

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

Estacada, Oregon

Annual Financial Report

Year Ended June 30, 2008

**AUDITS MUNICIPALITIES**

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

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

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4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973  
503.274.2849 • Fax 503.274.2853  
www.tkw.com

## INDEPENDENT AUDITOR'S REPORT

March 27, 2009

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Estacada Rural Fire Protection District No. 69 (the District), as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 7 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)**

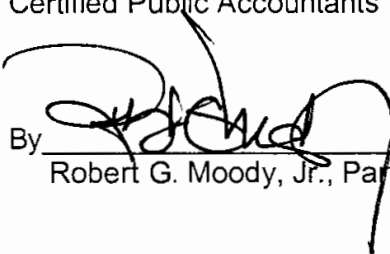
Board of Directors  
Estacada Rural Fire Protection District No. 69  
March 27, 2009  
Page 2

The Required Supplementary Information (budgetary comparison for the General and Apparatus Funds) as listed in the Table of Contents 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. This budgetary comparison information for these funds 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other Supplemental Information as listed in the Table of Contents 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**

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

**Year Ended June 30, 2008**

Management staff of the Estacada Rural Fire Protection District No. 69 (the District) offers this executive summary of financial activities of the District for the fiscal year ended June 30, 2008. This information is comparable to the prior fiscal year because, in 2004, the District implemented standards in accordance with Governmental Accounting Standards Board (GASB) 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 \$1,908,620 (net assets). Of this amount, \$767,700 (unrestricted net assets) may be used to meet the District's ongoing obligation to citizens and creditors.
- The District's total net assets increased by \$717,601.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$811,754. 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 \$362,494, or 20%, of total General Fund expenditures.

#### **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 Required Supplementary Information and Other Supplemental Information in addition to the Basic 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 two major funds, and remaining non-major funds in the aggregate. All of the District's activities are 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.

##### **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.

**ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Year Ended June 30, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Statement of Net Assets (Continued)

The District had no long term debt entering fiscal year 2007/2008, and incurred none during fiscal year 2007/2008.

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

	<b>Year Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>ASSETS:</b>		
Current Assets	\$ 966,347	\$ 694,091
Capital Assets	1,140,920	707,552
<b>Total Assets</b>	<b>2,107,267</b>	<b>1,401,643</b>
<b>LIABILITIES:</b>		
<b>Total Current Liabilities</b>	<b>198,647</b>	<b>210,624</b>
<b>NET ASSETS</b>		
Invested in capital assets	1,140,920	707,552
Unrestricted	767,700	483,467
<b>Total Net Assets</b>	<b>\$ 1,908,620</b>	<b>\$ 1,191,019</b>

Statement of Activities

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 expenses 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 Statement of Activities focuses on program costs and their matching resources. The increase in net assets can be traced to the Statement of Activities wherein property tax revenues, grants and contributions exceeded the District's expenses.

**ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended June 30, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Statement of Activities (Continued)

The District's net assets increased by \$717,601 resulting in ending net assets of \$1,908,628. 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. The summary provided in Table 2 below provides information related to the most current fiscal year only. Information on revenues and expenses for the fiscal year ended June 30, 2007 is unavailable. See Note 9 to the Basic Financial Statements for additional information.

**TABLE 2**  
**STATEMENT OF ACTIVITIES**  
**Net Revenue (Expenses) and Changes in Net Assets**

	<b>Year Ended June 30, 2008</b>
<b>General Revenues</b>	
Property taxes	\$ 1,691,997
Interest and investment earnings	11,190
Other revenue	9,488
<b>Total general revenues</b>	<b>1,712,675</b>
 <b>Governmental activities</b>	
Expenses	
Fire Services	(1,558,313)
Grants and Contributions	
Fire Services	563,239
<b>Total governmental activities</b>	<b>(995,074)</b>
 <b>Change in net assets</b>	<b>717,601</b>
 Net assets, July 1, 2007	1,191,019
Net assets, June 30, 2008	<b>\$ 1,908,620</b>

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 Fund as its major funds.



**ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Year Ended June 30, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Fund Financial Statements (Continued)

District funds are used to account for essentially the same functions reported as district activities in the district-wide financial statements. However, unlike the district-wide financial statements, district 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 and from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities is included in the Basic Financial Statements.

**BUDGETARY HIGHLIGHTS**

The Board of Directors approved changes to the adopted budget. Such adoption was approved by the Board of Directors; however, it was noted to be in violation of Oregon Budget Law, as indicated in Note 1 of the Basic Financial Statements. A transfer from the Apparatus Reserve Fund to the General Fund was necessary due to:

1. A short fall in beginning fund balance to fund operations from July to November 2007 and;
2. Increased need for, and cost of, professional assistance.

Information from Clackamas County indicated growth estimates for property taxes to be 5.5% to 6.0%; at year end the District's total tax increase including growth is expected to be 10% based on budgetary information in 2007/2008. Our beginning fund balance for 2007/2008 was considerably lower than anticipated. 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**

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

- Hazard House
- M Series Manual Defibrillator w/EKG
- 800 Radio Group
- Various items included in the George Station remodel

**ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Year Ended June 30, 2008**

**CAPITAL ASSETS (Continued)**

The District received a piece of property and a building, valued at approximately \$196,000, as part of the previous Controller's embezzlement settlement. As a result of receipt of this property the District also assumed the outstanding mortgage of approximately \$8,000 which is included in Accounts Payable at June 30, 2008. For additional information on capital assets, refer to Note 3 to the Basic Financial Statements.

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

	<u>2008</u>	<u>2007</u>
Land	\$ 129,130	\$ 48,250
Buildings	189,457	59,879
Equipment	371,198	94,636
Vehicles	<u>451,135</u>	<u>504,787</u>
Total	<u>\$ 1,140,920</u>	<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 its boundaries. Increasing property values within the boundaries of the District translates 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 2008/2009 is highlighted by the anticipation of an increase in tax revenue, along with \$22,432 in grant money. The tax rate for fiscal year 2008/2009 continues to be \$2.4029. We asked Clackamas County to certify \$1,819,544. Therefore, after uncollectable taxes, we anticipate receiving \$1,721,288 in tax revenue; this amount is \$32,758 more than in FY 2007/2008. The approved budget for 2008/2009 is \$3,758,151.

**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.

**BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 857,532
Cash with county treasurer	11,886
Receivables, net:	
Property taxes receivable	85,951
Other receivables	7,551
Prepaid expenses	3,427
Total current assets	<u>966,347</u>
<b>NONCURRENT ASSETS</b>	
Capital assets:	
Nondepreciable	129,130
Depreciable	1,011,790
Total noncurrent assets	<u>1,140,920</u>
 Total assets	 <u>2,107,267</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	74,104
Payroll liabilities	1,892
Accrued compensated absences	122,651
Total current liabilities	<u>198,647</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net	1,140,920
Unrestricted	767,700
Total net assets	<u>\$ 1,908,620</u>

See notes to the basic financial statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

STATEMENT OF ACTIVITIES

JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) / Revenue and Change in Net Assets</u>
Governmental activities:			
Fire services	<u>\$ 1,558,313</u>	<u>\$ 563,239</u>	<u>\$ (995,074)</u>
General revenues:			
Taxes:			
Property taxes			1,691,997
Interest and investment earnings			11,190
Other			<u>9,488</u>
Total general revenues			<u>1,712,675</u>
Change in net assets			717,601
Net assets, July 1, 2007			<u>1,191,019</u>
Net assets, June 30, 2008			<u>\$ 1,908,620</u>

