

FINISHED

**ESTACADA RURAL FIRE  
DISTRICT NO. 69**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY DATA**

For the Fiscal Year Ended  
June 30, 2004

with  
Independent Auditors' Report

JAN - 3 2005

**MERINA  
& COMPANY, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

---

5499 AMY STREET • WEST LINN, OR 97068

PHONE: (503) 723-0300 • FAX: (503) 723-9946 • [WWW.MERINACPAS.COM](http://WWW.MERINACPAS.COM)

**ESTACADA RURAL FIRE DISTRICT NO. 69  
TABLE OF CONTENTS**

Page

**Introductory Section**

Members of the Board of Directors .....i

**Financial Section**

Independent Auditors' Report ..... 1

Management Discussion and Analysis ..... 2

**Basic Financial Statements**

Statement of Net Assets ..... 7

Statement of Activities ..... 8

Balance Sheet - Governmental Funds ..... 9

**Statement of Revenues, Expenditures, and Changes**

In Fund Balances - Governmental Funds .....10

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**

Fund Balances of Governmental Funds to the State of Activities ..... 11

Notes to the Basic Financial Statements .....12

**Required Supplementary Information**

**Statement of Revenues, Expenditures, and Changes In Fund Balances - Budget to Actual**

General Fund .....23

Apparatus Reserve Fund .....24

Rescue Tool Reserve Fund .....25

Utility Vehicle Reserve Fund .....26

**Required Comments and Disclosures**

Audit Comments and Disclosures Required by State Regulations .....27

## **INTRODUCTORY SECTION**

**ESTACADA RURAL FIRE DISTRICT NO. 69, OREGON  
MEMBERS OF THE BOARD OF DIRECTORS  
June 30, 2004**

Board of Directors

Term Expires

John Bresko - President  
Estacada, OR 97023

June 30, 2007

Mathew Silva - Vice President  
Estacada, OR 97023

June 30, 2007

Karen Hovda - Member  
Estacada, OR 97023

June 30, 2007

John Croghan - Member  
Estacada, OR 97023

June 30, 2005

Edwin Thoreson - Secretary  
Estacada, OR 97023

June 30, 2005

Registered Agent

David Kushner, Attorney at Law  
Estacada, Oregon 97023

Administrative Offices

445 S.E. Currin St.  
Estacada, Oregon 97023

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Estacada Rural Fire District No. 69  
Estacada, Oregon 97023

We have audited the accompanying financial statements of the Estacada Rural Fire District No. 69, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Estacada Rural Fire District No. 69 as of June 30, 2004, and the changes in financial position there of for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, 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 June 30, 2004.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Merina & Company, LLP  
West Linn, Oregon  
December 3, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion is intended to be an easily readable analysis of the Estacada Rural Fire District's (District) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow. The accompanying notes are also an integral part of this report.

The report consists of district -wide statements, fund financial statements, notes to the statements and supplemental information. The basic financial statements include the district-wide financial statements that present an overview of the District's entire operations, while the fund level statements present the financial information of each of the four major funds.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with District management.

The District's financial statements have been audited by Merina & Company, LLP, a firm of licensed certified public accountants. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2004. The independent auditor's report is presented as the first component of the financial section of this report.

The report implements Governmental Accounting Standards Board Statement Number 34 and, therefore, does not present comparable columns in the various comparisons and analyses for the previous year.

### **FINANCIAL HIGHLIGHTS**

- The assets of Estacada Rural Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,328,044 (Net assets). Of this amount, \$574,061 (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 \$68,718.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$583,162. All of this total amount is available for use within the County's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$389,851 or 31% percent of total general fund expenditures.
- The district's medical calls in 2003/2004 increased from 72% to 78% of the total calls.

## DISTRICT-WIDE STATEMENTS

### Statement of Net Assets

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. This is the first fiscal year that the District has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34).

Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

The increase in net assets can be traced to the Statement of Activities wherein property taxes received exceeded the expenditures

The District had no long term debt entering fiscal year 2003/2004, and incurred none during fiscal year 2003/2004.

