

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of significant accounting policies

A. Reporting entity

Tualatin Valley Fire and Rescue, a Rural Fire Protection District, is an Oregon municipal corporation, which, operating under Oregon Revised Statutes Chapter 478 as a Rural Fire Protection District, provides fire protection within Washington, Clackamas and Multnomah counties.

The power and authority given to the District is vested in a Board of Directors, each member being elected for a four-year term. The Board of Directors has the statutory authority to adopt and modify the budget; levy taxes; control all assets, including facilities and properties; authorize borrowing, or long-term debt issuances; sign contracts, and develop the programs to be provided. The responsibility and accountability over all funds and fiscal matters are vested in the Board of Directors. The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit from nor imposes a financial burden on the District.

The Board of Directors appoints the Fire Chief of the District. The activities under the purview of the Fire Chief are within the scope of the reporting entity and the Fire Chief is accountable to the Board of Directors for the activities being managed.

The District is the primary, special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the government-wide financial statements. The District's financial statements represent those of a stand-alone government, as there are no component units.

B. Government-wide and fund financial statements

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary *governmental activities* of the District. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are financed primarily through property taxes, and charges for services to other governments.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The statement of activities presents a comparison between *direct expenses* of the District's public safety program and *program revenues* for its programs. Direct expenses are those that are specifically associated with the public safety function and, therefore, are clearly identifiable to that function. Program revenues include: (1) charges to other governments for occupational health and fleet maintenance services provided and (2) operating grants and contributions. Property taxes, investment earnings and other items that are not properly classified as program revenues, are presented as *general revenues*.

Separate financial statements are provided for governmental funds, the internal service fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the internal service fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements use a flow of *current financial resources measurement focus*. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The governmental fund types are maintained using the *modified accrual basis of accounting* whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for: (1) interfund transactions for services, which are recorded on the accrual basis, (2) interest expense on long-term debt, which is recorded as due, (3) insurance premiums benefiting more than one fiscal year are recorded when paid, and (4) the noncurrent portion of accrued compensated absences.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The District considers revenues available if they are collected within 60 days of year-end with the exception of investment interest, which is recognized when earned. The most significant revenue source, which is measurable and available under the modified accrual basis of accounting, is property tax revenue.

The District reports the following major governmental funds:

- 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, either legally or by Board direction. The principal revenue source is property taxes. Primary expenditures are for public safety.
- The *Property and Building Fund*; a capital projects fund type, accounts for the accumulation of resources for building site acquisitions and construction costs for new and existing facilities. The principal resources are transfers from the General Fund, interest income, and sale of surplus property.

Additionally, the District reports the following fund types:

- The *internal service fund* type includes the District's *Insurance Fund* and is used to account for the accumulation of resources used for payment of claims and losses that are less than the District's deductible limits for insurance coverage. The principal revenue sources are interest income and insurance refunds.
- The *fiduciary funds* account for assets held by the District in a trustee capacity under the terms of formal trust agreements. The District's trust funds are two pension trust funds, the *Pension Trust Fund*, and the *Volunteer Length of Service Award Plan (LOSAP) Fund*. The *Pension Trust Fund* accounts for the accumulation of resources for the District's pension plan for employees who retired prior to July 16, 1981 and for the payments to these retirees and beneficiaries thereunder. Compensation levels and years of service were frozen as of June 30, 1981 for purposes of computing plan benefits. The principal revenue source is earnings on investments. The *Volunteer LOSAP Fund* accounts for the accumulation of resources for the District's Length of Service Award Plan for volunteer firefighters. The principal sources of revenue are employer contributions and earnings on investments.

Private sector standards of accounting and reporting issued prior to December 1, 1989 generally are followed in both the government-wide and internal service fund financial statements to the extent that these standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board (GASB). The District has elected not to follow subsequent private-sector guidance.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

The District considers cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares. Short-term investments classified as cash equivalents are carried at amortized cost.

2. Investments

Investments other than U.S. Government agency securities and investment in the Oregon Local Government Investment Pool are carried at fair value. Investments in U.S. Government agency securities are carried at amortized cost which approximates fair value. Fair value is based on current market prices. Changes in the fair value of investments are recognized as revenue.