See notes to basic financial statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>General Fund</u>	<u>Apparatus Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 411,699	\$ 376,914	\$ 68,919	\$ 857,532
Cash with county treasurer	11,886	-	-	11,886
Receivables, net:				
Property taxes receivable	85,951	-	-	85,951
Other receivables	7,551	-	-	7,551
Prepaid expenses	3,427	-	-	3,427
Total assets	<u>\$ 520,514</u>	<u>\$ 376,914</u>	<u>\$ 68,919</u>	<u>\$ 966,347</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 74,104	\$ -	\$ -	\$ 74,104
Payroll liabilities	1,892	-	-	1,892
Deferred revenue	78,597	-	-	78,597
Total liabilities	<u>154,593</u>	<u>-</u>	<u>-</u>	<u>154,593</u>
<b>Fund Balances:</b>				
Reserve for prepaid expenses	3,427	-	-	3,427
Unreserved, reported in:				
General fund	362,494	-	-	362,494
Special revenue funds	-	376,914	68,919	445,833
Total fund balances	<u>365,921</u>	<u>376,914</u>	<u>68,919</u>	<u>811,754</u>
Total liabilities and fund balances	<u>\$ 520,514</u>	<u>\$ 376,914</u>	<u>\$ 68,919</u>	<u>\$ 966,347</u>

See notes to basic financial statements.

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

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

**JUNE 30, 2008**

<b>TOTAL FUND BALANCES</b>			\$	811,754
A portion of 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.				78,597
Capital assets are not financial resources and therefore are not reported in the governmental funds:				
Cost	\$	1,989,037		
Accumulated depreciation		<u>(848,117)</u>		1,140,920
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>(122,651)</u>
<b>TOTAL NET ASSETS</b>			\$	<u>1,908,620</u>

See notes to basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Apparatus Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,675,304	\$ -	\$ -	\$ 1,675,304
Investment earnings	9,127	1,486	577	11,190
Other revenues	9,488	-	-	9,488
Grants	375,566	-	-	375,566
Total revenues	<u>2,069,485</u>	<u>1,486</u>	<u>577</u>	<u>2,071,548</u>
<b>EXPENDITURES</b>				
Personal services	1,059,592	-	-	1,059,592
Materials and services	312,456	-	-	312,456
Capital outlay	442,398	-	-	442,398
Total expenditures	<u>1,814,446</u>	<u>-</u>	<u>-</u>	<u>1,814,446</u>
Excess of revenues over expenditures	<u>255,039</u>	<u>1,486</u>	<u>577</u>	<u>257,102</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	225,000	350,000	35,000	610,000
Transfers out	<u>(385,000)</u>	<u>(225,000)</u>	<u>-</u>	<u>(610,000)</u>
Total other financing financing sources (uses)	<u>(160,000)</u>	<u>125,000</u>	<u>35,000</u>	<u>-</u>
Net change in fund balances	95,039	126,486	35,577	257,102
Fund balances - July 1, 2007	<u>270,882</u>	<u>250,428</u>	<u>33,342</u>	<u>554,652</u>
Fund balances - June 30, 2008	<u>\$ 365,921</u>	<u>\$ 376,914</u>	<u>\$ 68,919</u>	<u>\$ 811,754</u>

See notes to basic financial statements.



ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported in the Statement of Activities are  
different because:

Net change in fund balances:		\$	257,102
The Statement of Revenues, Expenditures, and Changes in Fund Balances reports capital outlay 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.			
Depreciation	\$	(71,251)	
Capital asset additions		<u>316,946</u>	
			245,695
Contribution of property			187,673
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.			
			10,438
Some revenue reported in the Statement of Activities does not provide current financial resources in the governmental funds.			
			<u>16,693</u>
Change in net assets		\$	<u>717,601</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

# ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

### 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 Statements

These statements display 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. The principal source of revenue is property taxes. Primary expenditures are for fire protection and general administration.
- The *Apparatus Reserve Fund* accounts for revenues and expenditures for specified purposes.

The District also reports special revenue funds as nonmajor funds. These special revenue funds account for amounts earmarked and otherwise 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 within the various financial statements. Basis of accounting refers to when transactions are recorded.

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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, under accrual accounting. However, compensated

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

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.

