



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

For the Fiscal Year Ended
June 30, 2005
with
Independent Auditors' Report

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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June 30, 2005

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AUDITS MUNICIPALITIES

Rec'd	Date	Initial
DIS	12-29-05	CRJ
Muni	_____	_____
Scanned	_____	_____
Comments	_____	_____

INTRODUCTORY SECTION

ESTACADA RURAL FIRE DISTRICT NO. 69, OREGON
MEMBERS OF THE BOARD OF DIRECTORS
June 30, 2005

<u>Board of Directors</u>	<u>Term Expires</u>
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

AUDITS MUNICIPALITIES

Rec'd	Date	Initial
DIS	12-29-05	CB
Muni	_____	_____
Scanned	_____	_____
Comments	_____	_____

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

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, 2005, 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, 2005, 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.

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 9, 2005

ESTACADA RURAL FIRE DISTRICT #69
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management staff of the Estacada Rural Fire District #69 offers the executive summary of financial activities of the District for the fiscal year ended June 30, 2005. This information is comparable to the prior fiscal year because, in 2004, the District implemented new standards in accordance with Governmental Accounting Standards Board 34 (GASB 34) resulting in significant changes in content and structure. GASB 34 requires this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets of Estacada Rural Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,201,343 (Net assets). Of this amount, \$441,809 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$126,701
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$471,933. This entire 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 \$295,709 or 19% percent of total general fund expenditures.
- The district's call volume, both medical and fire, increased by 4% in 2004/2005

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Estacada Rural Fire District #69's basic financial statements. The statements are comprised of three components: 1) district-wide statements, 2) fund financial statements, and 3) notes to the statements and supplemental information. The report also contains other supplementary information in addition to the basis financial statements.

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.

DISTRICT-WIDE STATEMENTS

District-wide financial statements are designed to provide readers with a broad overview of the Estacada rural Fire District #69's finances in a manner similar to a private-sector business.

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. 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 financial position of the District is best indicated by changes in cash flow and cash reserve as described in the Financial Analysis section of the District's most recent budget.

A statement of activities in this discussion and analysis 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. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

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 2004/2005, and incurred none during fiscal year 2004/2005.

With this second year implementation of the GASB 34, the District is presenting comparable columns for fiscal years ending June 30, 2005 and June 30, 2004.

TABLE 1
STATEMENT OF NET ASSETS

	Governmental Activities	
	2005	2004
ASSETS		
Cash and cash equivalents	\$ 519,706	\$ 584,598
Due from county	9,869	8,901
Property tax receivable	63,762	71,557
Accounts receivable	3,920	3,719
	<hr/>	<hr/>
Total current assets	598,825	671,548
Non-current assets:		
Capital assets:		
Non-depreciable	46,000	46,000
Depreciable, net	713,534	707,983
	<hr/>	<hr/>
Total non-current assets	759,534	753,983
	<hr/>	<hr/>
Total assets	1,358,359	1,425,531
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	63,130	16,826
Compensated absences	93,886	80,661
	<hr/>	<hr/>
Total current liabilities	157,016	97,487
 NET ASSETS		
Invested in capital assets, net of related debt	759,534	753,983
Invested in capital assets, net of related debt		
Unrestricted	441,809	574,061
	<hr/>	<hr/>
Total net assets	1,201,343	1,328,044
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,358,359</u>	<u>\$ 1,425,531</u>

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 decreased by \$126,701 resulting in ending net assets of \$1,201,343. 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

	<u>2005</u>	<u>2004</u>
GENERAL REVENUES		
Property taxes	\$ 1,405,901	\$ 1,352,409
Interest and investment earnings	8,006	8,245
Other revenue	2,049	6,799
Grants	101,750	12,500
Total general revenues and transfers	<u>\$ 1,415,956</u>	<u>\$ 1,379,953</u>
EXPENSES		
Governmental activities:		
Fire Services	\$ 1,542,657	\$ 1,311,238
Total government	<u>1,542,657</u>	<u>1,311,238</u>
Change in net assets	(126,701)	68,715
NET ASSETS, BEGINNING	<u>1,328,044</u>	<u>1,259,329</u>
NET ASSETS, ENDING	<u>\$ 1,201,343</u>	<u>\$ 1,328,044</u>

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

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. Increased need and cost to comply with OSHA and NFPA standards for personal protective gear.
2. More emphasis was put on maintenance of district aged properties and equipment, education and training expenses increased as the district strives to meet the ever increasing requirements; and
3. Increase in fuel and utilities costs.
4. Increase costs for medical supplies and equipment due to an increase of 4% of the district's medical calls in 2004/2005 over 2003/2004.