TABLE 1  
STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 584,598
Due from county	8,901
Property tax receivable	71,557
Accounts receivable	<u>3,719</u>
Total current assets	<u>671,548</u>
Non-current assets:	
Capital assets:	
Non-depreciable	46,000
Depreciable, net	<u>707,983</u>
Total non-current assets	<u>753,983</u>
Total assets	<u>\$ 1,425,531</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 16,826
Compensated absences	<u>80,661</u>
Total current liabilities	<u>97,487</u>



**NET ASSETS**

Invested in capital assets, net of related debt	753,983
Unrestricted	574,061
Total net assets	1,328,044
Total liabilities and net assets	\$ 1,425,531

**Statement of Activities**

The Statement of Activities focuses on the program costs and their matching resources. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year.

The District's net assets increased by \$68,715 resulting in ending net assets of \$1,328,044. As noted earlier, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

TABLE 2  
STATEMENT OF ACTIVITIES

	Net Revenue (Expenses) and Changes in Net Assets
<b>GENERAL REVENUES</b>	
Property taxes	\$ 1,352,409
Interest and investment earnings	8,245
Other revenue	6,799
Gain on sale of capital assets	12,500
Total general revenues and transfers	\$ 1,379,953
<b>EXPENSES</b>	
Governmental activities:	
Fire Services	\$ 1,311,238
Total government	1,311,238
Change in net assets	68,715
<b>NET ASSETS, BEGINNING</b>	1,259,329
<b>NET ASSETS, ENDING</b>	\$ 1,328,044

## FUND FINANCIAL STATEMENTS

### Fund Statements

Following is a section containing fund financial statements. A fund is a grouping of related accounts that have been segregated for specific activities or objectives. The District presents each of its four funds as major funds. For each major fund a Budgetary Comparison Statement is presented.

District funds are used to account for essentially the same functions reported as agency activities in the district -wide financial statements. However, unlike the agency-wide financial statements, agency 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 determining what financial resources are available in the near future to finance the District's programs.

### Budgetary Highlights

**General Fund.** The Board of Directors approved changes to the adopted budget. A transfer from capital outlay to materials and services for the general fund was necessary due to:

1. Fees incurred for the district's participation in a Cooperative Feasibility Study, for a possible merger/consolidation with neighboring districts;
2. Deputy Chief hiring process;
3. More emphasis was put on maintenance of district properties and equipment, education and training expenses increased as the district strives to meet the ever increasing requirements; and
4. Increase costs for medical supplies and equipment due to an increase of 6% of the district's medical calls in 2003/2004 over 2002/2003.

Information from Clackamas County indicated growth estimates to be 4.5 to 5.0%, at year end the district's total tax increase including growth will be 5% in 2003/2004. Our cash carry forward for 2003/2004 was lower than anticipated. Since Measure 47 and 50 were passed, our carry forward amounts have steadily decreased. The budget was based upon maintaining current levels of staffing and services to the patrons of the district. While the Board opted to leave positions unfilled, reduce overtime, and curtail spending in capital, they set a high priority on maintenance and operational issues

### Capital Assets and Debt Administration

A 1989 Ford water tender, was declared surplus and removed from inventory in 2003/2004. One capital item, a Holmotro Tool (jaw's of life) was purchased and added to the capital asset inventory.

TABLE 3  
CAPITAL ASSETS  
(NET OF DEPRECIATION)

	June 30 2004	June 30 2003
Land	\$ 46,000	\$ 46,000
Buildings	73,621	78,201
Equipment	27,516	20,475
Vehicles	606,846	658,695
Total	<u>\$ 753,983</u>	<u>\$ 803,371</u>

**NOTES AND SUPPLEMENTAL INFORMATION**

Economic Factors

The Estacada Rural Fire District continues to make improvements to support continued growth and quality of service to those within the District's boundaries. Increasing property values within the boundaries of the District translate into increasing tax increment available. That tax increment will then be used to maintain staffing, services and to fund projects and improvements.