**Cash and Cash Equivalents**

Cash and cash equivalents include 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 is 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. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Building	25 – 40 years
Equipment	5 – 20 years
Apparatus	15 – 20 years
Vehicles	5 – 10 years

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Revenue**

Deferred revenues represent uncollected property taxes available to finance operations of the current period.

**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.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenue, 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 are reported as operating transfers.

**Net Assets and Fund Equity**

In the district-wide financial statements, 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. 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 Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Board of Directors for budget hearings prior to enactment of the resolution.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budget (Continued)**

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, transfers, and contingency are the legal level of control for all funds. All annual appropriations lapse at fiscal year end.

The detailed 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 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 one resolution to transfer funds during the year-ended June 30, 2008. The resolution did not meet the requirements of Local Budget Law (ORS 294.305 to 294.520) as the budget change met the criteria of, and should have been treated as, a supplemental budget.

**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, 2008, the District's cash and cash equivalents are comprised of the following:

Demand deposits	\$ 413,143
Mutal funds	<u>444,389</u>
	<u>\$ 857,532</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**2. CASH AND CASH EQUIVALENTS (Continued)**

**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, 2008, shown on the bank statements was \$880,482. Of these deposits, \$139,675 was covered by federal depository insurance, \$375,000 was collateralized and \$365,807 was uninsured and uncollateralized.

**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, 2008, 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, 2008, 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, 2008, the District had no investments and thus no exposure to concentration of credit risk.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**3. CAPITAL ASSETS**

The District's capital assets as of June 30, 2008, are as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>June 30, 2008</u>
<b>Capital assets, non-depreciable:</b>			
Land	\$ 48,250	\$ 80,880	\$ 129,130
Total capital assets, non-depreciable	<u>48,250</u>	<u>80,880</u>	<u>129,130</u>
<b>Capital assets, depreciable:</b>			
Buildings	269,224	134,159	403,383
Equipment	132,307	289,580	421,887
Vehicles and apparatus	1,034,637	-	1,034,637
Total capital assets, depreciable	<u>1,436,168</u>	<u>423,739</u>	<u>1,859,907</u>
Total	<u>1,484,418</u>	<u>504,619</u>	<u>1,989,037</u>
<b>Less accumulated depreciation for:</b>			
Buildings	(209,345)	(4,580)	(213,925)
Equipment	(37,671)	(13,018)	(50,689)
Vehicles and apparatus	(529,850)	(53,653)	(583,503)
Total accumulated depreciation	<u>(776,866)</u>	<u>(71,251)</u>	<u>(848,117)</u>
Net depreciable capital assets	<u>659,302</u>	<u>352,488</u>	<u>1,011,790</u>
<b>Net capital assets</b>	<u>\$ 707,552</u>	<u>\$ 433,368</u>	<u>\$ 1,140,920</u>

Depreciation expense of \$71,251 was charged to the fire services function.

During the current fiscal year the District received a piece of property and a building, valued at approximately \$196,000, as part of the previous Controller's embezzlement settlement, see further discussion at Note 9. As a result of receipt of this property the District also assumed the outstanding mortgage of approximately \$8,000 which is included in Accounts Payable at June 30, 2008.

**4. INTERFUND TRANSFERS**

Major Governmental funds:	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 225,000	\$ 385,000
Apparatus Reserve Fund	350,000	225,000
Utility Vehicle Reserve Fund	15,000	-
Rescue Tool Reserve Fund	20,000	-

The General Fund transferred resources to the Apparatus Reserve, Utility Vehicle Reserve, and Rescue Tool Reserve Funds for Capital Outlay. The Apparatus Reserve Fund transferred resources to the General Fund for general operations.



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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**5. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Pension Plan**

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. 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.

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 Statutes (ORS) 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. 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.

