

***ESTACADA RURAL FIRE
DISTRICT NO. 69
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016***

ESTACADA RURAL FIRE DISTRICT NO. 69
DISTRICT OFFICIALS
JUNE 30, 2016

BOARD OF DIRECTORS

Matthew Silva, President

John Bresko, Vice President

Chris Randall, Secretary-Treasurer

John McAdoo

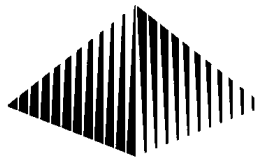
Edwin Thoreson

FIRE CHIEF AND REGISTERED AGENT

Bob Morrisey
445 SE Currin Street
Estacada, Oregon 97023

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Estacada Rural Fire District No. 69
P.O. Box 608
Estacada, Oregon 97023

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Estacada Rural Fire District No. 69 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Estacada Rural Fire District No. 69 as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 4 through 8), the District's proportionate share of the net pension liability – Oregon public employees retirement system, the schedule of the District's contributions – Oregon public employees retirement system, and the budgetary comparison information (page 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We have applied certain limited procedures to management's discussion and analysis and the schedule of the District's proportionate share of the net pension liability – Oregon public employees retirement system and the schedule of the District's contributions – Oregon public employees retirement system described above in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 14, 2016, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Devan W. Esch, A Shareholder
December 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

As management of Estacada Rural Fire District No. 69, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

	<i>June 30, 2016</i>		<i>change</i>
	<i>2016</i>	<i>2015</i>	
Net position	\$ 5,190,980	\$ 5,038,832	\$ 152,148
Change in net position	152,148	341,995	(189,847)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-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.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 leave).

The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the District are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances of the General, Apparatus Reserve, and Facility and Property Reserve Funds, all of which are considered to be major governmental funds.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 29 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund and the PERS trend information schedules. This required supplementary information can be found on pages 30 through 32 of this report.

The combining and individual fund schedules and other information are presented immediately following the required supplementary information on pages 33 through 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$5,190,980 at June 30, 2016.

A large portion of the District' net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

District's Net Position

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. The District's net position increased \$152,148 during the current fiscal year.

Condensed comparative statements of net position information is as follows:

Statements of Net Position

	<i>Governmental Activities</i>	
	June 30,	
	2016	2015
Assets		
Current assets and other assets	\$ 2,796,573	\$ 2,337,857
Noncurrent assets	-	25,506
Net capital assets	2,797,694	2,874,173
<i>Total Assets</i>	<u>5,594,267</u>	<u>5,237,536</u>
Deferred outflows	67,980	4,211
Liabilities		
Current liabilities	67,507	66,267
Noncurrent liabilities	386,429	93,959
<i>Total Liabilities</i>	<u>453,936</u>	<u>160,226</u>
Deferred inflows	17,331	42,689
Net position		
Investment in capital assets	2,797,694	2,874,173
Restricted for facility upgrades	-	350,000
Unrestricted	2,393,286	1,814,659
<i>Total Net Position</i>	<u>\$ 5,190,980</u>	<u>\$ 5,038,832</u>

District's Changes in Net Position

The condensed statements of activities information explain changes in net position.

	Statements of Activities	
	Year Ended June 30,	
	2016	2015
Revenues		
Program Revenues		
Charges for service	\$ 11,500	\$ 18,535
Operating grants and contributions	-	213,882
<i>Total Program Revenues</i>	11,500	232,417
General Revenues		
Property taxes - general	2,340,359	2,180,662
Gain on sale of capital assets	149,949	4,676
Miscellaneous	71,001	20,927
<i>Total General Revenues</i>	2,561,309	2,206,265
<i>Total Revenues</i>	2,572,809	2,438,682
Program Expenses		
Fire suppression	2,420,661	2,096,687
Change in Net Position	152,148	341,995
Net Position, beginning of year	5,038,832	4,696,837
Net Position, end of year	\$ 5,190,980	\$ 5,038,832

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

The District's governmental funds reported combined ending fund balances of \$2,592,611 at the end of the current fiscal year, an increase of \$449,248 from the prior year.