Next Year's Budgets and Rates

The District's budget for fiscal year 2004/2005 is highlighted by the anticipation of a 4.5% increase in tax revenue, along with \$274,239 in grant money. The tax rate for fiscal year 2004/2005 continues to be \$2.4029. We asked Clackamas County to certify \$1,463,203. Therefore, after un-collectable taxes, we anticipate receiving \$1,375,411 in tax revenue. This amount is \$68,545.00 more in FY 2004/2005, for a budget total of \$2,219,316.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, you should contact the District's Budget Officer at 445 SE Currin Street, Estacada, OR. 97023

## **BASIC FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- District-Wide Financial Statements
- Fund Financial Statements
  - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 584,598
Property taxes receivable	71,557
Due from county	8,901
Accounts receivable	<u>3,719</u>
Total current assets	<u>671,548</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	46,000
Depreciable, net	<u>707,983</u>
Total noncurrent assets	<u>753,983</u>
Total assets	<u><u>\$ 1,425,531</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 16,826
Compensated absences	<u>80,661</u>
Total current liabilities	<u>97,487</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	753,983
Unrestricted	<u>574,061</u>
Total net assets	<u>1,328,044</u>
Total liabilities and net assets	<u><u>\$ 1,425,531</u></u>

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

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net Expense Revenue and Change in Net Asset Total Governmental Activities</u>
Governmental activities:		
Fire services	<u>\$ 1,311,238</u>	<u>\$ (1,311,238)</u>
Total government	<u>\$ 1,311,238</u>	<u>\$ (1,311,238)</u>
General revenues:		
Taxes:		
Property taxes		1,352,409
Interest and investment earnings		8,245
Other revenues		6,799
Gain on sale of capital assets		<u>12,500</u>
Total general revenues and transfers		<u>1,379,953</u>
Change in net assets		<u>68,715</u>
Net assets - beginning		<u>1,259,329</u>
Net assets - ending		<u>\$ 1,328,044</u>

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

**FUND FINANCIAL STATEMENTS**  
**Major Governmental Funds**

**General Fund**

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

**Apparatus Reserve Fund**

The Apparatus Reserve Fund is accounted for revenues earmarked and legally restricted to expenditures for specified purposes

**Rescue Tool Reserve Fund**

The Rescue Tool Reserve Fund is accounted for revenues earmarked and legally restricted to expenditures for specified purposes.

**Utility Vehicle Reserve Fund**

The Utility Vehicle Reserve Fund is accounted for revenues earmarked and legally restricted to expenditures for specified purposes.



**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2004**

	<u>General Fund</u>	<u>Apparatus Reserve Fund</u>	<u>Rescue Tool Reserve Fund</u>	<u>Utility Vehicle Reserve Fund</u>	<u>Total Governmental</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 391,284	\$ 150,060	\$ 7,487	\$ 35,767	\$ 584,598
Property taxes receivable	71,557	-	-	-	71,557
Due from county	8,901	-	-	-	8,901
Accounts receivable	3,719	-	-	-	3,719
Prepaid expenses	2,773	-	-	-	2,773
	<u>478,234</u>	<u>150,060</u>	<u>7,487</u>	<u>35,767</u>	<u>671,548</u>
Total assets	<u>\$ 478,234</u>	<u>\$ 150,060</u>	<u>\$ 7,487</u>	<u>\$ 35,767</u>	<u>\$ 671,548</u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES:**

Accounts payable and other current liabilities	\$ 16,826	\$ -	\$ -	\$ -	\$ 16,826
Deferred revenue	71,557	-	-	-	71,557
	<u>88,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,383</u>
Total liabilities	<u>88,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,383</u>

**FUND BALANCES:**

Unreserved, reported in:					
General fund	389,851	-	-	-	389,851
Special revenue fund	-	150,060	7,487	35,767	193,314
	<u>389,851</u>	<u>150,060</u>	<u>7,487</u>	<u>35,767</u>	<u>583,165</u>
Total fund equity	<u>389,851</u>	<u>150,060</u>	<u>7,487</u>	<u>35,767</u>	<u>583,165</u>
Total liabilities and fund equity	<u>\$ 478,234</u>	<u>\$ 150,060</u>	<u>\$ 7,487</u>	<u>\$ 35,767</u>	

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 753,983

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 71,557

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (80,661)

