

695-2009

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69
Estacada, Oregon

Annual Financial Report

Year Ended June 30, 2009

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By _____
Date _____

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ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

OFFICIALS OF THE DEPARTMENT

Board of Directors

<u>Name</u>	<u>Term Expires</u>
Karen Hovda, President	June 30, 2011
John Bresko, Vice President	June 30, 2011
John McAdoo, Secretary/Treasurer	June 30, 2011
Edwin Thoreson, Member	June 30, 2013
Matthew Silva, Member	June 30, 2013

Administrative Staff

Allan Hull, Chief
Fred Hertel, Deputy Chief/Operations
Jennifer Molina, Administrative Assistant

Department Address

Administrative Office
445 SE Currin Street
Estacada, Oregon 97023

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

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INDEPENDENT AUDITOR'S REPORT

November 18, 2009

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

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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, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These basic 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 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 opinions.

In our opinion, the basic 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, 2009, and the respective changes in financial position and 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.

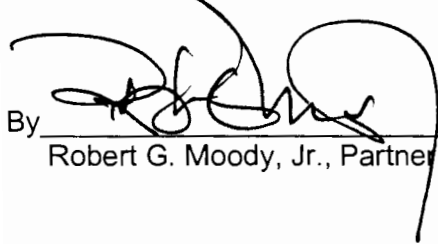
The Required Supplementary Information (budgetary comparison for the General, Apparatus and Property and Facilities Reserve Funds) as listed in the Table of Contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Estacada Rural Fire Protection District No. 69
November 18, 2009

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, 2009

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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,118,256 (net assets). Of this amount, \$1,545,343 (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 \$1,209,636.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$1,550,847. 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 \$346,106, or 21%, 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 basic financial 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 three 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.

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

Year Ended June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Net Assets (Continued)

The District had no long term debt entering fiscal year 2008/2009, and incurred none during fiscal year 2008/2009.

STATEMENT OF NET ASSETS

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
ASSETS:		
Current assets	\$ 1,845,864	\$ 966,347
Capital assets	1,572,913	1,140,920
Total Assets	<u>3,418,777</u>	<u>2,107,267</u>
LIABILITIES:		
Total Current Liabilities	<u>300,521</u>	<u>198,647</u>
NET ASSETS		
Invested in capital assets	1,572,913	1,140,920
Unrestricted	1,545,343	767,700
Total Net Assets	<u><u>\$ 3,118,256</u></u>	<u><u>\$ 1,908,620</u></u>

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.

The District's net assets increased by \$1,209,636 resulting in ending net assets of \$3,118,256. The District's increase in net assets of \$1,209,636 was primarily the result of payments received in settlement of an embezzlement by a previous District employee. The fraudulent activity was identified in July 2007. While a forensic audit was unable to determine the exact amount of the loss, the District was able to recover from the former employee and insurance property and cash of approximately \$1,268,000 of which \$1,072,247 was recorded in this fiscal year. 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.

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

Year Ended June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Activities (Continued)

The summary provided in the table below provides information related to the current and prior fiscal year.

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>
Governmental activities		
Expenses		
Fire services	\$ (1,720,715)	\$ (1,558,313)
Grants and Contributions		
Fire services	19,013	563,239
Total governmental activities	<u>(1,701,702)</u>	<u>(995,074)</u>
General Revenues		
Property taxes	1,797,944	1,691,997
Interest and investment earnings	10,753	11,190
Other revenue	1,102,641	9,488
Total general revenues	<u>2,911,338</u>	<u>1,712,675</u>
Change in net assets	1,209,636	717,601
Net assets, July 1, 2008	1,908,620	1,191,019
Net assets, June 30, 2009	<u>\$ 3,118,256</u>	<u>\$ 1,908,620</u>

Many of the variances between the years can be associated with the embezzlement previously discussed. For the fiscal year ended 2009 professional fees were higher as a result of the consultants and attorney's hired to address the loss and recapture as much of the loss as possible. As a result of the aggressive pursuit of the loss the District recovered \$1,072,247 in 2009 which is included in the fiscal year Other Revenue. In Fiscal year 2008 included in the Grants and Contributions was a onetime grant of \$251,000 for the upgrade of the radio system.

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, Apparatus Fund, and Property and Facilities Reserve Fund as its major funds.

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, reconciliations 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 are included in the Basic Financial Statements.