The General Fund is the chief operating fund of the District. The total fund balance of the General Fund was \$1,716,454 at the end of the current fiscal year, which is an increase of \$310,642 over the prior year. The increase is due to revenues in excess of what was budgeted, and expenditures less than what was budgeted.

During the fiscal year, the fund balance for the Facilities and Property Reserve Fund increased in the amount of \$89,189 from the prior year.

BUDGETARY HIGHLIGHTS

There was one supplemental budget and one appropriations transfer in the General Fund budget during the year.

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$2,797,694 net of accumulated depreciation. This investment in capital assets includes land, buildings, apparatus and equipment. Major capital asset events during the current fiscal year included purchase of new apparatus.

	Capital Assets	
	June 30,	
	2016	2015
Land	\$ 1,016,857	\$ 1,020,857
Construction in progress	19,290	14,445
Buildings	284,675	252,165
Apparatus and vehicles	2,166,692	2,146,519
Equipment	924,875	900,890
Accumulated depreciation	(1,614,695)	(1,460,703)
Total	<u>\$ 2,797,694</u>	<u>\$ 2,874,173</u>

Additional information on the District's capital assets can be found in the notes to the financial statements on page 22 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- Property tax revenues are expected to remain stable.
- It is still uncertain exactly how the Affordable Care Act in regard to the "Pay to Play" and "Cadillac Tax" will affect the District's long-term financial health, but it will most likely increase costs and change the health insurance plan choices the District offers to employees.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: Estacada Rural Fire District No. 69, P.O. Box 608, Estacada, Oregon 97023.

BASIC FINANCIAL STATEMENTS

ESTACADA RURAL FIRE DISTRICT NO. 69
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$ 2,649,856
Property taxes receivable	144,297
Accounts receivable	2,420
Capital assets not being depreciated	1,016,857
Capital assets, net of accumulated depreciation	1,780,837

Total Assets 5,594,267

DEFERRED OUTFLOWS

Deferred outflows related to PERS	67,980
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Total assets and deferred outflows 5,662,247

LIABILITIES

Accounts payable	66,062
Payroll liabilities	1,445
Compensated absences	99,602
Net pension liability	286,827

Total Liabilities 453,936

DEFERRED INFLOWS

Deferred inflows related to PERS	17,331
----------------------------------	--------

Total liabilities and deferred inflows 471,267

NET POSITION

Investment in capital assets	2,797,694
Unrestricted	2,393,286

Total Net Position \$ 5,190,980

The accompanying notes are an integral part of the financial statements.

ESTACADA RURAL FIRE DISTRICT NO. 69
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Fees, Fines and Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities			
Fire suppression	\$ 2,420,661	\$ 11,500	\$ (2,409,161)
General Revenues			
Property taxes levied for general purposes			2,340,359
Gain on sale of capital assets			149,949
Miscellaneous			71,001
<i>Total General Revenues</i>			<u>2,561,309</u>
Change in net position			152,148
Net Position - beginning of year			5,038,832
Net Position - end of year			<u><u>\$ 5,190,980</u></u>

The accompanying notes are an integral part of the financial statements.