Net Assets \$ 1,328,044

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

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2004**

	General Fund	Apparatus Reserve Fund	Rescue Tool Reserve Fund	Utility Vehicle Reserve Fund	Total Governmental
<b>REVENUES:</b>					
Taxes	\$ 1,358,585	\$ -	\$ -	\$ -	\$ 1,358,585
Interest on investments	7,665	320	6	254	8,245
Other revenues	6,799	-	-	-	6,799
<b>Total revenues</b>	<b>1,373,049</b>	<b>320</b>	<b>6</b>	<b>254</b>	<b>1,373,629</b>
<b>EXPENDITURES:</b>					
Personal services	882,397	-	-	-	882,397
Materials and services	380,506	-	-	-	380,506
Capital outlay	5,423	-	5,387	-	10,810
<b>Total expenditures</b>	<b>1,268,326</b>	<b>-</b>	<b>5,387</b>	<b>-</b>	<b>1,273,713</b>
Revenues over (under) expenditures	104,723	320	(5,381)	254	99,916
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of assets	12,500	-	-	-	12,500
Transfers in	-	70,000	6,000	10,000	86,000
Transfers out	(86,000)	-	-	-	(86,000)
<b>Total other financing sources (uses)</b>	<b>(73,500)</b>	<b>70,000</b>	<b>6,000</b>	<b>10,000</b>	<b>12,500</b>
Net changes in fund balances	31,223	70,320	619	10,254	112,416
<b>FUND BALANCES, BEGINNING</b>	<b>358,628</b>	<b>79,740</b>	<b>6,868</b>	<b>25,513</b>	<b>470,749</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 389,851</b>	<b>\$ 150,060</b>	<b>\$ 7,487</b>	<b>\$ 35,767</b>	<b>\$ 583,165</b>

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

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2004**

Amounts reported in the statement of activities are different because:

Net change in fund balances		\$ 112,416
<p>The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Depreciation	(59,747)	
Capital assets additions	<u>10,358</u>	(49,389)
<p>Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.</p>		
		(6,176)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		<u>11,864</u>
Change in net assets of governmental activities		<u><u>\$ 68,715</u></u>

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

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

(1) Summary of Significant Accounting Policies

The financial statements of the Estacada Rural Fire District No. 69 have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In June 1999, the GASB approved Statement 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments (GASB 34). This Statement provides for significant changes in financial reporting and is scheduled for phased implementation based on the size of the government, starting with fiscal years ending 2002. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure and capital assets. With the implementation of GASB 34, the District has prepared required supplementary information titled Management's Discussion and Analysis, which precedes the basic financial statements. The District's financial statements for the fiscal year ended June 30, 2004 comply with the requirements of GASB 34.

A. Description of Reporting Entity

The Estacada Rural Fire District No. 69 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.

For financial reporting purposes, the District has considered all potential component units for which it is financially accountable. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, imposition of will by the primary government on the component unit, the existence of financial benefit or burden by the primary government, or intergovernmental relationships so close that the exclusion from the financial reporting entity would render the financial statements of the District incomplete or misleading. There were no component units that were required to be included in these financial statements.

B. Basic Financial Statements

The District's financial operations are presented at both the District-wide and fund financial levels. All activities on the District are categorized as governmental.

District-wide financial statements

The statement of net assets and the statement of activities display information about the District as a whole.

The District uses funds and an account group to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These 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, and fiduciary. Currently the District has only governmental fund types.

C. Basis of Presentation

The financial transactions of the District are recorded in the General fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The new GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, all of the District's funds are presented as major funds:

The District reports the following major governmental funds:

- *General Fund*
- *Apparatus Reserve Fund*
- *Rescue Tool Reserve Fund*
- *Utility Vehicle Reserve Fund*

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The District-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the District-wide statements, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the District-wide presentation.

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

Governmental Fund Types

General Fund

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

Special Revenue Funds

These funds account for revenues earmarked and legally restricted to expenditures for specified purposes. Funds included in this fund category are:

- Apparatus Reserve Fund
- Rescue Tool Reserve Fund
- Utility Vehicle Reserve Fund

E. Cash and Investments

Cash on the balance sheet includes petty cash and amounts in demand deposits.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**F. Receivables and Property Tax Calendar**

Property taxes receivable in the Governmental Fund Types, which have been collected within 30 days following year end, are considered measurable and available and are recognized as revenues in the Governmental Funds. All other property taxes receivable for the Governmental Fund Types are offset by deferred revenues and, accordingly, have not been recorded as revenue. Property taxes become a lien against the property as of July 1 each year and are payable in three installments of November 15, February 15, and May 15 following the lien date. All property taxes receivable are due from property owners within the Fire District.

