

**Southwestern Polk County
Rural Fire Protection District**

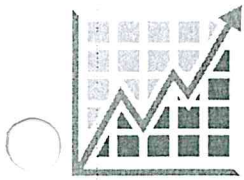
Dallas, Oregon

Annual Financial Report

For the Year Ended June 30, 2015

Tax & Wealth Management, LLP

Certified Public Accountants
2334 NW Professional Drive
Corvallis, OR 97330



TAX & WEALTH MANAGEMENT, LLP

Robert Barry, CPA*
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Paul Cramer, CPA
Mimi Koza, CPA
Kristan Krivoshein, CPA
**Firm Partner*

September 14, 2015

To the Management and Board of Directors
Southwestern Polk Rural Fire Protection District
Dallas, Oregon

In planning and performing our audit of the modified cash basis financial statements of the governmental activities and each major fund and related notes to the financial statements of Southwestern Polk Rural Fire Protection District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Segregation of Accounting Duties – Because the District has a limited number of available personnel, it is not always possible to adequately segregate accounting duties (assigning the responsibility for authorizing transactions, recording transactions, reviewing or reconciling accounting records, and maintaining custody of assets to different people within the District). The District has compensating controls that help mitigate the risk to the District, however, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected. We recommend that the District continue to

perform these compensating controls on a timely basis as well as explore additional ways to expand compensating controls to mitigate the lack of segregation of accounting duties.

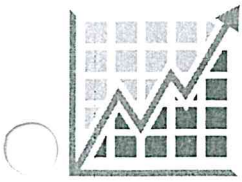
Financial Statements and Footnote Preparation – As is common within the system of internal control of most small entities, the accounting function of the District does not prepare the modified cash basis financial statements and notes in the format required under GASB No. 34. Accordingly, the District has not established internal controls over the preparation of its financial statements, therefore, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected. We recommend that the District's governing board appoint an individual with suitable knowledge to review the financial statements and notes for material errors and reasonableness in amounts.

This communication is intended solely for the information and use of the management, Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jay + Wealth Management, LLP

Corvallis, Oregon

September 14, 2015



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September 14, 2015

To the Board of Directors
Southwestern Polk Rural Fire Protection District
Dallas, Oregon

We have audited the modified cash basis financial statements of governmental activities and each major fund and related notes to the financial statements of Southwestern Polk Rural Fire Protection District for the year ended June 30, 2015 and issued our report thereon dated September 14, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information to you in our engagement letter dated May 29, 2015. Professional standards also require that we communicate to you the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Southwestern Polk Rural Fire Protection District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the District.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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Disagreements with Management

For the purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 14, 2015.

Other Matters

We were engaged to report on the schedules of revenues, expenditures and changes in fund balance budget and actual and the schedule of property tax transactions, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use the Board of Directors and management of Southwestern Polk Rural Fire Protection District and is not intended to be, and should not be, used by anyone other than these specified parties.

Jay + Wealth Management, LLP

Corvallis, Oregon

September 14, 2015

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

For the Year Ended June 30, 2015

Board of Directors

Rod Watson, *Chair*

Frank Pender Jr., *Vice Chair*

David Gwinner,
Secretary/Treasurer

Kenneth Gardner, *Director*

Bob Davis, *Director*

District Officials

Fred Hertel
Dallas #100, *District Fire Chief*

Bob Young
Falls City #120, *Station Fire Chief*

Jake Rosenbalm
Rickreall #130, *Station Fire Chief*

Joanna Jarvis, *District Clerk*

All board members and officials receive mail at the address listed below

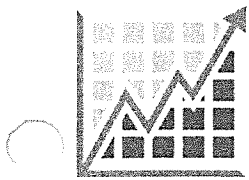
Registered Office

Southwestern Polk County
Rural Fire Protection District
915 SE Shelton Street
Dallas, OR 97338
(503) 831-3533
joanna.jarvis@dallasor.gov

Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon
For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Southwestern Polk County Rural Fire Protection District, as of and for the year ended June 30, 2015, 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 the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of 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 above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, and each major fund of Southwestern Polk County Rural Fire Protection District, as of and for the year ended June 30, 2015, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Other Information

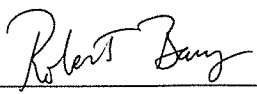
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Southwestern Polk County Rural Fire Protection District's basic financial statements. The budgetary comparison schedules and schedule of property tax transactions listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and schedule of property tax transactions listed as supplemental information in the table of contents is the responsibility of management and was derived from, and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 14, 2015, on our consideration of 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.