ESTACADA RURAL FIRE DISTRICT NO. 69
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Capital Projects</u> <u>Facilities and</u> <u>Property</u> <u>Reserve</u>
ASSETS		
Cash and cash equivalents	\$ 1,773,699	\$ 621,589
Accounts receivable	2,420	-
Property taxes receivable	144,297	-
	<hr/>	<hr/>
<i>Total Assets</i>	\$ 1,920,416	\$ 621,589
	<hr/> <hr/>	<hr/> <hr/>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 66,062	\$ -
Payroll liabilities	1,445	-
	<hr/>	<hr/>
<i>Total Liabilities</i>	67,507	-
Deferred Inflows		
Unavailable revenue - property taxes	136,455	-
	<hr/>	<hr/>
Fund Balance:		
Committed to capital outlay	-	-
Unassigned	1,716,454	621,589
	<hr/>	<hr/>
<i>Total Fund Balance</i>	1,716,454	621,589
	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	\$ 1,920,416	\$ 621,589
	<hr/> <hr/>	<hr/> <hr/>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 254,568	\$ 2,649,856
-	2,420
-	144,297
<u>\$ 254,568</u>	<u>\$ 2,796,573</u>
\$ -	\$ 66,062
-	1,445
-	67,507
-	136,455
254,568	254,568
-	2,338,043
<u>254,568</u>	<u>2,592,611</u>
<u>\$ 254,568</u>	<u>\$ 2,796,573</u>

The accompanying notes are an integral part of the financial statements.

ESTACADA RURAL FIRE DISTRICT NO. 69

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES**

JUNE 30, 2016

<i>Fund Balances</i>		\$ 2,592,611
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Cost	\$ 4,412,389	
Accumulated depreciation	<u>(1,614,695)</u>	
		2,797,694
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		136,455
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Compensated absences payable		(99,602)
Net pension liability and deferrals		<u>(236,178)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 5,190,980</u></u>

The accompanying notes are an integral part of the financial statements.

ESTACADA RURAL FIRE DISTRICT NO. 69**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Capital Projects	
	General Fund	Facilities and Property Reserve
REVENUES		
Property taxes	\$ 2,332,131	\$ -
Charges for services	11,500	-
Miscellaneous	74,328	51
<i>Total Revenues</i>	2,417,959	51
EXPENDITURES		
Current		
Fire suppression		
Personnel services	1,523,302	-
Materials and services	460,450	41,197
Capital outlay	-	23,945
<i>Total Expenditures</i>	1,983,752	65,142
REVENUES OVER (UNDER) EXPENDITURES	434,207	(65,091)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(127,514)	4,280
Proceeds from sales of assets	3,949	150,000
<i>Total Other Financing Sources (Uses)</i>	(123,565)	154,280
NET CHANGE IN FUND BALANCE	310,642	89,189
FUND BALANCE, beginning of year	1,405,812	532,400
FUND BALANCE, end of year	\$ 1,716,454	\$ 621,589

<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 2,332,131
-	11,500
4	74,383
4	2,418,014
-	1,523,302
1,674	503,321
72,147	96,092
73,821	2,122,715
(73,817)	295,299
126,500	126,500
(3,266)	(126,500)
-	153,949
123,234	153,949
49,417	449,248
205,151	2,143,363
\$ 254,568	\$ 2,592,611

The accompanying notes are an integral part of the financial statements.

ESTACADA RURAL FIRE DISTRICT NO. 69

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

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

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 449,248
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Purchase of capital assets	119,082
Net book value of assets sold	(4,000)
Depreciation expense recorded in the current year	(191,561)
Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds.	
Net effect on retirement expense from PERS	(219,823)
Compensated absences	(5,643)
Governmental funds report note receivable payments as revenue. No income is recorded in the statement of activities. Payments are treated as reductions of the asset.	(3,383)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.	8,228
	<hr/>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 152,148</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Estacada Rural Fire District No. 69 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

The Financial Reporting Entity

Estacada Rural Fire District No. 69 was formed in the early 1900's. The District currently operates two stations. Fire district boundaries cover approximately 88 square miles in Clackamas County, Oregon, including the City of Estacada, Oregon. Emergency services provided are advanced life support (emergency medical services), fire suppression, technical rescue (vehicle extrication and water rescue) and fire code enforcement. The District is governed by a five-member board of directors elected from the District at large.

There are certain governmental agencies and various service districts which provide services within the District. These agencies have independently elected governing boards and the District is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges for goods and services provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Basis of Presentation

Major individual funds are reported as separate columns in the fund financial statements.