3. Receivables

All accounts and property tax receivables are shown net of an allowance for uncollectible accounts. Property taxes, all of which are receivable from property owners within the District, are assessed on January 1 and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15 and May 15. Taxes unpaid and outstanding on May 15 are considered delinquent.

4. Supplies inventory

Inventory of supplies is stated at cost (first-in, first-out method). In the governmental funds statements, expenditures are recognized when inventories are consumed (consumption method) rather than when purchased.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

5. *Capital assets*

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets with an initial cost of more than \$5,000. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures/expenses as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 30 years
Fire apparatus	17 years
Furniture, fixtures and equipment	4 - 10 years

6. *Long-term debt*

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums and discounts received on debt issuances, are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Liabilities for compensated absences*

Accumulated accrued compensated absences for vacation and personal leave benefits expected to be liquidated with expendable available resources are recorded as expenditures and a fund liability of the governmental fund that will pay for them. The amount of accumulated vacation and personal leave, including associated payroll taxes and retirement contributions, that is payable from future resources is recorded in the government-wide financial statements. Accumulated sick leave does not vest and is, therefore, recorded when leave is taken.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balances to indicate that a portion is not available for appropriation as of year-end or to indicate that a portion is legally segregated for a specific future use.

II. Stewardship, compliance, and accountability

A. Budgetary information

The District budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting, except for the Insurance, Pension Trust and Volunteer LOSAP Funds, which are budgeted on the accrual basis of accounting.

The Board of Directors adopts the original budget by resolution prior to the beginning of the District's fiscal year (July 1 through June 30). The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay and other expenditures for the fund are the levels of control established by the resolution with the exception of the General Fund where those same appropriation levels are defined by division levels. The detailed budget document, however, is required to contain more specific detailed information for the above mentioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. The District adopted one budget transfer resolution during the year ended June 30, 2005. Appropriations lapse at year-end.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

III. Detailed notes on all accounts

A. Cash, cash equivalents and investments

1. Deposits and Investments

The District maintains separate accountability by fund for cash, cash equivalents, and investment accounts. Deposits with financial institutions include bank demand deposits and time certificates of deposit. The total book balance at June 30, 2005 was \$1,705,407, and the total bank balance was \$1,835,580. Of these deposits, \$167,000 was covered by federal depository insurance, and the remainder was collateralized with securities held by financial institutions acting as the agents of the District in the District's name.

Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

At June 30, 2005, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 1,250
Cash with county assessor	232,356
Deposits with financial institutions	1,635,214
State of Oregon Local Government Investment Pool	24,613,842
Investments:	
Certificate of Deposit	70,193
U.S. Government securities	7,300,921
Commercial paper	1,568,168
Open-ended Mutual funds	1,569,795
Corporate notes	163,214
	<u>\$ 37,154,953</u>

Cash and investments are reflected on the basic financial statements as follows:

	Governmental Activities	Fiduciary Funds
Cash and cash equivalents	\$ 25,962,014	\$ 520,648
Investments	8,869,090	1,803,201
Total cash, cash equivalents and investments	<u>\$ 34,831,104</u>	<u>\$ 2,323,849</u>

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

The Oregon Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Short-Term Fund Board and the Oregon Investment Council. Cost approximates the District's fair value in the LGIP.

The Oregon State Treasury Finance Division administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or had control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

2. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2005, the District does not have investments exposed to custodial credit risk.

3. Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates, the District's governmental funds investment policies limit maturities to 18 months. Generally short-term investment funds will be invested for periods less than 12 months. Identified budgeted fund balance carryovers in those funds may be available for investment periods up to 18 months. Long-term investments have the same maturity as the short-term, however investments with a maturity of 12 months or more shall be limited to U.S. Agency or U.S. Treasury securities. Actual investment maturities at June 30, 2005 are as follows:

Maturity	<u>Operating Investments</u>	<u>Pension Investments</u>
Less than 30 days	0%	0%
Less than 12 months	82%	35%
Less than 18 months	18%	65%

4. Credit Risk

State statutes govern the District's investment policy. Permissible investments for governmental funds include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Idaho and Washington that have a rating at settlement of AA or better, A-1 rated commercial paper and

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

banker's acceptances, Aa rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Local Government Investment Pool. The Pension Trust funds maintain a separate investment policy following fiduciary and trust investment guidelines and which allow investment in mutual funds in addition to the above investment types.