Tax & Wealth Management, LLP
Certified Public Accountants
Corvallis, Oregon

By: 
Robert Barry, Partner
September 14, 2015

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Statement of Net Position - Modified Cash Basis

Governmental Activities

June 30, 2015

Assets

Cash and investments	\$ 177,007
Capital assets, net of depreciation	<u>258,830</u>
Total assets	<u>435,837</u>

Liabilities

Noncurrent liabilities:	
Due within one year:	
Note payable	12,608
Due in more than one year:	
Note payable	<u>5,019</u>
Total liabilities	<u>17,627</u>

Net Position

Net investment in capital assets	241,203
Restricted for:	
<i>Victim assistance</i>	300
Unrestricted	<u>176,707</u>
Total net position	<u>\$ 418,210</u>

The accompanying notes are an integral part of the financial statements

**Southwestern Polk County
Rural Fire Protection District**
Dallas, Oregon

Statement of Activities - Modified Cash Basis

Governmental Activities

For the Year Ended June 30, 2015

Program Expenses

Fire Protection	
Personal services	\$ 72,335
Materials and services	362,918
Depreciation	10,324
Interest	<u>1,447</u>
Total program expenses	<u>447,024</u>

Program Revenues

Charges for services	2,241
Operating grants	<u>13,000</u>
Total program revenues	<u>15,241</u>
Net program expense	<u>431,783</u>

General Revenues

Property taxes	448,306
Interest	1,177
Other	<u>13,431</u>
Total general revenues	<u>462,914</u>
Change in net position	31,131
Net position, beginning of year	<u>387,079</u>
Net position, end of year	<u><u>\$ 418,210</u></u>

The accompanying notes are an integral part of the financial statements

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Balance Sheet - Modified Cash Basis

Governmental Funds

June 30, 2015

	General	Equipment Reserve	Total
Assets			
Cash and investments	<u>\$ 126,866</u>	<u>\$ 50,141</u>	<u>\$ 177,007</u>
 Liabilities and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Fund balances			
Restricted for:			
<i>Victim assistance</i>	300	-	300
Assigned for:			
<i>Capital asset replacement</i>	-	50,141	50,141
<i>Major fire conflagration</i>	14,599	-	14,599
<i>Subsequent year's expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>111,967</u>	<u>-</u>	<u>111,967</u>
Total fund balances	<u>126,866</u>	<u>50,141</u>	<u>177,007</u>
Total liabilities and fund balances	<u><u>\$ 126,866</u></u>	<u><u>\$ 50,141</u></u>	<u><u>\$ 177,007</u></u>

The accompanying notes are an integral part of the financial statements

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

Total governmental fund balances	\$ 177,007
Amounts reported for governmental activities on the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	258,830
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,627)</u>
Net position of governmental activities	<u>\$ 418,210</u>

The accompanying notes are an integral part of the financial statements

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Modified Cash Basis

Governmental Funds

For the Year Ended June 30, 2015

	General	Equipment Reserve	Total
Revenues			
Property taxes	\$ 448,306	\$ -	\$ 448,306
Grants	13,000	-	13,000
Interest	1,177	-	1,177
Insurance recoveries	2,021	-	2,021
Miscellaneous	13,651	-	13,651
Total revenues	478,155	-	478,155
Expenditures			
Current			
Personal services	72,335	-	72,335
Materials and services	349,857	-	349,857
Capital outlay	13,000	-	13,000
Debt service	13,383	-	13,383
Total expenditures	448,575	-	448,575
Excess of revenues over expenditures	29,580	-	29,580
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	29,580	-	29,580
Fund balances, beginning of year	97,286	50,141	147,427
Fund balances, ending of year	\$ 126,866	\$ 50,141	\$ 177,007

- \$300 Grant
 - \$14,599 Conflag

 \$111,967

The accompanying notes are an integral part of the financial statements

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2015

Net change in fund balances, total governmental funds	\$ 29,580
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Amounts reported in governmental activities on the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

<i>Depreciation expense</i>	10,324	(10,324)
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Repayments of long-term debt principal is an expenditure in the governmental funds, but the repayments reduce long-term debt in the statement of net assets.

