
\$ -	\$ 577,059
28,638	970,867
28,638	1,547,926
-	25,804
-	126,084
-	798,721
-	306,956
28,638	28,638
-	5,982,939
231,103	231,103
259,741	7,500,245
<u>\$ 288,379</u>	<u>\$ 9,048,171</u>

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

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
RECONCILIATION TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

<i>Fund Balances</i>	\$ 7,500,245
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.	970,867
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	16,970,731
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.	<u>(10,217,373)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 15,224,470</u></u>

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, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
REVENUES			
Taxes and assessments	\$ 16,980,430	\$ 1,173,500	\$ -
Franchise fees	5,466,113	-	-
Miscellaneous	64,994	-	20,198
<i>Total Revenues</i>	<u>22,511,537</u>	<u>1,173,500</u>	<u>20,198</u>
EXPENDITURES			
Personal services	17,460,409	-	-
Materials and services	2,950,026	-	-
Capital outlay	314,025	-	678,701
Debt service	-	1,121,346	-
<i>Total Expenditures</i>	<u>20,724,460</u>	<u>1,121,346</u>	<u>678,701</u>
REVENUES OVER (UNDER) EXPENDITURES	1,787,077	52,154	(658,503)
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	-	-
Transfers out	(493,000)	(40,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(453,000)</u>	<u>(40,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,334,077	12,154	(658,503)
FUND BALANCES, Beginning of year	<u>5,081,902</u>	<u>13,650</u>	<u>1,457,224</u>
FUND BALANCES, End of year	<u>\$ 6,415,979</u>	<u>\$ 25,804</u>	<u>\$ 798,721</u>

<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 18,153,930
-	5,466,113
51,681	136,873
<hr/>	<hr/>
51,681	23,756,916
-	17,460,409
-	2,950,026
558,813	1,551,539
-	1,121,346
<hr/>	<hr/>
558,813	23,083,320
<hr/>	<hr/>
(507,132)	673,596
493,000	533,000
-	(533,000)
<hr/>	<hr/>
493,000	-
<hr/>	<hr/>
(14,132)	673,596
273,873	6,826,649
<hr/>	<hr/>
\$ 259,741	\$ 7,500,245
<hr/>	<hr/>

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, 2004

<i>Net Change in Fund Balances - Governmental Funds</i>	\$ 673,596
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.	1,269,992
Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(1,324,527)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.	788,469
	<hr/>
<i>Change in Net Assets of Governmental Activities.</i>	<u><u>\$ 1,407,530</u></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, 2004

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.

The District under contract provides fire protection and emergency medical services to the City of Milwaukie and the City of Oregon City. The contracts are through June 30, 2008 and June 30, 2014, respectively.

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 included among program revenues are reported instead as *general receipts*.

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). The District's financial operations are accounted for in the following funds. The General Fund, Debt Service Fund and Capital Projects Fund are reported as major funds.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

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.

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 are 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.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2004.

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.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund.

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."

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, 2004

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	\$ 261,713
Investments in Local Government Investment Pool (fair value \$7,105,335)	<u>7,112,447</u>
	<u>\$ 7,374,160</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 \$258,912 and the bank balance was \$347,666. 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.

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, 2004, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was equal to 99.9% 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, 2004

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, 2004 was \$28,638.

CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year July 1, 2003 through June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Land and buildings	\$ 16,306,507	\$ 137,563	\$ -	\$ 16,444,070
Equipment and furniture	<u>10,580,322</u>	<u>1,132,429</u>	<u>(207,798)</u>	<u>11,504,952</u>
Totals	<u>\$ 26,886,829</u>	<u>\$ 1,269,992</u>	<u>\$ (207,798)</u>	27,949,022
Depreciation				<u>10,978,291</u>
				<u>\$ 16,970,731</u>

LONG-TERM DEBT

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

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2004</u>
Series 1995 bonds payable	\$ 1,020,000	\$ -	\$ 325,000	\$ 695,000
Series 2001 bonds payable	8,610,000	-	365,000	8,245,000
Capital leases	575,722	-	98,469	477,253
Accrued compensated absences	<u>778,044</u>	<u>22,076</u>	<u>-</u>	<u>800,120</u>
	<u>\$ 10,983,766</u>	<u>\$ 22,076</u>	<u>\$ 788,469</u>	<u>\$ 10,217,373</u>

At June 30, 2004, 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>
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
2009	710,000	262,330	972,330
Thereafter	<u>4,985,000</u>	<u>851,540</u>	<u>5,836,540</u>
	<u>\$ 8,940,000</u>	<u>\$ 2,492,890</u>	<u>\$ 11,432,890</u>

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

LONG-TERM DEBT (Continued)

At June 30, 2004, 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>
2005	\$ 106,179	\$ 34,664	\$ 140,843
2006	114,493	26,350	140,843
2007	123,457	17,385	140,842
2008	133,124	7,719	140,843
	<u>\$ 477,253</u>	<u>\$ 86,118</u>	<u>\$ 563,371</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.