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (30 days) to be used to liquidate liabilities of the current period. Expenditures, other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances and loans. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Amounts report as program revenues in the statements of activities include (1) fines, fees and charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Grants and contributions not restricted are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Balance

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the board of directors takes formal action that places specific constraints on how the resources may be used.

The board of directors can modify or rescind the commitment at any time through taking a similar formal action. Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the board of directors approves which resources should be "reserved" during the adoption of the annual budget. The District's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Governmental Fund Financial Statements

The government-wide financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the Statement of Net Position. The increases and decreases in net position are presented in the government-wide Statement of Activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (Continued)

Real and personal property taxes are levied as of July 1 for each fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Clackamas County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (30 days). Otherwise, they are reported as deferred revenues.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds. The District electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The District reports the following major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The primary source of revenue is property taxes. Primary expenditures are for fire suppression, emergency medical expenses, and administrative support.

Capital Projects Funds

Facilities and Property Reserve Fund - this fund accounts for site preparation and other costs associated with the construction of a new fire station and for repairs to current facilities. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for station improvements.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following nonmajor governmental funds. All of these funds are capital projects funds.

Communications and Data Systems Reserve Fund - this fund accounts for the purchase of new or replacement radio systems, mobile data computer systems, and computer server systems. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for equipment acquisitions.

Apparatus Reserve Fund - this fund accounts for the purchase or replacement of major fire apparatus, including fire engines, water tenders, wildland engines, and rescue vehicles. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for equipment acquisitions.

New Facility Furnishings Reserve Fund - this fund accounts for the reservation of funds and subsequent purchase of furniture and equipment for the District's stations. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for station furnishing and equipment. This fund was closed in the current year.

Rescue Tool Reserve Fund - this fund accounts for the purchase of new or replacement major EMS or rescue equipment. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for rescue equipment.

Personal Protection Equipment and Self-Contained Breathing Apparatus Reserve Fund - this fund accounts for the purchase of new or replacement personal protective equipment (firefighting gear) and self-contained breathing apparatus systems (air packs and compressors). The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for PPE and SCBA equipment.

Utility Vehicle Reserve Fund - this fund accounts for the purchase of new or replacement utility vehicles. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for vehicle purchases.

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. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2016. Actual results may differ from such estimates.

Cash and Investments

Investments, included in cash and cash equivalents, are carried at cost which approximates fair value. These amounts have the general characteristics of demand deposit accounts in that the District may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue as earned.

Property taxes receivable are recognized as revenues if they are collected within thirty days of fiscal year end. Uncollected property taxes are offset by deferred revenue and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the District and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the District represent the District's allocated share of delinquent property taxes and other amounts to be collected from property owners within Clackamas County, Oregon.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure is those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

Buildings and improvements	30-40 years
Licensed vehicles	5-10 years
Apparatus	15-20 years
Equipment	5-20 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, cost is removed from the capital asset account and charged to the accumulated depreciation account.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category, contributions to PERS.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. On the government-wide Statement of Net Position, the District reports deferred inflows from the net budget vs. actual earnings and other adjustments for PERS. The District has only one type of item that qualifies for reporting in this category in the governmental funds balance sheet. It arises under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Accrued Compensated Absences

Accumulated vested vacation pay is accrued in the government-wide and proprietary funds as it is earned by employees. In the governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds. Accumulated sick leave does not vest and is therefore recorded in all funds when leave is taken.

Encumbrances

The District does not utilize encumbrances.

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law.

The District begins its budgeting process after the board of directors holds a work session in January at which goals and objectives are discussed for the upcoming year. Utilizing the goals and objectives adopted by the board of directors, District staff develops a proposed budget in early spring which is present to the Budget Committee in late spring. Following a series of public meetings with the Budget Committee an Approved Budget is sent to the board of directors for adoption at a Public Hearing at the end of June.

