

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

Estacada, Oregon

Annual Financial Report

June 30, 2007

AUDITS MUNICIPALITIES

	Date	Initial
Rec'd	<u>4-2-09</u>	<u>lc</u>
DIS	<u>4-2-09</u>	<u>smc</u>
Muni	<u>4-3-09</u>	<u>KM</u>
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Comments	_____	_____

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

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INDEPENDENT AUDITOR'S REPORT

March 9, 2009

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

We have audited the accompanying Statement of Net Assets and Governmental Funds Balance Sheet as they relate to the governmental activities, each major fund and the aggregate remaining fund information of the Estacada Rural Fire Protection District No. 69 (the District), as of June 30, 2007, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

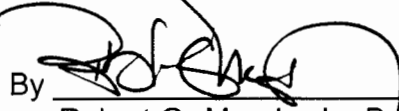
Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Estacada Rural Fire Protection District No. 69
Estacada, Oregon
March 9, 2009
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other financial schedule listed in the Table of Contents as Other Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr., Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

Estacada, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2007

Management staff of the Estacada Rural Fire Protection District No. 69 (the District) offers this executive summary of financial information of the District as of June 30, 2007. This information is comparable to the prior fiscal year because, in 2004, the District implemented new standards in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 resulting in significant changes in content and structure. GASB 34 requires this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,191,019 (Net Assets). Of this amount, \$483,467 (unrestricted net assets) may be used to meet the District's ongoing obligation to citizens and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$554,652. This entire total amount is available for use within the District's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$270,882.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District'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. The report also contains other supplementary information in addition to the basic financial statements.

The basic financial statements include the district-wide financial statement that presents an overview of the entire District, while the fund level statement presents the financial information of each of the two major funds, and remaining non-major funds in the aggregate. All of the District's information is categorized and reported as governmental activities.

District-wide Statements

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

GOVERNMENT WIDE FINANCIAL ANALYSIS

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.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

Estacada, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2007

GOVERNMENT WIDE FINANCIAL ANALYSIS (Continued)

Statement of Net Assets (Continued)

The District had no long term debt entering fiscal year 2006/2007, and incurred none during fiscal year 2006/2007.

STATEMENT OF NET ASSETS

	June 30	
	2007	2006
ASSETS:		
Current Assets	\$ 694,091	\$ 521,388
Capital Assets	707,552	704,251
Total Assets	<u>1,401,643</u>	<u>1,225,639</u>
LIABILITIES:		
Current Liabilities	<u>210,624</u>	<u>153,515</u>
NET ASSETS		
Invested in capital assets, net of related debt	707,552	704,251
Unrestricted	<u>483,467</u>	<u>367,873</u>
Total Net Assets	<u>\$ 1,191,019</u>	<u>\$ 1,072,124</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.

The District presents the General Fund and Apparatus Reserve Fund as its major funds.

District funds are used to account for essentially the same functions reported as the activities in the district-wide financial statements. However, unlike the District-wide financial statements, 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. Because of this difference in measurement focus, a reconciliation from the Governmental Funds Balance Sheet to the Statement of Net Assets is included in the Basic Financial Statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

Estacada, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Four capital items were purchased and added to the capital asset inventory:

- MW800 Data Terminal W/VRM850 Mount and Antenna
- Bauer SCBA Unicus III Compressor
- Turnout Dryer
- M Series Med-Pro Plus Biphasic Defibrillator

CAPITAL ASSETS
(Net of Depreciation)

	<u>June 30, 2007</u>
Land	\$ 48,250
Buildings	59,879
Equipment	94,636
Vehicles and apparatus	<u>504,787</u>
Total	<u>\$ 707,552</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 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 Budget and Rates

The District's budget for fiscal year 2007/2008 is highlighted by the anticipation of an increase in tax revenue, along with \$573,512 in grant money. The tax rate for fiscal year 2007/2008 continues to be \$2.4029. We asked Clackamas County to certify \$1,777,400. Therefore, after un-collectable taxes, we anticipate receiving \$1,688,530 in tax revenue; this amount is \$159,339 more than in FY 2006/2007. The approved budget for 2007/2008 is \$3,012,228.