11,875

Change in net position of governmental activities	\$ 31,131
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The accompanying notes are an integral part of the financial statements

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1. A. Financial Reporting Entity

Southwestern Polk County Rural Fire Protection District (the District) was organized as a municipal corporation in 1947 under Oregon Revised Statutes (ORS) 478 for the purposes of providing fire protection services to residents of the district. The District is governed by a five-member board of directors who are elected to office by voters within the District. Administrative functions are delegated to individuals who report to and are responsible to the board.

1. B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services. The District presently doesn't have any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The District's funds are organized in the governmental category. The District presently has no proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Project Funds

Capital project funds are used to account for and report financial resources restricted, committed, or assigned for capital outlays, including the acquisition or construction of specific capital facilities or other capital items. The reporting entity includes the following capital project fund that is reported as a major fund:

The Equipment Reserve Fund was established to account for funds set aside for replacing equipment. The primary source of these funds is transfers from the General Fund.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Under guidance of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions special revenue funds that are permitted under Oregon Local Budget Law, which do not meet the requirements of GASB No. 54 to be reported for financial statement purposes as special revenue funds are consolidated into the General Fund.

The following funds have been consolidated into the General Fund:

The Major Fire Conflagration Fund was established as a special revenue fund under Oregon Local Budget Law to account for revenues and expenditures related to major fire conflagrations.

The Grant Fund was established as a special revenue fund under Oregon Local Budget Law to account for receipts from grants and related expenditures.

1. C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

In the fund financial statements, all governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1. D. Financial Position

Cash and Investments

The District maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments.

Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Local Government Investment Pool (LGIP).

Due from Other Funds or Governments

Receivables and payables to other funds or governments arising from cash transactions or events are recorded in the financial statements as a modification to the cash basis of accounting.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon
Notes to Basic Financial Statements**

Capital Assets

The District's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The District capitalizes assets purchased or constructed with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Vehicles	10 years
Equipment	5 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures.

Net Position / Fund Balance Classifications

Government-Wide Statements

Net Position is classified and displayed in three components:

1. Net investment in capital assets. Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

2. Restricted. Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

3. Unrestricted. Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable – Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact. The District presently doesn't have any nonspendable balances.

Restricted – Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority. In the case of the District, commitments are evidenced by a majority vote of the District's Board of Directors. Any changes or removal of the specific purpose requires majority action by the governing body that approved the original action. The District presently doesn't have any committed balances.

Assigned – Amounts constrained by the District's intent to be used for specific purposes but that are neither restricted nor committed.

Assigned for future capital purchases – The portion of the fund balance that has been budgeted by the board of directors for future capital outlay.

Assigned for major fire conflagration – The portion of the fund balance that has been budgeted by the board of directors for major fire conflagration expenditures.

Subsequent year's expenditures – The portion of fund balance that is appropriated in the next year's budget that has been approved by the board of directors. A modification of this amount requires formal action by the board of directors; however this approval lapses at year-end.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

Unassigned – The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the District's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also District policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used. The District has no formal minimum fund balance policies or any formal stabilization arrangements in place.

1. E. Revenues, Expenditures, and Expenses

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Since the District reports information on the modified cash basis method of accounting, no accrual for property tax receivables has been recorded in the financial statements.

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the District's taxpayers are reported as program revenues. The District has the following program revenues:

<i>Contract reimbursement</i>	Administrative assistance reimbursed by another governmental entity
<i>Insurance recoveries</i>	Services charged to nonresidents of the District

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

1. F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity resulting from cash transactions or events, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

- a. Interfund loans. Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. Interfund reimbursements. Repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures or expenses in the respective funds.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon
Notes to Basic Financial Statements**

c. Interfund transfers. Flow of assets from one fund to another when repayment is not expected and reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances resulting from cash transaction or events, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances. Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the "Governmental" column of the Statement of Net Position.
- b. Internal activities. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

1. G. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Budgets and Appropriations

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The cash basis of accounting is used for all budgets. The District does not use encumbrances and all annual appropriations lapse at fiscal year end.

The district begins its budgeting process by appointing a Budget Committee. Management develops budget recommendations, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The district adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

The resolution authorizing appropriations for each fund sets the level at which disbursements cannot legally exceed appropriations. The level of appropriations was made at the object classification level (personal services, materials and services, and capital outlay) and other requirements level (debt service, interfund transfers, and operating contingencies). The board of directors may amend the budget to expend unforeseen resources through the use of a supplemental budget and appropriation resolution.

Budget amounts shown in the supplemental information include the original budget and the final budget as modified for supplemental budgets and budget transfers, where applicable.