**G. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental type activities column in the district-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost. Donated fixed assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of five or more years. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

- *Building and improvements – 25-40 years*
- *Equipment and vehicles – 5-20 years*

**H. Deferred Revenues**

Deferred revenues represent uncollected property taxes and other revenues not deemed available to finance operations of the current period.

**I. 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 general long-term debt account group. No expenditure is reported for these amounts. In accordance with the provisions



## **ESTACADA RURAL FIRE DISTRICT NO. 69**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

#### **J. 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 reimbursing fund and as reductions of 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.

#### **K. Net Assets and Fund Equity**

In the district-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Currently the District has no capital debt. Restricted net assets represent net assets restricted by parties outside of the District (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All of the District's net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amount that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **L. Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

#### **M. Accounting Estimates**

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

**ESTACADA RURAL FIRE DISTRICT NO. 69  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**(2) Budgetary Information**

On or before June 30 of each year, the District enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the District Board of Directors and a like number of interested citizens. The budget committee presents the budget to the District Board of Directors for budget hearings prior to enactment of the resolution. The District budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Board of Directors. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Board of Directors. The District had appropriation transfers during the year-ended June 30, 2004. Management may not amend the budget without seeking the approval of the Council. Appropriations lapse as of year-end.

**(3) Cash and Investments**

The District's Board of Directors has adopted a policy which restricts investments to cash equivalents such as interest-bearing checking, money market accounts, and time certificates of deposit. The District's investments of these types, which are also the only types of investment made during the year, are shown below. These accounts are classified as cash because of their liquidity.

<u>Account Type</u>	<u>Amount</u>	<u>Due</u>
Checking	\$ 19,278	Demand
Money market	565,095	Demand
Petty Cash	<u>225</u>	
	<u>\$ 584,598</u>	

**Deposits**

The total bank balance, at June 30, 2004, shown on the bank statements was \$589,119. Of these deposits, \$125,767 was covered by federal depository insurance and \$463,352 was covered by a \$1,500,000 collateral certificate held in the pledging bank's trust department in the District's name. Oregon Revised Statutes require the depository institution to maintain on deposit with a

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

collateral pool manager security having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. However, in accordance with State statutes, the State Treasurer allows certain depository banks to be the custodian with respect to their own pledged collateral securities. For these institutions, the State Treasurer is the collateral pool manager.

The District's cash and investments are categorized below to give an indication of the level of risk assumed by the District at June 30, 2004. 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 or unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the dealer bank.

	Categories			Carrying Amount
	1	2	3	
Demand Deposits	\$ 135,767	\$ -	\$ 448,606	\$ 584,373
Petty Cash	225	-	-	225
<b>Total Deposits and Investments</b>				<b>\$ 584,598</b>

The District's deposits at year-end are covered either by federal depository insurance or a combination of federal depository insurance and certification of participation in the State of Oregon collateral pool.

**(4) Property Taxes**

Property tax transactions for the year ended June 30, 2004, were as follows:

Fiscal Year	Property Taxes Receivable June 30, 2003	Levy as Extended by Assessor	Cancellations Discounts & Adjustments	Collections	Property Taxes Receivable June 30, 2004
2003-04	-	\$ 1,394,387	\$ (37,868)	\$ (1,313,541)	\$ 42,978
2002-03	46,933	-	(1,677)	(29,331)	15,925
2001-02	17,614	-	(1,291)	(8,420)	7,903
2000-01	8,602	-	(712)	(4,980)	2,910
1999-00	2,849	-	(102)	(1,684)	1,063
1998-99	670	-	(43)	(312)	315
1997-98	278	-	(33)	(111)	134
1997 & prior	787	-	(212)	(246)	329
<b>Totals</b>	<b>\$ 77,733</b>	<b>\$ 1,394,387</b>	<b>\$ (41,938)</b>	<b>\$ (1,358,625)</b>	<b>\$ 71,557</b>

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

(5) Deferred Revenue

Deferred revenue as of June 30, 2004 consists of uncollected property taxes not deemed available to finance operations of the current period.