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.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 608,026
Cash with County Treasurer	10,837
Accounts receivable	7,551
Property taxes receivable	67,677
Capital assets:	
Nondepreciable capital assets	48,250
Depreciable capital assets, net	<u>659,302</u>
TOTAL ASSETS	<u>1,401,643</u>
LIABILITIES:	
Accounts payable and accrued expenses	65,720
Payroll liabilities	11,815
Accrued compensated absences	<u>133,089</u>
TOTAL LIABILITIES	<u>210,624</u>
NET ASSETS:	
Invested in capital assets, net	707,552
Unrestricted	<u>483,467</u>
TOTAL NET ASSETS	<u>\$ 1,191,019</u>

See notes to the basic financial statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

	<u>General Fund</u>	<u>Apparatus Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 324,256	\$ 250,428	\$ 33,342	\$ 608,026
Cash with County Treasurer	10,837	-	-	10,837
Accounts receivable	7,551	-	-	7,551
Property taxes receivable	67,677	-	-	67,677
TOTAL ASSETS	<u>\$ 410,321</u>	<u>\$ 250,428</u>	<u>\$ 33,342</u>	<u>\$ 694,091</u>
LIABILITIES AND FUND BALANCE LIABILITIES:				
LIABILITIES:				
Accounts payable	\$ 65,720	\$ -	\$ -	\$ 65,720
Payroll liabilities	11,815	-	-	11,815
Deferred revenue	61,904	-	-	61,904
TOTAL LIABILITIES	<u>139,439</u>	<u>-</u>	<u>-</u>	<u>139,439</u>
FUND BALANCES:				
Unreserved, reported in:				
General Fund	270,882	-	-	270,882
Special revenue funds	-	250,428	33,342	283,770
TOTAL FUND BALANCES	<u>270,882</u>	<u>250,428</u>	<u>33,342</u>	<u>554,652</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 410,321</u>	<u>\$ 250,428</u>	<u>\$ 33,342</u>	<u>\$ 694,091</u>

See notes to the basic financial statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS**

JUNE 30, 2007

TOTAL FUND BALANCE		\$ 554,652
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 1,484,418	
Accumulated depreciation	<u>(776,866)</u>	707,552
A portion of the accounts receivable are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		61,904
The amount of compensated absences liability that will not be paid from resources of the current year's operations is not reported as a fund liability of the governmental funds.		<u>(133,089)</u>
TOTAL NET ASSETS		<u><u>\$ 1,191,019</u></u>

See notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District was organized under the provisions of Oregon Revised 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.

Basis of Presentation

Fund Financial Statement

The Governmental Funds Balance Sheet displays information at the individual fund level for each major fund, and in a single column for all nonmajor funds in the aggregate. Currently the District has only governmental fund types.

The District reports the following major funds:

- The *General 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* accounts for revenues earmarked and legally restricted to expenditures for specified purposes.

The District also reports special revenue funds as nonmajor funds. These special revenue funds account for amounts earmarked and legally restricted to expenditures for specific purposes. Funds included in this fund category are:

- Rescue Tool Reserve Fund
- Utility Vehicle Reserve Fund

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.

The Statement of Net Assets is reported using the *economic resources measurement focus* and the *full accrual basis of accounting*.

The Governmental Funds Balance Sheet is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*.

Since the Governmental Fund Balance Sheet is presented on a different measurement focus and basis of accounting than the Government-wide Statement of Net Assets, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statement into the Government-wide presentation.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include petty cash amounts, demand deposits and amounts in a money market account. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements, among others.

Receivables

Property taxes receivable which have been collected within 30 days following year end, are considered measurable and available and are recognized as revenues and the balance recognized as deferred revenue. Property taxes are levied and assessed and become a lien against the property as of July 1 each year. They are payable in three installments of November 15, February 15, and May 15. Discounts are allowed if the amount is paid by November 15 or February 15. Taxes unpaid and outstanding on May 15 are considered delinquent. All property taxes receivable are due from property owners within the District.

Capital Assets

Capital assets are reported in the Statement of Net Assets. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is unknown. Donated capital 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 five years. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized.

Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Building	25 – 40 years
Land and improvements	10 – 20 years
Machine and equipment	5 – 10 years
Apparatus	15 – 20 years
Vehicles	5 – 10 years

Deferred Revenue

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

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vested or accumulated compensatory, vacation, holiday, sick (up to a maximum of 300 hours), and personal leave that is expected to be liquidated with expendable available financial resources is reported as a fund liability of the General Fund. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits (time in excess of the 300 hour maximum).

