

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Members of the Board of Directors .....	i
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1
Management Discussion and Analysis .....	2
<b><u>Basic Financial Statements</u></b> .....	7
Government Wide	
Statement of Net Assets .....	8
Statement of Activities .....	9
Fund Financial Statements .....	10
Governmental Funds	
Balance Sheet .....	11
Statement of Revenues, Expenditures, and Changes In Fund Balances .....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the State of Activities .....	13
<b><u>Notes to the Basic Financial Statements</u></b> .....	14
<b><u>Required Supplementary Information</u></b> .....	24
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget to	
Actual General Fund .....	25
Apparatus Reserve Fund .....	26
Rescue Tool Reserve Fund .....	27
Utility Vehicle Reserve Fund .....	28
Building Improvement and Remodeling Reserve Fund .....	29
<b><u>Audit Comments and Disclosures Required by State Regulations</u></b> .....	30

AUDIT MUNICIPALITIES

	Date	Initial
Rec'd	1-2-07	JT
DIS	1-2-07	ll
Muni	1-2-07	smc
Scanned	_____	_____
Comments	_____	_____

**ESTACADA RURAL FIRE DISTRICT NO. 69, OREGON**  
**MEMBERS OF THE BOARD OF DIRECTORS**  
**June 30, 2006**

---

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, 2006

Edwin Thoreson - Secretary  
Estacada, OR 97023

June 30, 2006

Registered Agent

David Kushner, Attorney at Law  
Estacada, Oregon 97023

Administrative Offices

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Estacada Rural Fire District No. 69, (the District) as of and for the year ended June 30, 2006, 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 respective financial position of the Estacada Rural Fire District No. 69 as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and 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 8, 2006

**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, 2006. 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 \$1,072,124 (Net assets). Of this amount, \$367,873 (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 \$129,219.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$436,455. 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 \$265,249 or 12% percent of total general fund expenditures.
- The district's call volume, both medical and fire, increased by 3.88% in 2005/2006

**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 2005/2006, and incurred none during fiscal year 2005/2006.

With this second year implementation of the GASB 34, the District is presenting comparable columns for fiscal years ending June 30, 2006 and June 30, 2005.

**TABLE 1**  
**STATEMENT OF NET ASSETS**

	<b>Governmental Activities</b>	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 446,925	\$ 519,706
Due from county	8,602	9,869
Property tax receivable	58,219	63,762
Accounts receivable	<u>1,742</u>	<u>3,920</u>
Total current assets	521,388	598,825
Non-current assets:		
Capital assets:		
Non-depreciable	46,000	46,000
Depreciable, net	658,251	713,534
Total non-current assets	<u>704,251</u>	<u>759,534</u>
Total assets	1,225,639	1,358,359
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	31,575	63,130
Compensated absences	<u>121,940</u>	<u>93,886</u>
Total current liabilities	153,515	157,016
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	704,251	759,534
Unrestricted	<u>367,873</u>	<u>441,809</u>
Total net assets	<u>1,072,124</u>	<u>1,201,343</u>
Total liabilities and net assets	<u>\$ 1,225,639</u>	<u>\$ 1,358,359</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 \$129,219 resulting in ending net assets of \$1,072,124. 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>2006</u>	<u>2005</u>
<b>GENERAL REVENUES</b>		
Property taxes	\$ 1,465,905	\$ 1,405,901
Interest and investment earnings	6,876	8,006
Other revenue	9,539	2,049
Grants	153,431	101,750
Total general revenues and transfers	<u>\$ 1,635,751</u>	<u>\$ 1,415,956</u>
<b>EXPENSES</b>		
Governmental activities:		
Fire Services	<u>\$ 1,764,970</u>	<u>\$ 1,542,657</u>
Total government	<u>1,764,970</u>	<u>1,542,657</u>
Change in net assets	(129,219)	(126,701)
<b>NET ASSETS, BEGINNING</b>	<u>1,201,343</u>	<u>1,328,044</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 1,072,124</u>	<u>\$ 1,201,343</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 and personal services to materials and services for the general fund was necessary due to:

1. Ongoing 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
3. Increase in fuel and utilities costs.
4. Increased need and cost of professional assistance, and;
5. Increase in Dispatch Services costs

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 2005/2006. Our cash carryforward for 2005/2006 was considerably lower than anticipated. Since Measure 47 and 50 were passed, and substantial increases in the costs associated with delivering services to the citizens 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. A conscious effort was made by the Board and management to maintain staff and services at the existing levels, reduce overtime, and curtail spending in capital and transfers to reserve funds, putting more emphasis on spending for personal services and operational issues

Capital Assets and Debt Administration

One capital item, a new Xerox color copier was purchased and added to the capital asset inventory.

**TABLE 3**  
**CAPITAL ASSETS**  
**(Net of Depreciation)**

	2006	2005
Land	\$ 46,000	\$ 46,000
Buildings	64,460	69,040
Equipment	40,808	32,930
Vehicles	552,983	611,564
<b>Total</b>	<b>\$ 704,251</b>	<b>\$ 759,534</b>

## **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 2006/2007 is highlighted by the anticipation of a 5.5% increase in tax revenue, along with \$440,868 in grant money. The tax rate for fiscal year 2006/2007 continues to be \$2.4029. We asked Clackamas County to certify \$1,592,907. Therefore, after un-collectable taxes, we anticipate receiving \$1,529,191 in tax revenue. This amount is \$62,526 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, 2006**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 446,925
Property taxes receivable	58,219
Due from county	8,602
Accounts receivable	5,900
Prepaid expenses	<u>1,742</u>
Total current assets	<u>521,388</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	46,000
Depreciable, net	<u>658,251</u>
Total noncurrent assets	<u>704,251</u>
Total assets	<u><u>\$ 1,225,639</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 31,575
Compensated absences	<u>121,940</u>
Total current liabilities	<u>153,515</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	704,251
Unrestricted	<u>367,873</u>
Total net assets	<u>1,072,124</u>
Total liabilities and net assets	<u><u>\$ 1,225,639</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, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net Expense Revenue and Change in Net Asset Total Governmental Activities</u>
Governmental activities:			
Fire services	\$ 1,764,970	\$ -	\$ (1,764,970)
Total government	<u>\$ 1,764,970</u>	<u>\$ -</u>	<u>\$ (1,764,970)</u>
General revenues:			
Taxes:			
Property taxes			1,465,905
Grants and contributions			153,431
Interest on investments			6,876
Miscellaneous			9,539
Total general revenues and transfers			<u>1,635,751</u>
Change in net assets			<u>(129,219)</u>
Net assets - beginning			<u>1,201,343</u>
Net assets - ending			<u>\$ 1,072,124</u>

**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 accounts for revenues earmarked and legally restricted for the purchase of new or replacement fire apparatus including fire engines, water tenders, wildland engines, and rescue vehicles.

**Rescue Tool Reserve Fund**

The Rescue Tool Reserve Fund accounts for revenues earmarked and legally restricted for the purchase of replacement or upgrading extrication equipment.

**Utility Vehicle Reserve Fund**

The Utility Vehicle Reserve Fund accounts for revenues earmarked and legally restricted for the purchase of new or replacement utility vehicles.