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. 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 rate in effect for the fiscal year ended June 30, 2008 was 0.37%. The OPSRP contribution rate in effect for the fiscal year ended June 20, 2008 for general service and fire payroll was 0.26%. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

The District's contributions to PERS for the years ending June 30, 2006 and 2008 were \$45,809 and \$37,452 respectively, which equaled the required contribution for the year. The amount contributed for 2007 is unknown. Please see Note 9 for additional information.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2008**

**6. COMPENSATED ABSENCES**

Compensated absences activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Compensated Absences	\$ 133,089	\$ 20,437	\$ (30,875)	\$ 122,651

**7. 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 2007 to 2008. Settled claims have not exceeded this commercial coverage for any of the past three years.

**8. 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.

**9. OTHER SIGNIFICANT ITEMS**

In July 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. An amount of approximately \$247,000 was received in August of 2008. In addition the District received a piece of property and a building in the current fiscal year, valued at approximately \$196,000, as part of the previous Controller's embezzlement settlement. As a result of receipt of this property the District also assumed the outstanding mortgage of approximately \$8,000 which is included in Accounts Payable at June 30, 2008.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget</u></b>
<b>REVENUES</b>			
Taxes	\$ 1,743,530	\$ 1,675,304	\$ (68,226)
Investment earnings	9,000	9,127	127
Other revenues	1,000	9,488	8,488
Grants	573,512	375,566	(197,946)
Total revenues	<u>2,327,042</u>	<u>2,069,485</u>	<u>(257,557)</u>
<b>EXPENDITURES</b>			
Personal services	1,227,750	1,059,592	168,158
Materials and services	397,280	312,456	84,824
Capital outlay	612,012	442,398	169,614
Contingency	56,000	-	56,000
Total expenditures	<u>2,293,042</u>	<u>1,814,446</u>	<u>478,596</u>
Excess of revenues over expenditures	<u>34,000</u>	<u>255,039</u>	<u>221,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	225,000	225,000
Transfers out	(160,000)	(385,000)	(225,000)
Total other financing sources (uses)	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>
Net change in fund balance	(126,000)	95,039	221,039
Fund balance - July 1, 2007	126,000	270,882	144,882
Fund balance - June 30, 2008	<u>\$ -</u>	<u>\$ 365,921</u>	<u>\$ 365,921</u>

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

**APPARATUS RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget</u></b>
<b>REVENUES</b>			
Investment earnings	\$ 1,000	\$ 1,486	\$ 486
<b>EXPENDITURES</b>			
Capital outlay	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(249,000)</u>	<u>1,486</u>	<u>250,486</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	125,000	350,000	225,000
Transfers out	<u>-</u>	<u>(225,000)</u>	<u>(225,000)</u>
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balance	(124,000)	126,486	250,486
Fund balance - July 1, 2007	124,000	250,428	126,428
Fund balance - June 30, 2008	<u>\$ -</u>	<u>\$ 376,914</u>	<u>\$ 376,914</u>

**OTHER SUPPLEMENTAL INFORMATION**

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2008

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	<u>Rescue Tool Reserve Fund</u>	<u>Utility Vehicle Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 29,244</u>	<u>\$ 39,675</u>	<u>\$ 68,919</u>
Fund Balance:			
Unreserved	<u>\$ 29,244</u>	<u>\$ 39,675</u>	<u>\$ 68,919</u>

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

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2008**

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	<u>Rescue Tool Reserve Fund</u>	<u>Utility Vehicle Reserve Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Investment earnings	\$ 29	\$ 548	\$ 577
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>20,000</u>	<u>15,000</u>	<u>35,000</u>
Net change in fund balances	20,029	15,548	35,577
Fund balance - July 1, 2007	9,215	24,127	33,342
Fund balance - June 30, 2008	<u>\$ 29,244</u>	<u>\$ 39,675</u>	<u>\$ 68,919</u>