The State of Oregon Local Government Investment Pool and money market account are unrated. Other investments held at June 30, 2005 are categorized by rating as follows:

Aa1	\$	298,975
Aa2		273,599
Aa3		1,078,177
Ba1		80,631
	<u>\$</u>	<u>1,731,382</u>

B. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>West Linn</u> <u>Additions</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental activities:					
Non-depreciable capital assets					
Land	\$ 3,720,152	\$ 487,058			\$ 4,207,210
Construction in progress	680,947		\$ 377,449	\$ (412,402)	645,994
Total capital assets, not being depreciated	<u>4,401,099</u>	<u>487,058</u>	<u>377,449</u>	<u>(412,402)</u>	<u>4,853,204</u>
Depreciable capital assets					
Buildings and improvements	20,935,358	1,128,180	69,738		22,133,276
Fire apparatus and other vehicles	15,465,561	696,320	3,281,838	(96,138)	19,347,581
Furniture, fixtures and equipment	4,871,482	8,000	1,005,614	(676,452)	5,208,644
Total depreciable capital assets	<u>41,272,401</u>	<u>1,832,500</u>	<u>4,357,190</u>	<u>(772,590)</u>	<u>46,689,501</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,513,613)	(1,128,180)	(736,994)		(11,378,787)
Fire apparatus and other vehicles	(6,519,584)	(653,967)	(1,077,941)	96,138	(8,155,354)
Furniture, fixtures and equipment	(3,292,174)		(530,908)	566,722	(3,256,360)
Total accumulated depreciation	<u>(19,325,371)</u>	<u>(1,782,147)</u>	<u>(2,345,843)</u>	<u>662,860</u>	<u>(22,790,501)</u>
Total capital assets being depreciated, net	<u>21,947,030</u>	<u>50,353</u>	<u>2,011,347</u>	<u>(109,730)</u>	<u>23,899,000</u>
Total capital assets, net of depreciation	<u>\$ 26,348,129</u>	<u>\$ 537,411</u>	<u>\$ 2,388,796</u>	<u>\$ (522,132)</u>	<u>\$ 28,752,204</u>

The City of West Linn's fire department assets, net of accumulated depreciation, were added to the District on July 1, 2004 as a result of the annexation.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

C. Interfund receivables, payables, and transfers

An interfund receivable of \$36,744 was recorded in the General Fund, payable from non-major governmental funds for reimbursement of personnel and materials and services used in regional emergency preparedness.

For the year ended June 30, 2005, the District made transfers totaling \$4,002,535 from the General Fund to the non-major governmental funds primarily for capital asset acquisitions.

D. Long-term debt

1. Bonds and loan payable

The District has outstanding bonds payable from a \$5,000,000 issuance of eight-year general obligation bonds dated June 15, 2000 with interest rates ranging from 4.5% to 5.0% and a \$5,000,000 issue of 10-year general obligation bonds dated January 15, 1999 with a 4% interest rate. Both of these bond issues were for purposes of funding seismic improvements, station construction projects and to purchase fire apparatus.

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Balance			Balance	Due in
	June 30, 2004	Additions	Reductions	June 30, 2005	One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,430,000		\$ (1,110,000)	\$ 5,320,000	\$ 1,190,000
Loan payable:					
Financing agreement, series 2002	472,100		(472,100)		
Total bonds and loan payable	<u>6,902,100</u>		<u>(1,582,100)</u>	<u>5,320,000</u>	<u>1,190,000</u>
Unamortized premiums and issuance costs	(48,102)		16,919	(31,183)	(9,732)
Total long-term liabilities	<u>\$ 6,853,998</u>		<u>\$ (1,565,181)</u>	<u>\$ 5,288,817</u>	<u>\$ 1,180,268</u>

Annual debt service requirements to maturity for bonds and loan payables are as follows:

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

Year of Maturity	General Obligation Bonds Series 2000 4.5% to 5.0% dated 6/15/00		General Obligation Bonds Series 1999 4.0% dated 1/15/99	
	Principal	Interest	Principal	Interest
2005-2006	\$ 640,000	\$ 127,250	\$ 550,000	\$ 98,200
2006-2007	690,000	94,000	590,000	76,200
2007-2008	740,000	58,250	635,000	52,600
2008-2009	795,000	19,875	680,000	27,200
Total	<u>\$ 2,865,000</u>	<u>\$ 299,375</u>	<u>\$ 2,455,000</u>	<u>\$ 254,200</u>

2. Compensated absences

Compensated absences activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Current Portion
Governmental activities:					
Compensated absences	<u>\$ 3,714,630</u>	<u>\$ 4,501,883</u>	<u>\$ (4,176,594)</u>	<u>\$ 4,039,919</u>	<u>\$ 1,022,150</u>

Due to the current financial resources focus of the governmental funds, only the current portion of the accrued compensated absences expected to be liquidated within 60 days of year end is recorded on the balance sheet. The entire balance, generally utilized within one year, is reported on the Statement of Net Assets. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

IV. Other Information

A. Risk management

The District is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District, through its general fund, purchases commercial insurance. Deductibles are generally at \$5,000 or less with the exception of (1) automobiles which are self-insured to \$25,000 and (2) natural disasters which have a deductible of \$100,000. Settled claims have not exceeded commercial coverage in any fiscal year.

The District's industrial accident insurance policies allow a three-year retrospective annual premium adjustment until claims experience becomes available. Alternatively, the District may annually elect to close out one or

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

more of the open claim years. Claim years for fiscal 2003, 2004 and 2005 remain open. The District's maximum liability for premiums related to these three open claim years is approximately \$181,000, which represents the difference between the maximum possible premium less the net paid premium. If the claims experience for any of these open claim years is favorable, the District could receive a refund of a portion of the premiums paid.

B. Commitments and contingencies

On March 9, 2004, the City of West Linn residents voted to annex to the District as of July 1, 2004. As part of the annexation contract between the City of West Linn and the District, the District has made certain commitments to reconstruct two fire station facilities within the City, generally within seven years of annexation.

C. Related party transactions

The District provides accounting and bookkeeping services for Washington County Consolidated Communications Agency (WCCCA), an ORS 190 entity, which is an intergovernmental entity created by agreement of local governments. WCCCA functions as a 9-1-1 dispatch agency. The District is a participating member of the agreement. During the year ended June 30, 2005, the District paid \$1,056,977 to WCCCA for dispatch fees and \$18,812 for equipment maintenance charges. WCCCA paid \$151,005 to the District for accounting services and for a loaned employee arrangement for the year ended June 30, 2005.

D. Deferred compensation plan

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(g). The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Under terms of the bargaining agreement, participating employees who meet length of service requirements receive a District matching contribution in an amount ranging from 1% to 2.5% of base wages. The District makes a similar match for non-bargaining employees. The District's contribution during fiscal year 2005 was \$317,088 of which \$238,816 was made for the bargaining unit employees.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

E. Other post-employment benefits

Based upon past contractual arrangements with the District's bargaining unit, the District currently pays amounts for medical insurance for retirees until they reach 65 years of age. This benefit is determined by the retiring employee's years of service and ranges from \$50 to \$100 per month. A similar arrangement was extended to the retired non-bargaining employees. For fiscal year 2005, the District incurred expenditures of \$106,935 in payments to former bargaining unit employees and \$45,806 in payments to former non-bargaining employees. The benefit is financed on a pay-as-you-go basis and currently includes payments to 113 retirees. This plan has been phased out for employees retiring after June 30, 2000 and was replaced with a plan that is funded over the course of an employee's career. The District accounts for the resources and expenditures associated with this past plan commitment through the Retiree Medical Insurance Stipend Fund, a special revenue fund.

F. Employee retirement systems and pension plans

1. Oregon Public Employees Retirement System (PERS) and Oregon Public Service Retirement Plan (OPSRP)

The Oregon Public Employees Retirement System (PERS or "the System") provides a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. For state agencies, community colleges, school districts, and political subdivisions who have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. It is an agent multiple-employer system for political subdivisions who have not elected to join the State and Local Government Rate Pool.