Pension Plan

Substantially all of the District's employees are participants in the Oregon Public Employees Retirement System (PERS) and the Oregon Public Service Retirement Plan (OPSRP), a statewide agent multiple-employer defined benefit pension plan (PERS), and a defined benefit and a combined benefit plan (OPSRP). Contributions are made on a current basis as required by the plan.

Net Assets and Fund Equity

In the Government-wide Statement of Net Assets, net assets are reported in two categories: net assets invested in capital assets, and unrestricted net assets. Net assets invested in capital assets, represents capital assets less accumulated depreciation. All of the District's remaining net assets are considered unrestricted.

Budget

The District is required by state law to budget all funds. Budgets for all funds are prepared on the modified accrual basis of accounting. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The resolution established the level of budgetary control at the category level (personal services, materials and services, capital outlay, transfers, and contingency for all funds).

All annual appropriations lapse at fiscal year end. Actual expenditures for comparison to budget is unavailable for the fiscal year ended June 30, 2007, as a result of a fraud perpetrated by the District's former Controller (see Footnote 7).

The detail budget document is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget (Continued)

Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors for the District. A supplemental budget was approved during the year ended June 30, 2007.

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.

Accounting Estimates

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the District's cash and cash equivalents are comprised of the following:

Cash on hand	\$	8
Deposits with financial institutions		23,914
Cash for reserve fund		259,643
Mutual funds		<u>324,461</u>
	\$	<u><u>608,026</u></u>

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, 2007, shown on the bank statements was \$628,813. Of these deposits, \$124,127 was covered by federal depository insurance, \$375,000 was collateralized and \$129,686 was uninsured and uncollateralized.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

2. CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2007, the District had no investments.

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. At June 30, 2007, the District had no investments.

Concentration of Credit Risk

The District does not currently have an investment policy for concentration of credit risk. At June 30, 2007, the District had no investments and thus no exposure to concentration of credit risk.

3. CAPITAL ASSETS

The District's capital assets as of June 30, 2007, is as follows:

	<u>June 30, 2007</u>
Capital assets, non depreciable:	
Land	\$ 48,250
Total capital assets, non-depreciable	<u>48,250</u>
Capital assets, depreciable	
Buildings	269,224
Equipment	132,307
Vehicles and apparatus	1,034,637
Total capital assets, depreciable	<u>1,436,168</u>
Less accumulated depreciation for:	
Buildings	(209,345)
Equipment	(37,671)
Vehicles	(529,850)
Total accumulated depreciation	<u>(776,866)</u>
Net depreciable capital assets	659,302
Total capital assets	<u>\$ 707,552</u>

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

4. PUBLIC EMPLOYEES RETIREMENT SYSTEM

Pension Plan

The Oregon Public Employees Retirement System (PERS) provides state-wide benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges, and school districts. For the District and others that have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 283A, and Internal Revenue Code 401(a) by the Public Employees Retirement Board. The Board has the authority under State statutes to amend the Plan's benefits and contribution rates.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-888-320-7377.

The Plans offer retirement and disability benefits, post-employment healthcare benefits, annual cost of living increases and death benefits to Plan members and beneficiaries. Benefits differ depending upon employee entry date. PERS Tier One and Tier Two plans and the Oregon Public Service Employee's Retirement Plan (OPSRP) established for public employees hired after August 29, 2003, are established by State statutes to provide benefits for state and local governments and their employees. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature.

Prior to December 31, 2003, the employee's 6% contribution was made to the PERS ORS 238 plans. Effective January 1, 2004, the 6% contribution was required to be remitted to the Individual Account Program (IAP) for all eligible employees under the ORS 238A Individual Account Program plan. The District also contributes the remaining amounts necessary to pay benefits when due, which equal the required contributions each year. The employer rate adopted by the PERS Board based on the December 31, 2003, actuarial valuation for the District for fiscal year 2006-07 was .59% for Tier One and Tier Two employees. For OPSRP employees, the District remitted contributions based on employee class. The OPSRP contribution rates were .41% each for general service employees and for police and fire employees.