The board of directors adopts the budget, makes appropriations and declares the tax levies by resolution no later than June 30. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The District established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds except the General Fund, in which budgetary controls are established at the departmental operations level, capital outlay and contingency. Management is allowed to adjust budget numbers between services levels within funds, while transfers outside of funds, appropriation of unexpected revenues and use of contingencies require Board action through the supplemental budget process.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting (Continued)

Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in a local newspaper and approval by the board of directors. The board of directors must authorize all appropriation transfers and supplementary budgetary appropriations. With the approval of the supplemental budget during the year, budget amounts shown in the general purpose financial statements have been revised since the original budget amounts were adopted. All annual appropriations lapse at fiscal year-end.

A detailed budget document that contains more specific information on all funds, their operational purposes, their levels of budgetary controls and historical data is made available to the public and used constantly by the District for its administration control purposes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of the following at June 30, 2016:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
Deposits		
Checking account	\$ 865,350	\$ 865,350
Money market accounts	1,784,506	1,784,506
	<hr/>	<hr/>
<i>Total Deposits</i>	<u>\$ 2,649,856</u>	<u>\$ 2,649,856</u>

Deposits

The book balance of the District’s bank deposits with various financial institutions was \$2,649,856 and the bank balance was \$2,685,160 at year-end. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District’s deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2016, \$2,330,388 of the District's bank balances were covered by the PFCP.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<i>Balances July 1, 2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2016</i>
NON-DEPRECIABLE				
Land and improvements	\$ 1,020,857	\$ -	\$ (4,000)	\$ 1,016,857
Construction in progress	14,445	4,845	-	19,290
<i>Total non-depreciable</i>	1,035,302	4,845	(4,000)	1,036,147
DEPRECIABLE				
Buildings	252,165	32,510	-	284,675
Apparatus	2,146,519	20,173	-	2,166,692
Equipment	900,890	61,554	(37,569)	924,875
<i>Total depreciable</i>	3,299,574	114,237	(37,569)	3,376,242
ACCUMULATED DEPRECIATION				
Buildings and improvements	(204,556)	(3,915)	-	(208,471)
Apparatus	(798,671)	(104,940)	-	(903,611)
Equipment	(457,476)	(82,706)	37,569	(502,613)
<i>Total accumulated depreciation</i>	(1,460,703)	(191,561)	37,569	(1,614,695)
<i>Total capital assets being depreciated, net</i>	1,838,871	(77,324)	-	1,761,547
<i>Governmental activities capital assets, net</i>	\$ 2,874,173	(72,479)	\$ (4,000)	\$ 2,797,694

Depreciation expense in the amount of \$191,561 was charged to fire suppression on the statement of activities.

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Substantially all District employees are members in the Oregon Public Employees Retirement System (OPERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIRMENT SYSTEM (Continued)

Benefits Provided

Tier One/Tier Two Retirement Benefit

Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at a minimum retirement age for a service retirement allowance if he or she has had contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefit regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

OPSRP Pension Program

Pension Benefits. The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by formula for members who attain normal retirement age. For general service members, 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. For police and fire members, 1.8% is

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Benefits Provided (Continued)

OPSRP Pension Program (Continued)

multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The District's contribution rates for the period were 5.43% for Tier One/Tier Two members, 0.45% for OPSRP General Service members, and 0.45% for OPSRP Police and Fire members. The District's total contributions were \$66,128.

Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The District has elected to contribute the 6% "pick-up."