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. There were no instances noted of noncompliance considered material to the financial statements.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon
Notes to Basic Financial Statements**

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES AND ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures or expenses.

3. A. Cash and Investments

Cash and investments as of June 30, 2015, consist of the following:

	<i>Carrying Value</i>	<i>Fair Value</i>
<i>Cash</i>		
Deposits with financial institution	\$ 25,537	\$ 25,537
 <i>Investments</i>		
Local Government Investment Pool	151,470	151,470
	\$ 177,007	\$ 177,007

Deposits

Custodial Credit Risk: Deposits – This is the risk that, in the event of a bank failure, the District’s deposits may not be returned. Oregon statute requires deposits in excess of amounts insured by the Federal Depository Insurance Corporation (FDIC) to be held in an institution listed as a qualified depository as a part of the Public Funds Collateralization Program, established under ORS 295. As of June 30, 2015, the District’s cash deposits with financial institutions (checking accounts) was \$25,537 and the District’s bank balance was \$2,209. None of the District’s bank balance was exposed to custodial credit risk.

Investments

The only investment held by the District at June 30, 2015, was amounts deposited with the State of Oregon Local Government Investment Pool (LGIP). The District’s investment in the LGIP is carried at cost, which approximates fair value. The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company and is unrated. The State of Oregon’s investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasury’s investments in short-term securities are limited by the portfolio rules established by the Oregon Short Term Fund Board and the Council, in accordance with Oregon statutes. The funds must be invested, and the investments managed, as a prudent investor would do, exercising reasonable care, skill, and caution.

Credit Risk – Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers’ acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, and the State Treasurer’s Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, the District’s investments comply with state statutes.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

Concentration of Credit Risk – The District has not adopted an investment policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the LGIP.

Interest Rate Risk – The District has not adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk: Investments – This is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The District has not adopted a formal investment policy that limits the amount of investments that can be held by counterparties.

3. B. Restricted Assets

The amounts reported as restricted assets comprise amounts held by the District for victim assistance of \$300 to be awarded to major fire victims as the District sees fit.

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**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon
Notes to Basic Financial Statements**

3. C. Capital Assets

Capital asset activity resulting from modified cash basis transactions or events for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 224,000	\$ -	\$ -	\$ 224,000
Depreciable capital assets				
Buildings	64,205	-	-	64,205
Vehicles	1,616,406	-	(154,555)	1,461,851
Equipment	122,146	-	-	122,146
Total depreciable capital assets	<u>1,802,757</u>	<u>-</u>	<u>(154,555)</u>	<u>1,648,202</u>
Less accumulated depreciation for				
Buildings	(55,405)	(230)	-	(55,635)
Vehicles	(1,591,939)	(4,668)	154,555	(1,442,052)
Equipment	(110,259)	(5,426)	-	(115,685)
Total accumulated depreciation	<u>(1,757,603)</u>	<u>(10,324)</u>	<u>154,555</u>	<u>(1,613,372)</u>
Total depreciable capital assets, net	<u>45,154</u>	<u>(10,324)</u>	<u>-</u>	<u>34,830</u>
Capital assets, net	<u>\$ 269,154</u>	<u>\$ (10,324)</u>	<u>\$ -</u>	<u>\$ 258,830</u>

Depreciation of \$10,324 was charged to the District's only function of fire protection.

3. D. Long-Term Debt

Salt Creek Land Loan

In December 2006, the District borrowed \$100,000 from Santiam Escrow to purchase land for future construction of a fire station. The note is payable over 10 years with monthly installments of \$1,110 which includes interest at a rate of 6 percent.

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**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

Changes in Long-Term Debt

The following is a summary of changes in long-term debt arising from cash transactions or events for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt					
Salt Creek Land Loan	<u>\$ 29,502</u>	<u>\$ -</u>	<u>\$ 11,875</u>	<u>\$ 17,627</u>	<u>\$ 12,608</u>

Future Maturities of Long-Term Debt

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2015, are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2016	12,608	715	13,323
2017	5,019	71	5,090
	<u>\$ 17,627</u>	<u>\$ 786</u>	<u>\$ 18,413</u>

3. E. Interfund Transfers and Balances

Interfund Transfers

For the year ending June 30, 2015, the District made no transfers between funds.