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

Year Ended June 30, 2009

BUDGETARY HIGHLIGHTS

The Board of Directors approved changes to the adopted budget. 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 2008 and;
2. Increased need for, and cost of, professional assistance.

Information from Clackamas County indicated growth estimates for property taxes to be 5.0% to 5.5%; at year end the District's total tax increase including growth is expected to be 5% based on budgetary information in 2008/2009. Our beginning fund balance for 2008/2009 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:

- 2008 F-350 Utility Vehicle including mobile data computer
- 2008 F-550 Rescue 110 including mobile data computer
- HOMATRO Rescue Tool System
- Zoll Defibrillator and Auto-Pulse
- Land and Building located at 4th and Currin to be used for future expansion
- Toshiba Telephone System

During the prior 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. In June 2009 the District exchanged this property along with \$264,000 in cash for a parcel of land with two buildings adjoining the current District Headquarters. This property is slated to be used for a future headquarters building.

For additional information on capital assets, refer to Note 3 to the Basic Financial Statements.

CAPITAL ASSETS NET OF DEPRECIATION

	2009	2008
Land	\$ 191,982	\$ 129,130
Buildings	361,050	189,458
Equipment	424,331	371,198
Vehicles and apparatus	595,550	451,134
	\$ 1,572,913	\$ 1,140,920

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2009

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 2009/2010 is highlighted by the anticipation of an increase in tax revenue, along with \$53,278 in grant money. The tax rate for fiscal year 2009/2010 continues to be \$2.4029. We asked Clackamas County to certify \$1,913,389. Therefore, after uncollectable taxes, we anticipate receiving \$1,798,583 in tax revenue; this amount is \$77,295 more than in FY 2008/2009. The approved budget for 2009/2010 is \$4,815,151.

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, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 884,492
Cash with county treasurer	13,827
Receivables, net:	
Property taxes receivable	116,013
Other receivables	811,230
Prepaid expenses	20,302
Total current assets	<u>1,845,864</u>
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	191,982
Depreciable	1,380,931
Total noncurrent assets	<u>1,572,913</u>
Total assets	<u>3,418,777</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	106,976
Payroll liabilities	72,028
Accrued compensated absences	121,517
Total current liabilities	<u>300,521</u>
NET ASSETS	
Invested in capital assets, net	1,572,913
Unrestricted	1,545,343
Total net assets	<u>\$ 3,118,256</u>

See notes to the basic financial statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

<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>\$ 1,720,715</u>	<u>\$ 19,013</u>	<u>\$ (1,701,702)</u>
General revenues:			
Taxes:			
Property taxes			1,797,944
Interest earnings			10,753
Other revenues			1,102,641
Total general revenues			<u>2,911,338</u>
Change in net assets			1,209,636
Net assets, July 1, 2008			<u>1,908,620</u>
Net assets, June 30, 2009			<u>\$ 3,118,256</u>

See notes to basic financial statements.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General Fund</u>	<u>Apparatus Reserve Fund</u>	<u>Property and Facilities Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 500,053	\$ 362,096	\$ 299	\$ 22,044	\$ 884,492
Cash with county treasurer	13,827	-	-	-	13,827
Receivables, net:					
Property taxes receivable	116,013	-	-	-	116,013
Other receivables	11,230	-	800,000	-	811,230
Prepaid expenses	20,302	-	-	-	20,302
Total assets	<u>\$ 661,425</u>	<u>\$ 362,096</u>	<u>\$ 800,299</u>	<u>\$ 22,044</u>	<u>\$ 1,845,864</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued expenses	\$ 106,976	\$ -	-	-	\$ 106,976
Payroll liabilities	72,028	-	-	-	72,028
Deferred revenue	116,013	-	-	-	116,013
Total liabilities	<u>295,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,017</u>
Fund Balances:					
Reserve for prepaid expenses	20,302	-	-	-	20,302
Unreserved, reported in:					
General Fund	346,106	-	-	-	346,106
Special revenue funds	-	362,096	800,299	22,044	1,184,439
Total fund balances	<u>366,408</u>	<u>362,096</u>	<u>800,299</u>	<u>22,044</u>	<u>1,550,847</u>
Total liabilities and fund balances	<u>\$ 661,425</u>	<u>\$ 362,096</u>	<u>\$ 800,299</u>	<u>\$ 22,044</u>	<u>\$ 1,845,864</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, 2009