ESTACADA RURAL FIRE DISTRICT NO. 69  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2006

	General Fund	Apparatus Reserve Fund	Rescue Tool Reserve Fund	Utility Vehicle Reserve Fund	Total Governmental
<b>ASSETS</b>					
Cash and cash equivalents	\$ 275,719	\$ 149,793	\$ 7,500	\$ 13,913	\$ 446,925
Property taxes receivable	58,219	-	-	-	58,219
Due from county	8,602	-	-	-	8,602
Accounts receivable	5,900	-	-	-	5,900
Prepaid expenses	1,742	-	-	-	1,742
<b>Total assets</b>	<b>\$ 350,182</b>	<b>\$ 149,793</b>	<b>\$ 7,500</b>	<b>\$ 13,913</b>	<b>\$ 521,388</b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES:**

Accounts payable and other current liabilities	\$ 31,575	\$ -	\$ -	\$ -	\$ 31,575
Deferred revenue	53,358	-	-	-	53,358
<b>Total liabilities</b>	<b>84,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,933</b>

**FUND BALANCES:**

Unreserved, reported in:

General fund	265,249	-	-	-	265,249
Special revenue fund	-	149,793	7,500	13,913	171,206
<b>Total fund balance</b>	<b>265,249</b>	<b>149,793</b>	<b>7,500</b>	<b>13,913</b>	<b>436,455</b>
<b>Total liabilities and fund balance</b>	<b>\$ 350,182</b>	<b>\$ 149,793</b>	<b>\$ 7,500</b>	<b>\$ 13,913</b>	

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. 704,251

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 53,358

Compensated absences are not due and payable in the current period and therefore are not reported in the funds. (121,940)

Net Assets \$ 1,072,124

**ESTACADA RURAL FIRE DISTRICT NO. 69**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2006**

	General Fund	Apparatus Reserve Fund	Rescue Tool Reserve Fund	Utility Vehicle Reserve Fund	Total Governmental
<b>REVENUES:</b>					
Taxes	\$ 1,476,309	\$ -	\$ -	\$ -	\$ 1,476,309
Interest on investments	6,204	375	6	291	6,876
Grants	153,431	-	-	-	153,431
Miscellaneous	9,539	-	-	-	9,539
<b>Total revenues</b>	<b>1,645,483</b>	<b>375</b>	<b>6</b>	<b>291</b>	<b>1,646,155</b>
<b>EXPENDITURES:</b>					
Current:					
Personal services	1,080,545	-	-	-	1,080,545
Materials and services	412,915	-	-	-	412,915
Capital outlay	182,483	1,935	-	3,755	188,173
<b>Total expenditures</b>	<b>1,675,943</b>	<b>1,935</b>	<b>-</b>	<b>3,755</b>	<b>1,681,633</b>
Revenues over (under) expenditures	(30,460)	(1,560)	6	(3,464)	(35,478)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	115,000	115,000	-	-	230,000
Transfers out	(115,000)	(115,000)	-	-	(230,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net changes in fund balances	(30,460)	(1,560)	6	(3,464)	(35,478)
<b>FUND BALANCES, BEGINNING</b>	<b>295,709</b>	<b>151,353</b>	<b>7,494</b>	<b>17,377</b>	<b>471,933</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 265,249</b>	<b>\$ 149,793</b>	<b>\$ 7,500</b>	<b>\$ 13,913</b>	<b>\$ 436,455</b>

**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, 2006**

---

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ (35,478)

The statement of revenues, expenditures, and changes if 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	(66,308)	
Capital assets additions	<u>11,025</u>	(55,283)

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (10,404)

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. (28,054)

Change in net assets of governmental activities \$ (129,219)

**(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, 2006 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.



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.

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.

### **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.

**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.

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, 2006. 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. The total bank balance, at June 30, 2006, shown on the bank statements was \$506,032. Of these deposits, \$113,913 was covered by federal depository insurance. There were no balances in excess of federal deposit insurance requiring coverage by \$1,500,000 in collateral certificates held by the pledging financial institutions' trust department or agent, but not in the district's name.