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**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

3. F. Fund Balances

Fund balances of the District's governmental funds at June 30, 2015, are classified as follows regarding level of constraint:

	General Fund	Equipment Reserve Fund	Total Funds
Restricted			
Victim assistance	\$ 300	\$ -	\$ 300
Assigned for:			
Capital asset replacement	-	50,141	50,141
Major fire conflagration	14,599	-	14,599
Subsequent year's expenditures	-	-	-
Total assigned balances	<u>14,599</u>	<u>50,141</u>	<u>64,740</u>
Unassigned	<u>111,967</u>	-	<u>111,967</u>
Total fund balances	<u>\$ 126,866</u>	<u>\$ 50,141</u>	<u>\$ 177,007</u>

NOTE 4 – OTHER NOTES

4. A. Employee Pension and Other Benefit Plans

Pension Plan

Pension Plan Description

The District is a participating employer in the Oregon Public Employees Retirement System (PERS), an agent multiple employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan to PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS member who returns to employment following a six month or greater break in service. The new consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. 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 and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. 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. Those employees who had established a PERS

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon**

Notes to Basic Financial Statements

membership prior to the creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

As an independent employer, the District is considered to be participating in an agent multiple employer plan for purposes of their Tier 1/Tier 2 Pension liabilities and a cost sharing plan for purposes of their OPSRP pension liabilities.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR, 97281-3700, by calling 503-598-7377, or by accessing the PERS website at www.oregon.gov/PERS.

Pension Plan Funding Status

Covered employees are required by state statute to contribute 6 percent of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The District has elected to pay the required employee contribution amount of \$ 2,351 (6 percent of covered payroll) for the year ended June 30, 2015. Employer contributions are required by statute and made at actuarially computed rates for qualifying employees as adopted by OPERB.

The employer contribution rates for the year ended June 30, 2015 are shown in the table below.

Tier 1/Tier 2 subject payroll	6.86 %
OPSRP general service subject payroll	2.21 %
OPSRP police and fire subject payroll	4.94 %

Pension Plan Contributions

Contributions required by State Statute and made for each of the past three fiscal years are as follows:

2015	\$ 3,134
2014	\$ 3,123
2013	\$ 3,299

These contributions represent 100 percent of the required contribution in each fiscal year.

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Notes to Basic Financial Statements

Other Post-Employment Benefits

Retirement Health Insurance Account (RHIA)

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB Statement No. 45. Consequently, each employer reports the contractually required contribution. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2012 to June 30, 2014 was calculated as part of the December 31, 2009 valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2014 to June 30, 2015 was calculated as part of the December 31, 2012 valuation, and is expressed as contribution rates that are applied to the appropriate payroll.

The District's contributions to RHIA for the past three fiscal years, which equaled the required contributions each year, are as follows:

2015	\$ 196
2014	\$ 186
2013	\$ 181

The rates and appropriate payroll are shown in the table below:

	Payroll		
	Tier 1/ Tier 2	OPSRP	
		General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

4. B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disaster for which the District purchases and carries commercial insurance subject to customary deductibles and total coverage limits recommended by the District's insurance agent of record. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Any settlements have not exceeded coverage in the past three years.

4. C. Commitments and Contingencies

Commitments

City of Dallas Contract

The District has a contract with the City of Dallas. The District pays the City of Dallas for general use of fire personnel and equipment.

**Southwestern Polk County
Rural Fire Protection District
Dallas, Oregon
Notes to Basic Financial Statements**

4. D. Subsequent Events

Management has evaluated subsequent events through September 14, 2015, which was the date that 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.

Supplemental Information

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Cash Basis)

General Fund

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Property taxes	\$ 433,912	\$ 448,306	\$ 14,394
Contract reimbursement	26,000	-	(26,000)
Interest	1,000	1,177	177
Insurance recoveries	5,000	2,021	(2,979)
Miscellaneous	4,250	13,651	9,401
Total revenues	470,162	465,155	(5,007)
Expenditures			
Current			
Personal services	76,420	72,335	(4,085)
Materials and services	400,359	349,857	(50,502)
Debt service	13,383	13,383	-
Contingency	20,000	-	(20,000)
Total expenditures	510,162	435,575	(74,587)
Revenues over (under) expenditures	(40,000)	29,580	69,580
Other financing sources (uses)			
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(40,000)	29,580	69,580
Fund balances, beginning of year	90,000	82,387	(7,613)
Fund balances, ending of year	\$ 50,000	111,967	\$ 61,967
Ending fund balances for funds consolidated into the General Fund in the financial statements			
Major Fire Conflagration Fund		14,599	
Grant Fund		300	
Fund balances, end of year as reported for the General Fund in the financial statements		\$ 126,866	