(6) Capital assets

Changes in the District's General Capital assets account group for the year ended June 30, 2004 are as follows:

<u>Primary Government</u>	<u>7/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2004</u>
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 46,000	\$ -	\$ -	\$ 46,000
Total capital assets, non-depreciable	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>46,000</u>
<b>Capital assets, depreciable:</b>				
Buildings	269,224	-	-	69,224
Equipment	73,274	10,358	-	83,632
Vehicles	1,038,991	-	(50,234)	988,757
Total capital assets, depreciable	<u>1,381,489</u>	<u>10,358</u>	<u>(50,234)</u>	<u>1,341,613</u>
Total assets	1,427,489	10,358	(50,234)	1,387,613
<b>Less accumulated depreciation for:</b>				
Buildings	(191,023)	(4,580)	-	(195,603)
Equipment	(52,798)	(3,318)	-	(56,116)
Vehicles	(380,296)	(51,849)	50,234	(381,911)
Total accumulated depreciation	<u>(624,117)</u>	<u>(59,747)</u>	<u>50,234</u>	<u>(633,630)</u>
Net depreciable capital assets	<u>757,372</u>	<u>(49,389)</u>	<u>-</u>	<u>707,983</u>
<b>Net capital assets</b>	<u>\$ 803,372</u>	<u>\$ (49,389)</u>	<u>\$ -</u>	<u>\$ 753,983</u>

Depreciation expense was charged to the function of the general government.

(7) Interfund Transfers

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 86,000

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Apparatus Reserve Fund	70,000	-
Rescue Tool Reserve Fund	6,000	-
Utility Vehicle Reserve Fund	10,000	-
	<u>          </u>	<u>          </u>
Total Major Governmental Funds	<u>\$ 86,000</u>	<u>\$ 86,000</u>

Interfund transfers represent operating transfers for the year ended June 30, 2004.

**(8) Long-term Debt**

Changes in long-term debt are summarized as follows:

	<u>June 30</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u> <u>2004</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 92,525</u>	<u>\$ 6,611</u>	<u>\$(18,475)</u>	<u>\$ 80,661</u>	<u>\$ 80,661</u>
Total	<u>\$ 92,525</u>	<u>\$ 6,611</u>	<u>\$(18,475)</u>	<u>\$ 80,661</u>	<u>\$ 80,661</u>

**(9) Pension Plans**

Substantially all employees participate in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer defined benefit public employee retirement system. PERS is administered by a retirement board of directors who set contribution rates. The District payroll for the employees covered by the PERS for the year ended June 30, 2004 was \$510,706; the total payroll was \$ 587,657.

All District employees are eligible to participate in the system after completing six months of service. The PERS retirement allowance, payable monthly for life, may be selected from twelve retirement benefit options. Options include survivorship benefits and lump sum refunds. The basic benefit formula is 1.67 percent of a member's final average salary multiplied by the member's number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results. PERS also provides death and disability benefits, which are established by state statutes.

An employee member will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. Employee members may retire with unreduced benefits at age 58 or at any age with 30 or more years of service. A member with less than 30 years of service who is between the ages of 55 and 58 may retire with reduced benefits.

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Covered employees are required by state statutes to contribute 6% of their salary to the plan. The District is required by statute to contribute actuarially computed amounts as determined by PERS; rates are subject to change as a result of subsequent actuarial valuations. Due to excess contribution by the department in past years, the rate is 0.7% of each covered employee's salary. Additionally, the District agreed in a prior year to pay the employees' 6% contribution. Employer contributions are calculated in conformance with the provisions of GASB Statement No. 27 as a percentage of covered payroll. Contributions paid to PERS are equal to the Annual Required Contribution (ARC), and there is no net pension obligation requiring amortization. The District's contribution was \$38,982 for the year ended June 30, 2004.

Effective August 29, 2003, the Oregon Legislative Assembly passed HB 2020 which creates a successor retirement plan to PERS. The new plan Oregon Public Service Retirement Plan (OPSRP) is effective for all new hires after passage of the bill, and to any inactive PERS Tier One or Tier Two members who return to employment following a six month or greater break in service. OPSRP is administered by the PERS Board and is a hybrid defined contribution and defined benefit pension.

The ARC is a measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers.

GASB Statement No. 27 disclosures are based on the actuarial assumptions and methods contained in the December 31, 2001 Actuarial Valuation of the PERS plan. The Actuarial Value of Assets is equal to Market Value. Liabilities and contributions are calculated using the Entry Age Actuarial Cost Method. The Unfunded Actuarial Liability is amortized as a level percentage of covered payroll over an open thirty year period.