**(4) Property Taxes**

Property tax transactions for the year ended June 30, 2006, were as follows:

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

Fiscal Year	Property Taxes Receivable June 30, 2005	Levy as Extended by Assessor	Cancellations Discounts & Adjustments	Collections	Property Taxes Receivable June 30, 2006
2005-06		\$ 1,512,084	\$ (39,162)	\$ (1,436,428)	\$ 36,494
2004-05	\$ 38,856	-	(2,009)	(25,934)	10,913
2003-04	12,853	-	(1,191)	(5,914)	5,748
2002-03	7,470	-	(1,074)	(3,343)	3,053
2001-02	2,639	-	(1,028)	(715)	896
2000-01	676	-	(313)	80	443
1999-00	736	-	(571)	83	248
1998-99	179	-	(177)	144	146
1997-98	97	-	(176)	157	78
1997 & prior	256	-	(507)	451	200
Totals	<u>\$ 63,762</u>	<u>\$ 1,512,084</u>	<u>\$ (46,208)</u>	<u>\$ (1,471,419)</u>	<u>\$ 58,219</u>

**(5) Deferred Revenue**

Deferred revenue as of June 30, 2006 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, 2006 are as follows:

Primary Government	6/30/2005	Additions	Deletions	6/30/2006
<b>Capital assets, non-depreciable:</b>				
Land	\$ 46,000	\$ -	\$ -	\$ 46,000
Total capital assets, non-depreciable	46,000	-	-	46,000
<b>Capital assets, depreciable:</b>				
Buildings	69,224	-	-	69,224
Equipment	93,054	11,025	(7,240)	96,840
Vehicles	1,041,637	-	-	1,041,637
Total capital assets, depreciable	1,403,916	11,025	(7,240)	1,407,701
Total assets	1,449,916	11,025	(7,240)	1,453,701
<b>Less accumulated depreciation for:</b>				
Buildings	(200,184)	(4,580)	-	(204,764)
Equipment	(60,124)	(3,148)	7,240	(56,032)
Vehicles	(430,074)	(58,580)	-	(488,654)
Total accumulated depreciation	(690,382)	(66,308)	7,240	(749,450)
Net depreciable capital assets	713,534	(55,283)	-	658,252
<b>Net capital assets</b>	<u>\$ 759,534</u>	<u>\$ (55,283)</u>	<u>\$ -</u>	<u>\$ 704,251</u>

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

---

Depreciation expense of \$66,308 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	\$ 115,000	\$ (115,000)
Apparatus Reserve Fund	<u>115,000</u>	<u>(115,000)</u>
Total Major Governmental Funds	<u>\$ 230,000</u>	<u>\$ ( 230,000)</u>

Interfund transfers represent operating transfers for the year ended June 30, 2006.

**(8) Compensated Absences**

Changes in compensated absences are summarized as follows:

	<u>June 30,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2006</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 93,886</u>	<u>\$ 41,885</u>	<u>\$ (13,831)</u>	<u>\$ 121,940</u>	<u>\$ 121,940</u>
Total	<u>\$ 93,886</u>	<u>\$ 41,885</u>	<u>\$ (13,831)</u>	<u>\$ 121,940</u>	<u>\$ 121,940</u>

**(9) Pension Plans**

**A. Plan Description**

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

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

---

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

**B. Funding Policy**

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program, this is paid by the District. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2006 were 0.64% and 8.04% respectively, the annual pension cost was \$45,809. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**C. Annual Pension Cost**

Contribution information for the years ended June 30, 2006, 2005, and 2004 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 38,982	100%	\$ -
6/30/05	\$ 48,692	100%	\$ -
6/30/06	\$ 45,809	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 2005 to 2006. 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.