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$286,827 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion share was 0.005%.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIRMENT SYSTEM (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The Oregon Supreme Court (Court) ruled on April 30, 2015 that certain provisions of Senate Bill (SB) 861, signed into law in October 2013, were unconstitutional. SB 861 included provisions that limited post-retirement COLA on benefits accrued prior to the signing of the law. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

For the year ended June 30, 2016, the District recognized pension expense of \$285,951. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 17,331
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(35,769)
Contributions subsequent to measurement date	67,980	-
Total	<u>\$ 67,980</u>	<u>\$ (18,438)</u>

Deferred outflows of resources related to pensions of \$67,980 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	
2017	\$ (19,506)
2018	(19,506)
2019	(19,506)
2020	35,763
2021	4,317
Total	<u>\$ (18,438)</u>

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIRMENT SYSTEM (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75%
Investment Rate of Return	7.75%
Projected Salary Increases	3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 experience study which reviewed experience for the four-year period ending on December 31, 2014.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIRMENT SYSTEM (Continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation - Mean		2.75

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIRMENT SYSTEM (Continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
Proportionate share of the net pension liability	\$ 692,246	\$ 286,827	\$ (54,835)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report.

COMMITMENTS AND CONTINGENCIES

The District purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the District is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the District’s financial position.

The District has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Based upon prior experience, District Management believes such disallowances, if any, will be immaterial.

TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 127,514
Apparatus Reserve	50,000	4,280
Facilities and Property	4,280	-
Communications and Data System	15,500	-
Facility Furnishings and Equipment	1,014	-
Rescue Tool Reserve	22,000	-
PPE and SCBA	39,000	-
	<u>\$ 131,794</u>	<u>\$ 131,794</u>

ESTACADA RURAL FIRE DISTRICT NO. 69
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

OVEREXPENDITURE OF APPROPRIATIONS

The Apparatus Reserve Fund had an overexpenditure of transfers out in the amount of \$4,280. This overexpenditure is exempt under ORS 294.338(3) and, therefore, is not a violation of local budget law.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2016, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ESTACADA RURAL FIRE DISTRICT NO. 69**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,166,197	\$ 2,166,197	\$ 2,332,131	\$ 165,934
Charges for services	-	-	11,500	11,500
Miscellaneous	40,500	79,175	74,328	(4,847)
<i>Total Revenues</i>	<u>2,206,697</u>	<u>2,245,372</u>	<u>2,417,959</u>	<u>172,587</u>
EXPENDITURES				
Personal services	1,671,197	1,742,472	1,523,302	219,170
Materials and services	620,000	627,000	460,450	166,550
Contingency	175,000	135,400	-	135,400
<i>Total Expenditures</i>	<u>2,466,197</u>	<u>2,504,872</u>	<u>1,983,752</u>	<u>521,120</u>
REVENUES OVER (UNDER) EXPENDITURES	(259,500)	(259,500)	434,207	693,707
OTHER FINANCING SOURCES (USES)				
Transfers out	(130,500)	(130,500)	(127,514)	2,986
Proceeds from sale of assets	-	-	3,949	3,949
<i>Total Other Financing Sources and Uses</i>	<u>(130,500)</u>	<u>(130,500)</u>	<u>(123,565)</u>	<u>6,935</u>
NET CHANGE IN FUND BALANCE	(390,000)	(390,000)	310,642	700,642
FUND BALANCE, beginning of year	920,000	920,000	1,405,812	485,812
FUND BALANCE, end of year	<u>\$ 530,000</u>	<u>\$ 530,000</u>	<u>\$ 1,716,454</u>	<u>\$ 1,672,266</u>

ESTACADA RURAL FIRE DISTRICT NO. 69

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST THREE FISCAL YEARS ¹

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0976%	0.0010%	0.0010%
District's proportionate share of the net pension	\$ 286,827	\$ (22,123)	\$ 49,807
District's covered-employee payroll	1,072,615	1,016,084	850,947
liability (asset) as a percentage of its covered-employee payroll	26.7%	-2.2%	5.9%
Plan fiduciary net position as a percentage of the total pension liability	103.6%	103.6%	92.0%

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

ESTACADA RURAL FIRE DISTRICT NO. 69
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS ¹

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 66,127	\$ 64,542	\$ 57,116
Contributions in relation to the contractually required contribution	<u>(66,127)</u>	<u>(64,542)</u>	<u>(57,116)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,072,615	\$ 1,016,084	\$ 850,947
Contributions as a percentage of covered-employee	6.17%	6.35%	6.71%