On August 29, 2003, the Oregon Governor signed into law House Bill 2020 which created a new Oregon Public Service Retirement Plan (OPSRP) beginning January 1, 2004. The plan includes two components, the pension program and an individual account program. Assets of these accounts are held separately from PERS ORS 238 assets. The plan is administered by the PERS board under ORS 238A and contributions for PERS and OPSRP are made to PERS. The OPSRP system is also an agent multiple-employer system for all governments.

The Plans offer retirement and disability benefits, post-employment healthcare benefits, annual cost of living increases, and death benefits to Plan members and beneficiaries. Benefits differ depending upon employee entry date. PERS and OPSRP are established by state statutes to provide benefits for state and local governments and their employees. PERS is administered under Oregon Revised Statute Chapter 238. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. ORS Chapter 238.620 and

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

238A.005(3) establishes the Public Employees Retirement Board as the governing body of PERS and OPSRP. The Board has the authority under state statutes to amend the Plan's benefits and contribution rates. PERS issues publicly available financial reports that include financial statements and required supplementary information. The reports can be obtained from the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377.

The required employee contribution of 6% is paid by the District as a result of a collective bargaining agreement. Prior to December 31, 2003, the employee's 6% contribution was made to the PERS ORS 238 system. Effective January 1, 2004, this same 6% contribution was required to be made to the Individual Account Program for all eligible employees under the ORS 238A OPSRP system. The District also contributes the remaining amounts necessary to pay benefits when due. For 2005, the District's annual pension cost of approximately \$4,755,000 was equal to the District's required and actual contributions. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The employer rate for fiscal year 2004-2005 was 10% of salary covered under the plan for 238 employees and was determined as part of the December 31, 2001 actuarial valuation using the entry age cost method. The employer rates adopted by the PERS board based on the December 31, 2003 actuarial valuation for the District beginning July 1, 2005, are 14.4%. For OPSRP employees, the District is required to remit contributions based on the employee class. The OPSRP contribution rates are 8.04% for general service employees and 11.65% for police and fire employees. These rates were adopted by the PERS board based on actuarial information regarding projected costs of the new plan.

The actuarial assumptions in the December 31, 2001, included (a) 8.0% investment rate of return, (b) projected salary increases of 4.25% with additional increases for promotion and longevity that vary by age and service, (c) post-retirement cost of living increases of 2% per year, and (d) certain demographic assumptions. The underlying long-term assumed rate of inflation is 3.50% per year. The actuarial value of PERS assets are valued at fair market value. The unfunded actuarial liability is amortized on a level percentage of covered payroll on a closed fixed term method basis over a 26-year period through December 31, 2027.

Three-Year Trend Information for PERS and OPSRP

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 4,755,000	100%	-
2004	4,662,000	100	-
2003	3,730,000	100	-

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Two major changes in the employer contributions area occurred between the 1999 and the 2001 actuarial evaluation. The state legislature allowed local governments the opportunity to join a larger risk pool by electing to participate in a Local Government Rate Pool (LGRP) as of January 1, 2000. The legislature further expanded this opportunity by creating a State and Local Government Rate Pool (SLGRP) effective January 1, 2002. The District elected to join these risk pools. The impact of both of these pools is reflected in the District's individual contribution rate determined by the 2001 actuarial evaluation and made effective through fiscal year 2005. In addition, due to the election by the District to join these pools beginning with the 2001 evaluation, individual entity data on the actuarial value of assets, and the actuarial accrued liability is unavailable.

2. Single-Employer Defined Benefit Pension Plan

The District maintains a single-employer defined benefit pension plan for those former employees of Washington County Fire Protection District No. 1 (a merged District) who retired prior to July 16, 1981. Compensation levels and years of service were frozen for benefit purposes as of June 30, 1981. The amortization period for this plan is closed. The plan is accounted for on a flow of economic resources measurement focus and uses the accrual basis of accounting. Benefits and refunds are recognized when incurred. Administrative costs are paid with plan assets and consist primarily of professional services.

The Plan is maintained for six retired employees and one beneficiary. Benefits paid are based upon the former employees' years of service and a percentage of their average monthly compensation prior to June 30, 1981. Because of the frozen status of the Plan and its liabilities, certain disclosures, as required by GASB Statement Nos. 25 and 27, are not applicable.