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

**RESCUE TOOL RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget</u></b>
<b>REVENUES</b>			
Investment earnings	\$ 100	\$ 29	\$ (71)
<b>EXPENDITURES</b>			
Capital outlay	<u>29,315</u>	<u>-</u>	<u>29,315</u>
Excess (deficiency) of revenues over (under) expenditures	(29,215)	29	29,244
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	(9,215)	20,029	29,244
Fund balance - July 1, 2007	<u>9,215</u>	<u>9,215</u>	<u>-</u>
Fund balance - June 30, 2008	<u>\$ -</u>	<u>\$ 29,244</u>	<u>\$ 29,244</u>

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

**UTILITY VEHICLE RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget</u></b>
<b>REVENUES</b>			
Investment earnings	\$ 50	\$ 548	\$ 498
<b>EXPENDITURES</b>			
Capital outlay	<u>39,870</u>	<u>-</u>	<u>39,870</u>
Excess (deficiency) of revenues over (under) expenditures	(39,820)	548	40,368
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net change in fund balance	(24,820)	15,548	40,368
Fund balance - July 1, 2007	<u>24,820</u>	<u>24,127</u>	<u>(693)</u>
Fund balance - June 30, 2008	<u>\$ -</u>	<u>\$ 39,675</u>	<u>\$ 39,675</u>

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

**FOR THE YEAR ENDED JUNE 30, 2008**

<b><u>Fiscal Year</u></b>	<b><u>Property Taxes Receivable June 30, 2007</u></b>	<b><u>Levy as Extended by Assessor</u></b>	<b><u>Cancellations Discounts &amp; Adjustments</u></b>	<b><u>Collections</u></b>	<b><u>Property Taxes Receivable June 30, 2008</u></b>
2007-08		\$ 1,737,650	\$ (44,502)	\$ (1,633,347)	\$ 59,801
2006-07	\$ 45,789		(510)	(29,858)	15,421
2005-06	11,824		(825)	(5,020)	5,979
2004-05	5,475		(115)	(3,269)	2,091
2003-04	2,229		(85)	(1,375)	769
2002-03	932		(41)	(186)	705
2001-02 and prior	1,428		(26)	(217)	1,185
Total	<u>\$ 67,677</u>	<u>\$ 1,737,650</u>	<u>\$ (46,104)</u>	<u>\$ (1,673,272)</u>	<u>\$ 85,951</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.



4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973  
503.274.2849 • Fax 503.274.2853  
www.tkw.com

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

March 27, 2009

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

We have audited the basic financial statements of Estacada Rural Fire Protection District No. 69 (the District), as of June 30, 2008, and have issued our report thereon dated March 27, 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.

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

Page 2

**ACCOUNTING RECORDS**

We found the District's accounting records to be generally adequate for audit purposes.

**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, 2008.

**INVESTMENTS**

The District had no investments as of, or during the year ended June 30, 2008.

**LEGAL REQUIREMENTS RELATING TO DEBT**

The District had no outstanding debt as of, or during the year ended June 30, 2008.

**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, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009, except as noted where the District overexpended its appropriation authority as follows:

Apparatus Fund	Transfers Out	\$225,000
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A description of the budgeting process is included in the Notes to the Basic Financial Statements.

**INSURANCE POLICIES AND FIDELITY BONDS**

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2008. 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, 2008.

**PUBLIC CONTRACTS**

The District did not award any public contracts in FY08, thus we did not assess compliance with ORS Chapter 279.

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

Page 3

**PROGRAMS FUNDED FROM OUTSIDE SOURCES**

We have reviewed the District's compliance with appropriate laws, rules and regulations that could have a material impact on the basic financial statements for programs funded wholly or partially by other governmental agencies. The District is in compliance with relevant guidelines in all material respects.

**FINANCIAL REPORTING REQUIREMENTS**

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

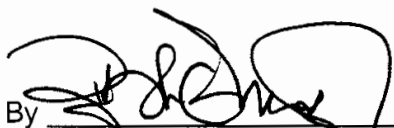
**HIGHWAY FUNDS**

The District does not receive revenue from taxes on motor vehicle fuel; therefore compliance with legal requirements pertaining to Highway Funds is not applicable.

\* \* \* \* \*

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