TOTAL FUND BALANCES		\$	1,550,847
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.			116,013
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	2,496,807	
Accumulated depreciation		<u>(923,894)</u>	1,572,913
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>(121,517)</u>
TOTAL NET ASSETS		\$	<u><u>3,118,256</u></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, 2009

	<u>General Fund</u>	<u>Apparatus Reserve Fund</u>	<u>Property and Facilities Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,760,528	\$ -	\$ -	\$ -	\$ 1,760,528
Investment earnings	8,571	1,589	379	215	10,754
Other revenues	30,393	-	1,072,247	-	1,102,640
Grants	19,013	-	-	-	19,013
Total revenues	<u>1,818,505</u>	<u>1,589</u>	<u>1,072,626</u>	<u>215</u>	<u>2,892,935</u>
EXPENDITURES					
Personal services	1,120,816	-	-	-	1,120,816
Materials and services	447,869	-	-	-	447,869
Capital outlay	82,944	166,464	264,000	71,749	585,157
Total expenditures	<u>1,651,629</u>	<u>166,464</u>	<u>264,000</u>	<u>71,749</u>	<u>2,153,842</u>
Excess/(deficiency) of revenues over expenditures	<u>166,876</u>	<u>(164,875)</u>	<u>808,626</u>	<u>(71,534)</u>	<u>739,093</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,668	150,057	-	25,000	183,725
Transfers out	<u>(175,057)</u>	<u>-</u>	<u>(8,327)</u>	<u>(341)</u>	<u>(183,725)</u>
Total other financing sources (uses)	<u>(166,389)</u>	<u>150,057</u>	<u>(8,327)</u>	<u>24,659</u>	<u>-</u>
Net change in fund balance	487	(14,818)	800,299	(46,875)	739,093
Fund balance - July 1, 2008	<u>365,921</u>	<u>376,914</u>	<u>-</u>	<u>68,919</u>	<u>811,754</u>
Fund balance - June 30, 2009	<u>\$ 366,408</u>	<u>\$ 362,096</u>	<u>\$ 800,299</u>	<u>\$ 22,044</u>	<u>\$ 1,550,847</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, 2009

Net change in fund balances: \$ 739,093

Amounts reported in the Statement of Activities are
different because:

The Statement of Revenues, Expenditures, and Changes in Fund Balances reports capital assets 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	\$ (111,681)	
Capital asset additions, net of exchanged property	<u>543,674</u>	431,993

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. 1,134

Some revenue reported in the Statement of Activities does not provide current financial resources in the governmental funds. 37,416

Change in net assets \$ 1,209,636

NOTES TO BASIC FINANCIAL STATEMENTS

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

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 absences are recorded only when payment is due. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the district-wide 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 and Property and Facilities Reserve Fund* account for revenues and expenditures for specified purposes.

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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

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 on the fund basis. Property taxes are recognized as revenue on the accrual basis on the entity-wide financial statements. 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 one year. 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, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenues represent uncollected property taxes not 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. However, it is recognized as earned in the Statement of Net Assets. 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 cost-sharing 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, 2009

2. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Deposits

Deposits with financial institutions are comprised of bank demand deposits and money market accounts. The combined total bank balance is \$906,654. Of these deposits, \$295,263 was covered by federal depository insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result the District's remaining deposits in excess of FDIC insurance are considered to be fully collateralized.

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, 2009, the District had no investments, and thus no exposure to interest rate risk.

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, 2009, the District had no investments, and thus no exposure to credit risk.

Concentration of Credit Risk

The District does not currently have an investment policy for concentration of credit risk. At June 30, 2009, 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, 2009

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, 2009 was 0.37%. The OPSRP contribution rate in effect for the fiscal year ended June 30, 2009 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, 2008 and 2009 were \$37,452 and \$39,018 respectively, which equaled the required contribution for the year.

6. COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Compensated absences	\$ 122,651	\$ 113,213	\$ (114,347)	\$ 121,517

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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 2008 to 2009. 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 was undeterminable.

The District initiated litigation to recover a portion of the embezzled funds. During the fiscal year the District received \$272,247 in funds from insurance and a settlement with the former employee. On June 30, 2009, the District signed a settlement agreement with the previous financial auditor's insurance company whereby the insurance company agreed to pay an \$800,000 settlement to the District in July 2009. This amount is included in other receivables as of June 30, 2009.