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

---

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 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
- Building Improvement and Remodeling 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, 2006**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,516,665	\$ 1,516,665	\$ 1,476,309	\$ (40,356)
Interest on investments	9,000	9,000	6,204	(2,796)
Grants	497,180	497,180	153,431	(343,749)
Miscellaneous	1,000	1,000	9,539	8,539
Total revenues	<u>2,023,845</u>	<u>2,023,845</u>	<u>1,645,483</u>	<u>(378,362)</u>
<b>EXPENDITURES:</b>				
Personal services	1,149,667	1,089,667	1,080,545	9,122
Materials and services	360,057	432,057	412,915	19,142
Capital outlay	528,680	516,680	182,483	334,197
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>2,088,404</u>	<u>2,088,404</u>	<u>1,675,943</u>	<u>412,461</u>
Revenues over (under) expenditures	(64,559)	(64,559)	(30,460)	34,099
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	115,000	115,000
Transfers out	(140,000)	(140,000)	(115,000)	25,000
Total other financing sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>	<u>140,000</u>
Net changes in fund balances	(204,559)	(204,559)	(30,460)	174,099
<b>FUND BALANCE, BEGINNING</b>	<u>336,000</u>	<u>336,000</u>	<u>295,709</u>	<u>(40,291)</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 131,441</u>	<u>\$ 131,441</u>	<u>\$ 265,249</u>	<u>\$ 133,808</u>

**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, 2006**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 375	\$ (625)
Total revenues	1,000	1,000	375	(625)
<b>EXPENDITURES:</b>				
Capital outlay	245,778	245,778	1,935	243,843
Total expenditures	245,778	245,778	1,935	243,843
Revenues over (under) expenditures	(244,778)	(244,778)	(1,560)	243,218
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,000	100,000	115,000	15,000
Transfers out	-	-	(115,000)	(115,000)
Total other financing sources (uses)	100,000	100,000	-	(100,000)
Net changes in fund balances	(144,778)	(144,778)	(1,560)	143,218
<b>FUND BALANCES, BEGINNING</b>	144,778	144,778	151,353	6,575
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 149,793	\$ 149,793

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, 2006

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 10	\$ 10	\$ 6	\$ (4)
Total revenues	10	10	6	(4)
<b>EXPENDITURES:</b>				
Capital outlay	7,500	7,500	-	7,500
Total expenditures	7,500	7,500	-	7,500
Revenues over (under) expenditures	(7,490)	(7,490)	6	7,496
Net changes in fund balances	(7,490)	(7,490)	6	7,496
<b>FUND BALANCES, BEGINNING</b>	7,500	7,500	7,494	(6)
<b>FUND BALANCES, ENDING</b>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 7,500</u>	<u>\$ 7,490</u>

**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, 2006**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 50	\$ 50	\$ 291	\$ 241
Total revenues	50	50	291	241
<b>EXPENDITURES:</b>				
Capital outlay	23,050	23,050	3,755	19,295
Total expenditures	23,050	23,050	3,755	19,295
Revenues over (under) expenditures	(23,000)	(23,000)	(3,464)	19,536
<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	(13,000)	(13,000)	(3,464)	9,536
<b>FUND BALANCES, BEGINNING</b>	13,000	13,000	17,377	4,377
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 13,913	\$ 13,913

**ESTACADA RURAL FIRE DISTRICT NO. 69  
 BUILDING IMPROVEMENT AND REMODELING RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2006**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest on investments	\$ 150	\$ 150	\$ -	\$ (150)
Total revenues	150	150	-	(150)
<b>EXPENDITURES:</b>				
Capital outlay	66.150	66.150	-	66.150
Total expenditures	66.150	66.150	-	66.150
Revenues over (under) expenditures	(66,000)	(66,000)	-	66,000
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	30.000	30.000	-	(30,000)
Total other financing sources (uses)	30.000	30.000	-	(30,000)
Net changes in fund balances	(36,000)	(36,000)	-	36,000
<b>FUND BALANCES, BEGINNING</b>	36.000	36.000	-	(36,000)
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2006 and have issued our report thereon dated December 8, 2006.

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, 2006, 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, 2006, 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, 2006.

Indebtedness

During our audit, nothing came to our attention that caused us to believe the District was not in compliance with legal debt limitation and the provision of bond indentures and other agreements. As of June 30, 2006, the District was not indebted.

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, 2006 are adequate.

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

---

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, 2006 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 8, 2006