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 2004/2005. Our cash carry forward for 2004/2005 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 reduce overtime, and curtail spending in capital, they set a high priority on maintenance and operational issues

Capital Assets and Debt Administration

Three capital items, a new Brush Rig, Utility Vehicle and a NFPA approved turnout washer was purchased and added to the capital asset inventory.

TABLE 3
CAPITAL ASSETS
(Net of Depreciation)

	2005	2004
Land	\$ 46,000	\$ 46,000
Buildings	69,040	78,201
Equipment	32,930	20,475
Vehicles	611,564	658,695
Total	\$ 759,534	\$ 803,371

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 2005/2006 is highlighted by the anticipation of a 5% increase in tax revenue, along with \$497,180 in grant money. The tax rate for fiscal year 2004/2005 continues to be \$2.4029. We asked Clackamas County to certify \$1,527,776. Therefore, after un-collectable taxes, we anticipate receiving \$1,466,665 in tax revenue. This amount is \$91,254 more in FY 2005/2006, for a budget total of \$2,458,404.

Request for Information

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, who may consult with the District's auditor, Merina & Company, LLP.

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, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 519,706
Property taxes receivable	63,762
Due from county	9,869
Accounts receivable	<u>3,920</u>
Total current assets	<u>598,825</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	46,000
Depreciable, net	<u>713,534</u>
Total noncurrent assets	<u>759,534</u>
Total assets	<u>\$ 1,358,359</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 63,130
Compensated absences	<u>93,886</u>
Total current liabilities	<u>157,016</u>
NET ASSETS	
Invested in capital assets, net of related debt	759,534
Unrestricted	<u>441,809</u>
Total net assets	<u>1,201,343</u>
Total liabilities and net assets	<u>\$ 1,358,359</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, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Capital Grants and Contributions	<u>Net Expense Revenue and Change in Net Asset</u> Total Governmental Activities
Governmental activities:			
Fire services	\$ 1,644,407	\$ 101,750	\$ (1,542,657)
Total government	<u>\$ 1,644,407</u>	<u>\$ 101,750</u>	<u>\$ (1,542,657)</u>
General revenues:			
Taxes:			
Property taxes			1,405,901
Interest and investment earnings			8,006
Other revenues			2,049
Transfers in (out)			-
Total general revenues and transfers			<u>1,415,956</u>
Change in net assets			<u>(126,701)</u>
Net assets - beginning			<u>1,328,044</u>
Net assets - ending			<u>\$ 1,201,343</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, 2005

	<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>
ASSETS					
Cash and cash equivalents	\$ 299,807	\$ 195,028	\$ 7,494	\$ 17,377	\$ 519,706
Property taxes receivable	63,762	-	-	-	63,762
Due from county	9,869	-	-	-	9,869
Accounts receivable	3,920	-	-	-	3,920
Prepaid expenses	1,568	-	-	-	1,568
Total assets	<u>\$ 378,926</u>	<u>\$ 195,028</u>	<u>\$ 7,494</u>	<u>\$ 17,377</u>	<u>\$ 598,825</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and other current liabilities	\$ 19,455	\$ 43,675	\$ -	\$ -	\$ 63,130
Deferred revenue	63,762	-	-	-	63,762
Total liabilities	<u>83,217</u>	<u>43,675</u>	<u>-</u>	<u>-</u>	<u>126,892</u>
FUND BALANCES:					
Unreserved, reported in:					
General fund	295,709	-	-	-	295,709
Special revenue fund	-	151,353	7,494	17,377	176,224
Total fund balance	<u>295,709</u>	<u>151,353</u>	<u>7,494</u>	<u>17,377</u>	<u>471,933</u>
Total liabilities and fund balance	<u>\$ 378,926</u>	<u>\$ 195,028</u>	<u>\$ 7,494</u>	<u>\$ 17,377</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. 759,534

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 63,762

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (93,886)

Net Assets **\$ 1,201,343**

ESTACADA RURAL FIRE DISTRICT NO. 69
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	General Fund	Apparatus Reserve Fund	Rescue Tool Reserve Fund	Utility Vehicle Reserve Fund	Total Governmental
REVENUES:					
Taxes	\$ 1,413,696	\$ -	\$ -	\$ -	\$ 1,413,696
Interest on investments	6,982	786	7	231	8,006
Other revenues	2,049	-	-	-	2,049
Grants	101,750	-	-	-	101,750
Total revenues	1,524,477	786	7	231	1,525,501
EXPENDITURES:					
Current:					
Personal services	984,877	-	-	-	984,877
Materials and services	429,599	-	-	-	429,599
Capital outlay	119,143	74,493	-	28,621	222,257
Total expenditures	1,533,619	74,493	-	28,621	1,636,733
Revenues over (under) expenditures	(9,142)	(73,707)	7	(28,390)	(111,232)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	75,000	-	10,000	85,000
Transfers out	(85,000)	-	-	-	(85,000)
Total other financing sources (uses)	(85,000)	75,000	-	10,000	-
Net changes in fund balances	(94,142)	1,293	7	(18,390)	(111,232)
FUND BALANCES, BEGINNING	389,851	150,060	7,487	35,767	583,165
FUND BALANCES, ENDING	\$ 295,709	\$ 151,353	\$ 7,494	\$ 17,377	\$ 471,933

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, 2005

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ (111,232)

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.