The ARC was computed as part of the actuarial evaluation of the System performed as of December 31, 2001. Significant actuarial assumptions used in the valuation include:

- A. A rate of return on the investment of present and future assets of 8% per year
- B. Projected salary increases of 4.25% per year attributable to general wage adjustment with additional increases for promotion and longevity that vary by age and service
- C. Projected automatic post-retirement benefit increases of 2% per year, and
- D. Demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members in the System.

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Plan assets and liabilities as determined at December 31, 2001, the date of the latest actuarial valuation, and December 31, 1999 and 1997 are as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability</u>	<u>Unfunded (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
1997	2,857,740	1,729,650	(1,128,090)	165%	429,438	-263%
1999	4,088,666	2,764,034	(1,324,632)	148%	497,577	-266%
2001 Restated	Pooled	Pooled	(1,793,837)	Pooled	580,877	-309%

The ARC and net assets available for benefits for retired members and beneficiaries and for the retired health insurance account are shared among all PERS employers, and are therefore only disclosed in the financial statements of the System as a whole. Trend information showing the system's progress in accumulating sufficient assets to pay benefits when due may be found in the stand-alone audit report of the Oregon Public Employees Retirement System. A copy of that report may be obtained by writing PERS, P.O. Box 23700, Tigard, OR 97281-3700.

Contributions for the years ended June 30, 2003, 2002, and 2001 are as follows:

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 35,467	100%	\$ -
6/30/03	\$ 34,362	100%	\$ -
6/30/04	\$ 38,982	100%	\$ -

**(10) Risk Management**

The District is exposed to various risks of loss related to: torts; theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2003 to 2004. Settled claims have not exceeded this commercial coverage for any of the past three years.

**(11) Commitments and Contingencies**

In 2003, the State legislative assembly enacted a number of reforms to PERS in an effort to reduce pension obligations for all local governments in Oregon. A number of lawsuits are pending relating to the legislative reform of which the outcome is uncertain.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- **Budgetary Comparison Schedules**
  - **General Fund**
  - **Apparatus Reserve Fund**
  - **Rescue Tool Reserve Fund**
  - **Utility Vehicle Reserve Fund**



**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2004**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,350,730	\$ 1,350,730	\$ 1,358,585	\$ 7,855
Interest on investments	10,000	10,000	7,665	(2,335)
Other revenues	1,000	1,000	6,799	5,799
<b>Total revenues</b>	<b>1,361,730</b>	<b>1,361,730</b>	<b>1,373,049</b>	<b>11,319</b>
<b>EXPENDITURES:</b>				
Personal services	1,014,122	1,014,122	882,397	131,725
Materials and services	335,682	410,682	380,506	30,176
Capital outlay	231,000	156,000	5,423	150,577
Contingency	45,000	45,000	-	45,000
<b>Total expenditures</b>	<b>1,625,804</b>	<b>1,625,804</b>	<b>1,268,326</b>	<b>357,478</b>
Revenues over (under) expenditures	(264,074)	(264,074)	104,723	368,797
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	-	-	12,500	12,500
Transfers out	(86,000)	(86,000)	(86,000)	-
<b>Total other financing sources (uses)</b>	<b>(86,000)</b>	<b>(86,000)</b>	<b>(73,500)</b>	<b>12,500</b>
Net changes in fund balances	(350,074)	(350,074)	31,223	381,297
<b>FUND BALANCE, BEGINNING</b>	<b>570,074</b>	<b>570,074</b>	<b>358,628</b>	<b>(211,446)</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 220,000</b>	<b>\$ 220,000</b>	<b>\$ 389,851</b>	<b>\$ 169,851</b>

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**APPARATUS RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2004**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 320	\$ (680)
Total revenues	1,000	1,000	320	(680)
<b>EXPENDITURES:</b>				
Capital outlay	150,500	150,500	-	150,500
Total expenditures	150,500	150,500	-	150,500
Revenues over (under) expenditures	(149,500)	(149,500)	320	149,820
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	70,000	70,000	70,000	-
Total other financing sources (uses)	70,000	70,000	70,000	-
Net changes in fund balances	(79,500)	(79,500)	70,320	149,820
<b>FUND BALANCES, BEGINNING</b>	79,500	79,500	79,740	240
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 150,060	\$ 150,060