The actuarial assumptions in the December 31, 2003, valuation included (a) 8.0% investment rate of return, (b) projected salary increases of 4% with additional increases for promotion and longevity that vary by age and service, (c) post-retirement cost of living increases of 2% per year, and (d) certain demographic assumptions. The underlying long-term assumed rate of inflation is 3% per year. The actuarial value of PERS assets are valued at fair market value on the valuation date less reserves equal to a prorate portion of the investment gains (losses) over the four-year period ending on the valuation date. The unfunded actuarial liability as of the December 31, 2003, valuation is amortized on a level percentage of covered payroll on a closed fixed term method basis over a 24-year period through December 31, 2027.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

5. 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 2006 to 2007. Settled claims have not exceeded this commercial coverage for any of the past three years.

6. 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.

7. SUBSEQUENT EVENT

Subsequent to June 30, 2007, it was discovered that the Controller of the District was engaging in fraudulent activity. The District and its forensic auditors determined that the fraudulent activity was mainly occurring through payroll activity in the General Fund although specific accounts could not be identified. The amount of funds misappropriated due to fraudulent activity is not yet determinable.

The District is in the process of litigation to recover a portion of the embezzled funds. The amount of approximately \$247,000 was received in August of 2008. Additionally during 2008 the District received the house and the land which was formally the Controller's.

OTHER SUPPLEMENTARY INFORMATION

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

**SCHEDULE OF PROPERTY TAXES
AND PROPERTY TAXES RECEIVABLE**

YEAR ENDED JUNE 30, 2007

Property tax transactions for the year ended June 30, 2007, were as follows:

Fiscal Year	Property Taxes Receivable June 30, 2006	Levy as Extended by Assessor	Cancellations Discounts & Adjustments	Collections	Property Taxes Receivable June 30, 2007
2006-07	\$ -	\$ 1,680,902	\$ (43,519)	\$ (1,591,594)	\$ 45,789
2005-06	36,494	-	(264)	(24,406)	11,824
2004-05	10,913	-	(308)	(5,130)	5,475
2003-04	5,748	-	(201)	(3,318)	2,229
2002-03	3,053	-	(860)	(1,261)	932
2001-02	896	-	(159)	(186)	551
2000-01	443	-	(22)	(90)	331
1999-00	248	-	(3)	(45)	200
1998-99	146	-	(2)	(25)	119
1997 & Prior	278	-	(62)	11	227
	<u>\$ 58,219</u>	<u>\$ 1,680,902</u>	<u>\$ (45,400)</u>	<u>\$ (1,626,044)</u>	<u>\$ 67,677</u>

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

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



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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

March 9, 2009

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

We have audited the Statement of Net Assets and Governmental Funds Balance Sheet of Estacada Rural Fire Protection District No. 69 (the District), as of June 30, 2007 and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Minimum Standards for Audits of Oregon Municipal Corporations*.

ACCOUNTING AND INTERNAL CONTROL STRUCTURE

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted significant deficiencies and material weaknesses in internal control over financial reporting during our audit of the District's financial statements, which we reported in a separate letter to the Board of Directors dated March 9, 2009.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

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ACCOUNTING RECORDS

We found the District's accounting records to be generally adequate for purposes of auditing the Statement of Net Assets and Governmental Funds Balance Sheet. The District was unable to provide records to support an audit of revenues and expenditures/expenses for the year ended June 30, 2007.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2007.

INVESTMENTS

The District had no investments as of, or for the year ended June 30, 2007.

LEGAL REQUIREMENTS RELATING TO DEBT

The District had no outstanding debt as of, or for the year ended June 30, 2007.

BUDGET COMPLIANCE

The District appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption, and execution of its budget and tax levy for the year ended June 30, 2007, and the preparation and adoption of its budget for the year ending June 30, 2008

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2007. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 2007.

PUBLIC CONTRACTS

Due to the District's lack of records relating to expenditures for the year ended June 30, 2007, we were unable to assess compliance with ORS Chapter 279.

OTHER

Compliance with the following is not applicable to the District:

Programs funded from outside sources
Financial reporting requirements
Highway funds

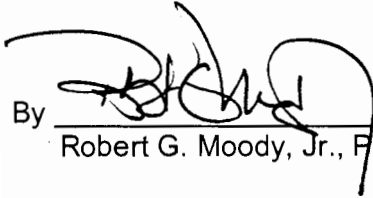
**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

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This report is intended solely for the information and use of the Board of Directors, management and the Oregon Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these specified parties.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr., Partner