Current
4124226.07
20 491.55
42.28

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Cash Basis)

Equipment Reserve Fund

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Over (Under)
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures			
Current			
Capital outlay	<u>50,141</u>	<u>-</u>	<u>(50,141)</u>
Total expenditures	<u>50,141</u>	<u>-</u>	<u>(50,141)</u>
Revenues over (under) expenditures	(50,141)	-	50,141
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(50,141)	-	50,141
Fund balances, beginning of year	<u>50,141</u>	<u>50,141</u>	<u>-</u>
Fund balances, ending of year	<u><u>\$ -</u></u>	<u><u>\$ 50,141</u></u>	<u><u>\$ 50,141</u></u>

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Cash Basis)

Major Fire Conflagration Fund

For the Year Ended June 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues			
Conflagration	\$ 20,000	\$ -	\$ (20,000)
Total revenues	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Expenditures			
Current			
Capital outlay	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total expenditures	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Fund balances, beginning of year	<u>14,599</u>	<u>14,599</u>	<u>-</u>
Fund balances, ending of year	<u>\$ 14,599</u>	<u>\$ 14,599</u>	<u>\$ -</u>

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Cash Basis)

Grant Fund

For the Year Ended June 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues			
Grants	\$ 25,000	\$ 13,000	\$ (12,000)
Total revenues	<u>25,000</u>	<u>13,000</u>	<u>(12,000)</u>
Expenditures			
Current			
Materials and services	5,000	-	(5,000)
Capital outlay	<u>20,000</u>	<u>13,000</u>	<u>(7,000)</u>
Total expenditures	<u>25,000</u>	<u>13,000</u>	<u>(12,000)</u>
Fund balances, beginning of year	<u>300</u>	<u>300</u>	<u>-</u>
Fund balances, ending of year	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ -</u>

**Southwestern Polk County
Rural Fire Protection District**

Dallas, Oregon

Schedule of Property Tax Transactions

For the Year Ended June 30, 2015

Tax Year	Taxes Receivable July 1, 2014	2014 - 2015 Levy	Adjustments	Collections	Taxes Receivable June 30, 2015
2014 - 2015	\$ -	\$ 451,808	\$ (12,054)	\$ 426,940	\$ 12,814
2013 - 2014	14,253	-	396	7,668	6,981
2012 - 2013	7,832	-	486	3,778	4,540
2011 - 2012	5,641	-	693	3,570	2,764
2010 - 2011	3,109	-	532	2,360	1,281
2009 - 2010	1,372	-	132	435	1,069
2008 - 2009	184	-	29	97	116
Prior	457	-	(39)	27	391
Totals	<u>\$ 32,848</u>	<u>\$ 451,808</u>	<u>\$ (9,825)</u>	444,875	<u>\$ 29,956</u>

Add:

Other taxes and interest

3,431

Turnovers to District

\$ 448,306

Because Southwestern Polk County Rural Fire Protection District reports information on the modified cash basis of accounting, no accrual of property taxes receivable has been recorded in the financial statements.

Audit Comments



TAX & WEALTH MANAGEMENT, LLP

Robert Barry, CPA*
William B. Heck, CPA*
David Mendenhall, CPA*
Paul Witzke, CPA*
Kara Brausen, CPA
Paul Cramer, CPA
Mimi Koza, CPA
Kristan Krivoshein, CPA
*Firm Partner

Independent Auditor's Report Required by Oregon State Regulations

To the Board of Directors
Southwestern Polk County Rural Fire Protection District
Dallas, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Southwestern Polk County Rural Fire Protection District as of and for the year ended June 30, 2015, and have issued our report thereon dated September 14, 2015.

Compliance

As part of obtaining reasonable assurance about whether the Southwestern Polk County Rural Fire Protection District's financial statements are free of material misstatement, 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 162-10-0000 through 162-10-0320 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 included, but were not limited to the following:

Deposits 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

Authorized investments of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

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 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

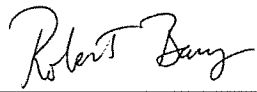
OAR 162-010-230 Internal Control

In planning and performing our audit, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Deficiencies in internal control were reported to managements in letters dated September 14, 2015.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors of Southwestern Polk County Rural Fire Protection District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Tax & Wealth Management, LLP
Certified Public Accountants
Corvallis, Oregon*

By: 

*Robert Barry, Partner
September 14, 2015*