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

OTHER SUPPLEMENTARY INFORMATION

ESTACADA RURAL FIRE DISTRICT NO. 69
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<i>Capital Projects</i>		
	<i>Communication and Data</i>	<i>Apparatus Reserve</i>	<i>Rescue Tool</i>
ASSETS			
Cash and cash equivalents	\$ 19,804	\$ 50,646	\$ 12,724
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Committed to:			
Capital outlay	19,804	50,646	12,724
Total Liabilities and Fund Balance	\$ 19,804	\$ 50,646	\$ 12,724

Capital Projects

<i>PPE SCBA</i>	<i>Utility Vehicle</i>	<i>Total</i>
\$ 139,001	\$ 32,393	\$ 254,568
\$ -	\$ -	\$ -
139,001	32,393	254,568
\$ 139,001	\$ 32,393	\$ 254,568

ESTACADA RURAL FIRE DISTRICT NO. 69**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<i>Capital Projects</i>		
	<i>Communication and Data</i>	<i>Apparatus Reserve</i>	<i>Facility and Furnishings</i>
REVENUES			
Miscellaneous	\$ -	\$ 2	\$ -
EXPENDITURES			
Current			
Fire suppression	-	1,674	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	-	1,674	-
REVENUES OVER (UNDER) EXPENDITURES	-	(1,672)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	15,500	50,000	-
Transfers out	-	(4,280)	1,014
<i>Total Other Financing Sources and Uses</i>	15,500	45,720	1,014
NET CHANGE IN FUND BALANCE	15,500	44,048	1,014
FUND BALANCE (Deficit), beginning of year	4,304	6,598	(1,014)
FUND BALANCE, end of year	\$ 19,804	\$ 50,646	\$ -

Capital Projects

<i>Rescue Tool</i>	<i>PPE SCBA</i>	<i>Utility Vehicle</i>	<i>Total</i>
\$ 2	\$ -	\$ -	\$ 4
-	-	-	1,674
51,975	-	20,172	72,147
51,975	-	20,172	73,821
(51,973)	-	(20,172)	(73,817)
22,000	39,000	-	126,500
-	-	-	(3,266)
22,000	39,000	-	123,234
(29,973)	39,000	(20,172)	49,417
42,697	100,001	52,565	205,151
\$ 12,724	\$ 139,001	\$ 32,393	\$ 254,568

ESTACADA RURAL FIRE DISTRICT NO. 69**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – FACILITIES AND PROPERTY RESERVE FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 40	\$ 40	\$ 51	\$ 11
EXPENDITURES				
Materials and services	50,000	50,000	41,197	8,803
Capital outlay	478,599	478,599	23,945	454,654
<i>Total Expenditures</i>	<u>528,599</u>	<u>528,599</u>	<u>65,142</u>	<u>463,457</u>
REVENUES OVER (UNDER) EXPENDITURES	(528,559)	(528,559)	(65,091)	463,468
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,280	4,280
Proceeds from sale of assets	-	-	150,000	150,000
<i>Total Other Financing Sources and Uses</i>	<u>-</u>	<u>-</u>	<u>154,280</u>	<u>304,280</u>
NET CHANGE IN FUND BALANCE	(528,559)	(528,559)	89,189	767,748
FUND BALANCE, beginning of year	<u>528,559</u>	<u>528,559</u>	<u>532,400</u>	<u>3,841</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621,589</u>	<u>\$ 771,589</u>

ESTACADA RURAL FIRE DISTRICT NO. 69

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – COMMUNICATIONS AND DATA SYSTEMS RESERVE FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 5	\$ 5	\$ -	\$ (5)
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	5	5	-	(5)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,500	15,500	15,500	-
NET CHANGE IN FUND BALANCE	15,505	15,505	15,500	(5)
FUND BALANCE, beginning of year	4,044	4,044	4,304	260
FUND BALANCE, end of year	\$ 19,549	\$ 19,549	\$ 19,804	\$ 255