Depreciation	(106,986)	
Capital assets additions	<u>112,537</u>	5,551

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (7,795)

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. (13,225)

Change in net assets of governmental activities \$ (126,701)

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. The District's financial statements for the fiscal year ended June 30, 2005 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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.

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.

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

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 having useful lives extending beyond a single reporting period. 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 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 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.

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

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.

(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 basis of budgeting for all major funds is the same as GAAP.

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

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, 2005. Management may not amend the budget without seeking the approval of the Council. Appropriations lapse as of year-end.

(3) Cash and Investments

A. Interest rate risk

The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Credit risk

State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The District has no investment policy that would further limit its investment choices.

C. Concentration of credit risk

The District does not currently have an investment policy for concentration of credit risk.

D. Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the district's deposits may not be returned. Oregon Revised Statutes require the depository institution to maintain on deposit with a 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. As of June 30, 2005, none of the District's bank balance of \$519,477 was exposed to credit risk.

(4) Property Taxes

Property tax transactions for the year ended June 30, 2005, were as follows:

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

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2004</u>	<u>Levy as Extended by Assessor</u>	<u>Cancellations Discounts & Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2005</u>
2004-05	-	\$ 1,456,755	\$ (40,879)	\$ (1,377,020)	\$ 38,856
2003-04	42,978	-	(3,810)	(26,315)	12,853
2002-03	15,925	-	(2,286)	(6,169)	7,470
2001-02	7,903	-	(1,815)	(3,449)	2,639
2000-01	2,910	-	(437)	(1,797)	676
1999-00	1,063	-	(241)	(86)	736
1998-99	315	-	(169)	33	179
1997-98	134	-	(84)	47	97
1997 & prior	329	-	(232)	159	256
Totals	\$ 71,557	\$ 1,456,755	\$ (49,953)	\$ (1,414,597)	\$ 63,762

(5) Deferred Revenue

Deferred revenue as of June 30, 2005 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, 2005 are as follows:

<u>Primary Government</u>	<u>7/01/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2005</u>
Capital assets, non-depreciable:				
Land	\$ 46,000	\$ -	\$ -	\$ 46,000
Total capital assets, non-depreciable	46,000	-	-	46,000
Capital assets, depreciable:				
Buildings	69,224	-	-	69,224
Equipment	83,632	9,422	-	93,054
Vehicles	988,757	103,114	-	1,041,637
Total capital assets, depreciable	1,341,613	112,537	-	1,403,916
Total assets	1,387,613	112,537	-	1,449,916
Less accumulated depreciation for:				
Buildings	(195,603)	(4,581)	-	(200,184)
Equipment	(56,116)	(4,008)	-	(60,124)
Vehicles	(381,911)	(48,163)	-	(430,074)
Total accumulated depreciation	(633,630)	(56,752)	-	(690,382)
Net depreciable capital assets	707,983	55,785	-	713,534
Net capital assets	\$ 703,749	\$ 55,785	-	\$ 759,534

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

Depreciation expense of \$ 56,752 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	\$ -	\$ 85,000
Apparatus Reserve Fund	75,000	-
Utility Vehicle Reserve Fund	10,000	-
	<u>10,000</u>	<u>-</u>
Total Major Governmental Funds	<u>\$ 85,000</u>	<u>\$ 85,000</u>

Interfund transfers represent operating transfers for the year ended June 30, 2005.

(8) Long-term Debt

Changes in long-term debt are summarized as follows:

	<u>June 30</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u> <u>2005</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 80,661</u>	<u>\$ 13,679</u>	<u>\$ (454)</u>	<u>\$ 93,886</u>	<u>\$ 93,886</u>
Total	<u>\$ 80,661</u>	<u>\$ 13,679</u>	<u>\$ (454)</u>	<u>\$ 93,886</u>	<u>\$ 93,886</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, 2005 was \$ 633,164; the total payroll was \$ 643,217.

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 \$48,692 for the year ended June 30, 2005.

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, 2003 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, 2003. 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.