**ESTACADA RURAL FIRE DISTRICT NO. 69  
 RESCUE TOOL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2004**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ -	\$ -	\$ 6	\$ 6
Total revenues	-	-	6	6
<b>EXPENDITURES:</b>				
Capital outlay	6,000	6,000	5,387	613
Total expenditures	6,000	6,000	5,387	613
Revenues over (under) expenditures	(6,000)	(6,000)	(5,381)	619
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,000	6,000	6,000	-
Total other financing sources (uses)	6,000	6,000	6,000	-
Net changes in fund balances	-	-	619	619
<b>FUND BALANCES, BEGINNING</b>	-	-	6,868	6,868
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 7,487	\$ 7,487

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**UTILITY VEHICLE RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2004**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 200	\$ 200	\$ 254	\$ 54
Total revenues	200	200	254	54
<b>EXPENDITURES:</b>				
Capital outlay	35,550	35,550	-	35,550
Total expenditures	35,550	35,550	-	35,550
Revenues over (under) expenditures	(35,350)	(35,350)	254	35,604
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	10,000	10,000	10,000	-
Total other financing sources (uses)	10,000	10,000	10,000	-
Net changes in fund balances	(25,350)	(25,350)	10,254	35,604
<b>FUND BALANCES, BEGINNING</b>	25,500	25,500	25,513	13
<b>FUND BALANCES, ENDING</b>	\$ 150	\$ 150	\$ 35,767	\$ 35,617

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

**ESTACADA RURAL FIRE DISTRICT NO. 69  
AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

Introduction

Oregon Administrative Rules 162-10-000 through 162-10-320 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, 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 section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the basic financial statements of the Estacada Rural Fire District No. 69 (the District), for the year ended June 30, 2004 and have issued our report thereon dated December 3, 2004.

The management of the Estacada Rural Fire District No. 69, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may never the less occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of the Estacada Rural Fire District No. 69, for the year ended June 30, 2004, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure and its operation that we considered to be material weaknesses as defined above.

**ESTACADA RURAL FIRE DISTRICT NO. 69  
AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

This report is intended solely for the information and use of the management, the Board of Directors, and the State of Oregon, Secretary of State, Audits Division.

Other Comments and Disclosures

We have audited the basic financial statements for Estacada Rural Fire District No. 69 as of and for the year ended June 30, 2004, and our report thereon is included on Page 1 of this report. Our audit was made in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit:

Accounting Records

We found the accounting records of the District to be adequate for audit purposes.

Collateral

The District was in compliance with ORS Chapter 295 regarding collateral securing deposits for fiscal year ended June 30, 2004.

Indebtedness

At June 30, 2004, the District was within the legal debt limit, imposed by ORS 478.410, of 1-1/4% of all taxable property in the District.

Budgets

We reviewed budgets adopted by the District for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the District appear to be in compliance with Oregon Local Budget Law.

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering District -owned property in force at June 30, 2004 are adequate.

Programs Funded from Outside Sources

The District did not receive program funds from outside sources.

Highway Funds

The District does not receive Highway Funds.

Investments

The District investments for the year ended June 30, 2004 were tested and appear to be in compliance with Oregon Revised Statutes with regard to legal restrictions pertaining to the investment of public funds.

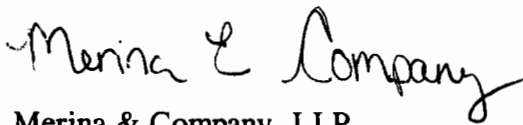
**ESTACADA RURAL FIRE DISTRICT NO. 69  
AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

Public Contracts and Purchasing

We reviewed and tested the District's procedures for awarding public contracts. The District appears to be in compliance with the cost accounting guidelines developed by the State of Oregon Executive Department with regard to the District's construction projects and ORS Chapter 279 in the awarding of public contracts and the construction of public improvements.

Independently Elected Officials

The Independently Elected Officials of the District do not receive and disburse funds. Accordingly a Schedule of Accountability for Independently Elected Officials is not included.



Merina & Company, LLP  
West Linn, Oregon  
December 3, 2004