10. SUBSEQUENT EVENTS

Subsequent to year end the District negotiated a settlement with the International Association of Fire Fighters Local 1159 which resulted in a pay increase for personnel covered by the bargaining agreement retroactive to July 1, 2008. In addition, personnel not covered by the bargaining agreement were granted a like increase which resulted in a combined estimated liability of \$30,641 for retroactive wages and benefits. Additionally, the District incurred approximately \$7,900 in retroactive wages and benefits related to the settlement of this bargaining agreement for July 2009 payroll. The amount of \$30,641 is included in payroll liabilities as of June 30, 2009.

In the current fiscal year the District was involved in a legal claim which was settled subsequent to year end, but prior to issuance of financial statements. Terms of the settlement required the District to pay \$37,500 which is included in payroll liabilities as of June 30, 2009.

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, 2009

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,781,288	\$ 1,781,288	\$ 1,760,528	\$ (20,760)
Investment earnings	9,000	9,000	8,571	(429)
Other revenues	205,000	205,000	30,393	(174,607)
Grants	22,432	22,432	19,013	(3,419)
Total revenues	<u>2,017,720</u>	<u>2,017,720</u>	<u>1,818,505</u>	<u>(199,215)</u>
EXPENDITURES				
Personal services	1,191,864	1,191,864	1,120,816	71,048
Materials and services	439,824	449,824	447,869	1,955
Capital outlay	93,032	93,032	82,944	10,088
Contingency	58,000	48,000	-	48,000
Total expenditures	<u>1,782,720</u>	<u>1,782,720</u>	<u>1,651,629</u>	<u>131,091</u>
Excess of revenues over expenditures	<u>235,000</u>	<u>235,000</u>	<u>166,876</u>	<u>(68,124)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	8,668	8,668
Transfers out	<u>(643,000)</u>	<u>(643,000)</u>	<u>(175,057)</u>	<u>467,943</u>
Total other financing sources (uses)	<u>(643,000)</u>	<u>(643,000)</u>	<u>(166,389)</u>	<u>476,611</u>
Net change in fund balance	(408,000)	(408,000)	487	408,487
Fund balance - July 1, 2008	663,000	663,000	365,921	(297,079)
Fund balance - June 30, 2009	<u>\$ 255,000</u>	<u>\$ 255,000</u>	<u>\$ 366,408</u>	<u>\$ 111,408</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, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Investment earnings	\$ 1,500	\$ 1,589	\$ 89
EXPENDITURES			
Capital outlay	<u>525,000</u>	<u>166,464</u>	<u>358,536</u>
Excess (deficiency) of revenues over expenditures	(523,500)	(164,875)	358,625
OTHER FINANCING SOURCES			
Transfers in	<u>150,000</u>	<u>150,057</u>	<u>57</u>
Net change in fund balance	(373,500)	(14,818)	358,682
Fund balance - July 1, 2008	376,428	376,914	486
Fund balance - June 30, 2009	<u><u>\$ 2,928</u></u>	<u><u>\$ 362,096</u></u>	<u><u>\$ 359,168</u></u>

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

PROPERTY AND FACILITIES RESERVE FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Investment earnings	\$ 100	\$ 379	\$ 279
Other revenues	-	1,072,247	1,072,247
Total revenues	<u>100</u>	<u>1,072,626</u>	<u>1,072,526</u>
EXPENDITURES			
Capital outlay	<u>468,100</u>	<u>264,000</u>	<u>204,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(468,000)</u>	<u>808,626</u>	<u>1,276,626</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	-	(200,000)
Transfers out	-	(8,327)	(8,327)
Total other financing sources (uses)	<u>200,000</u>	<u>(8,327)</u>	<u>(208,327)</u>
Net change in fund balance	(268,000)	800,299	1,068,299
Fund balance - July 1, 2008	268,000	-	268,000
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ 800,299</u>	<u>\$ 800,299</u>

OTHER SUPPLEMENTAL INFORMATION

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2009

	<u>Rescue Tool Reserve Fund</u>	<u>Utility Vehicle Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 193</u>	<u>\$ 21,851</u>	<u>\$ 22,044</u>
Fund Balance:			
Unreserved	<u>\$ 193</u>	<u>\$ 21,851</u>	<u>\$ 22,044</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, 2009