Funding Policy

The District's contributions rate, based on the most current actuarial valuation, was 18.53% 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, 2004 was \$11,420,914, the District's total payroll was \$11,786,200.

Annual Pension Cost

For fiscal 2003-04, the District's annual pension cost of approximately \$2,112,181 for PERS was equal to the District's required and actual contributions, including the employee portion of \$9,454. 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

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

PENSION PLAN (Continued)

Annual Pension Cost (Continued)

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>
6/30/02	\$ 1,721,476	100%	\$ 1,721,476
6/30/03	2,065,426	100	2,065,426
6/30/04	2,112,181	100	2,112,181

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIRMENT SYSTEM
YEAR ENDED JUNE 30, 2004

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, 2004

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Current year taxes	\$ 16,651,919	\$ 16,651,919	\$ 16,980,430	\$ 328,511
Charges for services	5,456,790	5,456,790	5,466,113	9,323
Miscellaneous	195,000	195,000	64,994	(130,006)
<i>Total Revenues</i>	<u>22,303,709</u>	<u>22,303,709</u>	<u>22,511,537</u>	<u>207,828</u>
EXPENDITURES				
Personal services	18,311,077	18,311,077	17,460,409	850,668
Materials and services	3,077,329	3,077,329	2,950,026	127,303
Capital outlay	378,158	378,158	314,025	64,133
Contingency	1,450,000	1,450,000	-	1,450,000
<i>Total Expenditures</i>	<u>23,216,564</u>	<u>23,216,564</u>	<u>20,724,460</u>	<u>2,492,104</u>
REVENUES OVER (UNDER) EXPENDITURES	(912,855)	(912,855)	1,787,077	2,699,932
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,000	-
Transfers out	(493,000)	(493,000)	(493,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(453,000)</u>	<u>(453,000)</u>	<u>(453,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,365,855)	(1,365,855)	1,334,077	2,699,932
FUND BALANCE, Beginning of year	<u>1,365,855</u>	<u>1,365,855</u>	<u>5,081,902</u>	<u>3,716,047</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,415,979</u>	<u>\$ 6,415,979</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, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,145,678	\$ 1,145,678	\$ 1,173,500	\$ 27,822
Miscellaneous	2,500	2,500	-	(2,500)
<i>Total Revenues</i>	1,148,178	1,148,178	1,173,500	25,322
EXPENDITURES				
Debt service	1,121,346	1,121,346	1,121,346	-
<i>Total Expenditures</i>	1,121,346	1,121,346	1,121,346	-
REVENUES OVER (UNDER) EXPENDITURES	26,832	26,832	52,154	25,322
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,000)	(40,000)	(40,000)	-
NET CHANGE IN FUND BALANCE	(13,168)	(13,168)	12,154	25,322
FUND BALANCE, Beginning of year	13,168	13,168	13,650	482
FUND BALANCE, End of year	\$ -	\$ -	\$ 25,804	\$ 25,804

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 30,469	\$ 30,469	\$ 20,198	\$ (10,271)
<i>Total Revenues</i>	30,469	30,469	20,198	(10,271)
EXPENDITURES				
Capital outlay	700,000	700,000	678,701	21,299
<i>Total Expenditures</i>	700,000	700,000	678,701	21,299
REVENUES OVER (UNDER) EXPENDITURES	(669,531)	(669,531)	(658,503)	11,028
FUND BALANCE, Beginning of year	1,726,243	1,726,243	1,457,224	(269,019)
FUND BALANCE, End of year	\$ 1,056,712	\$ 1,056,712	\$ 798,721	\$ (257,991)

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>Special Revenue</u>		
	<u>Equipment</u>	<u>Facilities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 76,576	\$ 183,165	\$ 259,741
Note receivable	-	28,638	28,638
<i>Total Assets</i>	<u>\$ 76,576</u>	<u>\$ 211,803</u>	<u>\$ 288,379</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue	\$ -	\$ 28,638	\$ 28,638
<i>Total Liabilities</i>	-	28,638	28,638
Fund Balances			
Unreserved, reported in:			
Special revenue funds	76,576	183,165	259,741
<i>Total Fund Balances</i>	76,576	183,165	259,741
<i>Total Liabilities and Fund Balances</i>	<u>\$ 76,576</u>	<u>\$ 211,803</u>	<u>\$ 288,379</u>