Plan assets and liabilities as determined at December 31, 2003, the date of the latest actuarial valuation, and December 31, 2001 and 1999 are as follows:

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

<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>
1999	4,088,666	2,764,034	(1,324,632)	148%	497,577	-266%
2001	3,689,587	1,895,751	(1,793,837)	195%	580,877	-309%
2003	2,763,285	1,492,176	(1,271,109)	185%	467,830	-272%

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, 2005, 2004, and 2003 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>
6/30/03	\$ 34,362	100%	\$ -
6/30/04	\$ 38,982	100%	\$ -
6/30/05	\$ 48,692	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 2004 to 2005. Settled claims have not exceeded this commercial coverage for any of the past three years.

(11) Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

Management and the District's legal counsel are not aware of any contingencies that would require disclosure under Statement of Financial Accounting Standards No. 5.

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

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, 2005

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,425,411	\$ 1,425,411	\$ 1,413,696	\$ (11,715)
Interest on investments	9,000	9,000	6,982	(2,018)
Other revenues	1,000	1,000	2,049	1,049
Grants	274,239	274,239	101,750	(172,489)
Total revenues	1,709,650	1,709,650	1,524,477	(185,173)
EXPENDITURES:				
Personal services	1,060,529	995,529	984,877	10,652
Materials and services	347,749	437,749	429,599	8,150
Capital outlay	340,038	315,038	119,143	195,895
Contingency	50,000	50,000	-	50,000
Total expenditures	1,798,316	1,798,316	1,533,619	264,697
Revenues over (under) expenditures	(88,666)	(88,666)	(9,142)	79,524
OTHER FINANCING SOURCES (USES):				
Transfers out	(85,000)	(85,000)	(85,000)	-
Total other financing sources (uses)	(85,000)	(85,000)	(85,000)	-
Net changes in fund balances	(173,666)	(173,666)	(94,142)	79,524
FUND BALANCE, BEGINNING	509,666	509,666	389,851	(119,815)
FUND BALANCE, ENDING	\$ 336,000	\$ 336,000	\$ 295,709	\$ (40,291)

**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, 2005**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest on investments	\$ 1,000	\$ 1,000	\$ 786	\$ (214)
Total revenues	1,000	1,000	786	(214)
EXPENDITURES:				
Capital outlay	150,500	150,500	74,493	76,007
Total expenditures	150,500	150,500	74,493	76,007
Revenues over (under) expenditures	(149,500)	(149,500)	(73,707)	75,793
OTHER FINANCING SOURCES (USES):				
Transfers in	75,000	75,000	75,000	-
Total other financing sources (uses)	75,000	75,000	75,000	-
Net changes in fund balances	(74,500)	(74,500)	1,293	75,793
FUND BALANCES, BEGINNING	144,500	144,500	150,060	5,560
FUND BALANCES, ENDING	\$ 70,000	\$ 70,000	\$ 151,353	\$ 81,353

**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, 2005**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest on investments	\$ -	\$ -	\$ 7	\$ 7
Total revenues	-	-	7	7
EXPENDITURES:				
Capital outlay	7,496	7,496	-	7,496
Total expenditures	7,496	7,496	-	7,496
Revenues over (under) expenditures	(7,496)	(7,496)	7	7,503
Net changes in fund balances	(7,496)	(7,496)	7	7,503
FUND BALANCES, BEGINNING	7,496	7,496	7,487	(9)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 7,494	\$ 7,494

**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, 2005**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest on investments	\$ 100	\$ 100	\$ 231	\$ 131
Total revenues	100	100	231	131
EXPENDITURES:				
Capital outlay	45,668	45,668	28,621	17,047
Total expenditures	45,668	45,668	28,621	17,047
Revenues over (under) expenditures	(45,568)	(45,568)	(28,390)	17,178
OTHER FINANCING SOURCES (USES):				
Transfers in	10,000	10,000	10,000	-
Total other financing sources (uses)	10,000	10,000	10,000	-
Net changes in fund balances	(35,568)	(35,568)	(18,390)	17,178
FUND BALANCES, BEGINNING	<u>35,568</u>	<u>35,568</u>	<u>35,767</u>	<u>199</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,377</u>	<u>\$ 17,377</u>

**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, 2005 and have issued our report thereon dated December 9, 2005.

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, 2005, 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.

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

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. 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, 2005, 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, 2005.

Indebtedness

During our audit, nothing came to our attention that caused us to believe the City was not in compliance with legal debt limitation and the provision of bond indentures and other agreements.

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 the District owned property in force at June 30, 2005 are adequate.

Programs Funded from Outside Sources

The District did not receive program funds from outside sources.

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

Highway Funds

The District does not receive Highway Funds.

Investments

The District investments for the year ended June 30, 2005 were tested and appear to be in compliance with Oregon Revised Statutes with regard to legal restrictions pertaining to the investment of public funds.

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

Merina & Company, LLP
West Linn, Oregon
December 9, 2005