	<u>Rescue Tool Reserve Fund</u>	<u>Utility Vehicle Reserve Fund</u>	<u>Total</u>
REVENUES			
Investment earnings	\$ 11	\$ 204	\$ 215
EXPENDITURES			
Capital outlay	<u>33,721</u>	<u>38,028</u>	<u>71,749</u>
Excess (deficiency) of revenues over expenditures	<u>(33,710)</u>	<u>(37,824)</u>	<u>(71,534)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	20,000	25,000
Transfers out	(341)	-	(341)
Total other financing sources (uses)	<u>4,659</u>	<u>20,000</u>	<u>24,659</u>
Net change in fund balances	(29,051)	(17,824)	(46,875)
Fund balance - July 1, 2008	29,244	39,675	68,919
Fund balance - June 30, 2009	<u>\$ 193</u>	<u>\$ 21,851</u>	<u>\$ 22,044</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, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Investment earnings	\$ 100	\$ 11	\$ (89)
EXPENDITURES			
Capital outlay	<u>34,331</u>	<u>33,721</u>	<u>610</u>
Excess (deficiency) of revenues over expenditures	<u>(34,231)</u>	<u>(33,710)</u>	<u>521</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	5,000	-
Transfers out	<u>-</u>	<u>(341)</u>	<u>(341)</u>
	<u>5,000</u>	<u>4,659</u>	<u>(341)</u>
Net change in fund balance	(29,231)	(29,051)	180
Fund balance - July 1, 2008	<u>29,231</u>	<u>29,244</u>	<u>13</u>
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ 193</u>	<u>\$ 193</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, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Investment earnings	\$ 100	\$ 204	\$ 104
EXPENDITURES			
Capital outlay	<u>50,000</u>	<u>38,028</u>	<u>11,972</u>
Excess (deficiency) of revenues over expenditures	(49,900)	(37,824)	12,076
OTHER FINANCING SOURCES			
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	(29,900)	(17,824)	12,076
Fund balance - July 1, 2008	<u>39,590</u>	<u>39,675</u>	<u>85</u>
Fund balance - June 30, 2009	<u>\$ 9,690</u>	<u>\$ 21,851</u>	<u>\$ 12,161</u>

ESTACADA RURAL FIRE PROTECTION DISTRICT NO. 69

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2009

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2008</u>	<u>Levy as Extended by Assessor</u>	<u>Cancellations Discounts & Adjustments</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2009</u>
2008-09		\$1,848,265	(48,207)	\$ (1,720,722)	\$ 79,336
2007-08	\$59,801		(1,323)	(35,688)	22,790
2006-07	15,421		(240)	(6,824)	8,357
2005-06	5,979		(194)	(3,305)	2,480
2004-05	2,091		(66)	(1,222)	803
2003-04	769		(67)	(148)	554
2002-03	705		(5)	(98)	602
2001-02 and prior	1,185		(8)	(86)	1,091
Total	<u>\$ 85,951</u>	<u>\$ 1,848,265</u>	<u>\$ (50,110)</u>	<u>\$ (1,768,093)</u>	<u>\$ 116,013</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.



AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

November 18, 2009

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

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Portland, Oregon 97239-3973

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We have audited the basic financial statements of Estacada Rural Fire Protection District No. 69 (the District), as of June 30, 2009, and have issued our report thereon dated November 18, 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 in internal control over financial reporting during our audit of the District's financial statements, which we reported in a separate letter dated November 18, 2009, to the Board of Directors.

We noted certain other matters that we reported to management of the District in a separate letter dated November 18, 2009.

**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

The District has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

INVESTMENTS

The District had no investments as of, or during the year ended June 30, 2009.

LEGAL REQUIREMENTS RELATING TO DEBT

The District had no outstanding debt as of, or during the year ended June 30, 2009.

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, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010, except as noted for the following items:

- The District overexpended its appropriations as follows:

Property and Facilities Reserve Fund	Transfers out	\$8,327
Rescue Tool Reserve Fund	Transfers out	\$341

- The estimate of unappropriated ending fund balance was not allocated to each respective fund.

A description of the budgeting process is included in the Notes to Basic Financial Statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2009. 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, 2009.

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

Page 3

PUBLIC CONTRACTS

The District did not award any public contracts in during the fiscal year ended June 30, 2009, thus we did not assess compliance with ORS Chapter 279.

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