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	<i>Special Revenue</i>		
	<i>Equipment</i>	<i>Facilities</i>	<i>Totals</i>
REVENUES			
Taxes and assessments	-	-	-
Miscellaneous	\$ 44,938	\$ 6,743	\$ 51,681
<i>Total Revenues</i>	44,938	6,743	51,681
EXPENDITURES			
Capital outlay	551,380	7,433	558,813
<i>Total Expenditures</i>	551,380	7,433	558,813
REVENUES OVER (UNDER)			
EXPENDITURES	(506,442)	(690)	(507,132)
OTHER FINANCING SOURCES (USES)			
Transfers in	475,000	18,000	493,000
<i>Total Other Financing Sources (Uses)</i>	475,000	18,000	493,000
NET CHANGE IN FUND BALANCES	(31,442)	17,310	(14,132)
FUND BALANCES, Beginning of year	108,018	165,855	273,873
FUND BALANCES, End of year	\$ 76,576	\$ 183,165	\$ 259,741

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, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,780	\$ 1,780	\$ 44,938	\$ 43,158
EXPENDITURES				
Capital outlay	553,946	553,946	551,380	2,566
<i>Total Expenditures</i>	<u>553,946</u>	<u>553,946</u>	<u>551,380</u>	<u>2,566</u>
REVENUES OVER (UNDER) EXPENDITURES	(552,166)	(552,166)	(506,442)	45,724
OTHER FINANCING SOURCES (USES)				
Transfers in	475,000	475,000	475,000	-
NET CHANGE IN FUND BALANCE	(77,166)	(77,166)	(31,442)	45,724
FUND BALANCE, Beginning of year	77,166	77,166	108,018	30,852
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,576</u>	<u>\$ 76,576</u>

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, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 140,000	\$ 140,000	\$ -	\$ (140,000)
Miscellaneous	456,173	456,173	6,743	(449,430)
<i>Total Revenues</i>	596,173	596,173	6,743	(589,430)
EXPENDITURES				
Capital outlay	248,000	248,000	7,433	240,567
REVENUES OVER (UNDER) EXPENDITURES				
	348,173	348,173	(690)	(348,863)
OTHER FINANCING SOURCES (USES)				
Transfers in	18,000	18,000	18,000	-
NET CHANGE IN FUND BALANCE	366,173	366,173	17,310	(348,863)
FUND BALANCE, Beginning of year	131,558	131,558	165,855	34,297
FUND BALANCE, End of year	\$ 497,731	\$ 497,731	\$ 183,165	\$ (314,566)

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
STATEMENT OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2004

<u>Tax Year</u>	<u>Uncollected Balance July 1, 2003</u>	<u>2003-04 Levy</u>	<u>Taxes Collected Current Year</u>	<u>Net Adjustment to Tax Roll</u>	<u>Uncollected Balance June 30, 2004</u>
<i>Clackamas County</i>					
Prior Years	\$ 4,821	\$ -	\$ 1,553	\$ (1,175)	\$ 2,093
1994-1995	1,113	-	502	(354)	257
1995-1996	1,817	-	623	(349)	845
1996-1997	3,226	-	824	(1,044)	1,358
1997-1998	3,505	-	1,400	(420)	1,685
1998-1999	8,435	-	3,923	(538)	3,974
1999-2000	36,002	-	21,292	(1,303)	13,407
2000-2001	105,677	-	61,187	(8,742)	35,748
2001-2002	227,267	-	108,653	(16,657)	101,956
2002-2003	614,144	-	383,813	(21,940)	208,391
2003-2004	-	18,574,613	17,497,662	(504,437)	572,514
<i>Total</i>	<u>\$ 1,006,007</u>	<u>\$ 18,574,613</u>	<u>\$ 18,081,431</u>	<u>\$ (556,959)</u>	<u>\$ 942,229</u>

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2004

<u>Company</u>	<u>Policy Number</u>	<u>Policy Term</u>	<u>Amount of Insurance</u>	<u>Coverage</u>
Special Districts Insurance Services	17P52015	1/1/04-05	Various	Property Liability Crime General - Automobiles
Provident Agency	DCC6442314	7/1/03-04	\$ 25,000 2,500 1,000	Accidental Death & Dismemberment Accidental Medical Expense Weekly Disability Income
Hartford Fire Insurance Company Bond	52BPEAI9284	Continuous	200,000	Public Employee Fidelity
SAIF	431322138	7/1/03- 6/30/04	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, 2004

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, 2004, and have issued our report thereon dated September 28, 2004. 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 were not in compliance at times during the year 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, 2004.

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 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, 2004 and 2005.

CLACKAMAS COUNTY FIRE DISTRICT NO. 1, CLACKAMAS COUNTY, OREGON
AUDITOR'S COMMENTS AND DISCLOSURES (Continued)
YEAR ENDED JUNE 30, 2004

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, 2004, 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 28, 2004