ESTACADA RURAL FIRE DISTRICT NO. 69**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – APPARATUS RESERVE FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 5	\$ 5	\$ 2	\$ (3)
EXPENDITURES				
Materials and services	2,000	2,000	1,674	326
Capital outlay	15,100	15,100	-	15,100
<i>Total Expenditures</i>	17,100	17,100	1,674	15,426
REVENUES OVER (UNDER) EXPENDITURES	(17,095)	(17,095)	(1,672)	15,423
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	(4,280)	(4,280)
<i>Total Other Financing Sources and Use</i>	50,000	50,000	45,720	(4,280)
NET CHANGE IN FUND BALANCE	32,905	32,905	44,048	11,143
FUND BALANCE, beginning of year	2,416	2,416	6,598	4,182
FUND BALANCE, end of year	\$ 35,321	\$ 35,321	\$ 50,646	\$ 15,325

ESTACADA RURAL FIRE DISTRICT NO. 69

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – FACILITY AND FURNISHINGS FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,014	1,014
NET CHANGE IN FUND BALANCE	-	-	1,014	1,014
FUND BALANCE (Deficit), beginning of year	-	-	(1,014)	(1,014)
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

ESTACADA RURAL FIRE DISTRICT NO. 69

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – RESCUE TOOL RESERVE FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 5	\$ 5	\$ 2	\$ (3)
EXPENDITURES				
Capital outlay	56,000	56,000	51,975	4,025
REVENUES OVER (UNDER) EXPENDITURES	(55,995)	(55,995)	(51,973)	4,022
OTHER FINANCING SOURCES (USES)				
Transfers in	22,000	22,000	22,000	-
NET CHANGE IN FUND BALANCE	(33,995)	(33,995)	(29,973)	4,022
FUND BALANCE, beginning of year	42,821	42,821	42,697	(124)
FUND BALANCE, end of year	\$ 8,826	\$ 8,826	\$ 12,724	\$ 3,898

ESTACADA RURAL FIRE DISTRICT NO. 69

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – PPE AND SCBA SYSTEMS RESERVE FUND
YEAR ENDED JUNE 30, 2016**

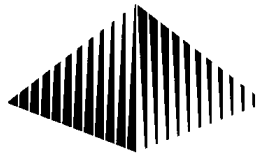
	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	24,000	24,000	-	24,000
REVENUES OVER (UNDER) EXPENDITURES	(24,000)	(24,000)	-	24,000
OTHER FINANCING SOURCES (USES)				
Transfers in	39,000	39,000	39,000	-
NET CHANGE IN FUND BALANCE	15,000	15,000	39,000	24,000
FUND BALANCE, beginning of year	100,101	100,101	100,001	(100)
FUND BALANCE, end of year	\$ 115,101	\$ 115,101	\$ 139,001	\$ 23,900

ESTACADA RURAL FIRE DISTRICT NO. 69

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – UTILITY VEHICLE RESERVE FUND
YEAR ENDED JUNE 30, 2016**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 20	\$ 20	\$ -	\$ (20)
EXPENDITURES				
Capital outlay	55,000	55,000	20,172	34,828
REVENUES OVER (UNDER) EXPENDITURES	(54,980)	(54,980)	(20,172)	34,808
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	4,000	-	(4,000)
NET CHANGE IN FUND BALANCE	(50,980)	(50,980)	(20,172)	30,808
FUND BALANCE, beginning of year	52,572	52,572	52,565	(7)
FUND BALANCE, end of year	\$ 1,592	\$ 1,592	\$ 32,393	\$ 30,801

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Estacada Rural Fire District No. 69
P.O. Box 608
Estacada, Oregon 97023

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Estacada Rural Fire District No. 69 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 14, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which include, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.


Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Restriction on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Devan W. Esch, A Shareholder
December 14, 2016