The Plan is administered by the Fire Chief. Benefits under this plan consist of payments to retirees. Amendments to the plan may be made at the discretion of the Board. Investments consist primarily of U.S. Government agency securities, certificates of deposit, investments in the Oregon Local Government Investment Pool and open-end mutual funds.

The total actuarial present value of accumulated plan benefits as of July 1, 2001, the date of the latest actuarial valuation, was \$2,670,258. All benefits are vested. Significant actuarial assumptions used in the valuation included (a) rate of return of 8%, (b) cost of living increases of 2% for the 1976 Plan retirees and 5% for 1973 Plan retirees, and (c) mortality based upon 1971 Group Annuity Mortality tables. The actuarial cost method is Entry Age Normal and assets are actuarially valued at market value.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

The Net Pension Obligation (NPO) is zero since no contributions were made or required to be made to the Plan. The annual pension costs are also zero since NPO and the Annual Required contribution is zero. The Plan does not issue stand-alone financial reports.

Condensed Statement of Net Assets, June 30, 2005:

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 340,979
Investments	1,420,278
Interest receivable	4,665
Total assets	1,765,922
 LIABILITIES	
Accounts payable	67
 NET ASSETS	
Held in trust for pension benefits	\$ 1,765,855

Changes in Net Assets for the year ended June 30, 2005:

	Pension Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 27,637
Dividends	20,149
Net increase in the fair value of investments	52,958
Net investment earnings	100,744
Total additions	100,744
 DEDUCTIONS	
Benefits	331,028
Administration expenses	1,008
Total deductions	332,036
Change in net assets	(231,292)
Total net assets, July 1, 2004	1,997,147
Total net assets, June 30, 2005	\$ 1,765,855

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

3. *Volunteer Length of Service Award Plan*

The District adopted a Volunteer Length of Service Award Plan (LOSAP) effective July 1, 1998 for its volunteer firefighters. This plan replaced a prior plan administered by an outside insurance company. The District Finance Division administers investments and the investment mix consists primarily of investments in the Oregon Local Government Investment Pool and open-end mutual funds.

This plan is accounted for as a single employer defined benefit plan and provides length of service award benefits of a lump sum amount based upon years of service. The Fire Chief as the Plan Administrator administers the plan and the Board of Directors provides oversight. Amendments to the plan may be made at the discretion of the Board. Vesting occurs after five years of service and service benefits are limited to 25 years. Volunteers are eligible for full retirement benefits after age 55. However, reduced benefits are available for vested volunteers after separation from service prior to age 55.

Significant actuarial assumptions used in the June 30, 1999 valuation included (a) rate of return of 8% assuming an underlying inflation rate of 4%, (b) volunteer turnover rates ranging from .1722 to .0792 depending upon age of the volunteer, and (c) mortality based upon 1983 Group Annuity Mortality tables. The actuarial cost method is the aggregate cost method, and assets are actuarially valued at market value. Under the aggregate cost method, the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants for the group as a whole (not as a sum of individual allocations), in such a way that annual costs are expected to remain level. This method does not identify or separately amortize the unfunded actuarial accrued liability. The actuarially determined annual required contribution in fiscal year 2005 was \$21,689, which was less than the actual contribution of \$60,000.

The plan does not issue stand-alone financial reports.

Trend Information

Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$21,689	276%	-
2004	21,689	161	-
2003	21,689	161	-

Based upon the unfunded actuarial liability of approximately \$92,000 as of the last actuarial valuation in June 1999, and the excess contributions made subsequent to that date compared to required contributions,

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2005

management estimates that any net pension obligation or negative net pension obligation are not material and therefore, no amount for this item is included on the statement of net assets.

Condensed Statement of Net Assets, June 30, 2005:

	Volunteer LOSAP Fund
ASSETS	
Cash and cash equivalents	\$ 179,669
Investments	382,923
Total assets	562,592
 NET ASSETS	
Held in trust for pension benefits	\$ 562,592

Condensed Statement of Changes in Net Assets, for the year ended June 30, 2005:

	Volunteer LOSAP Fund
ADDITIONS	
Contributions:	
Employer	\$ 60,000
Total contributions	60,000
Investment earnings:	
Interest	3,443
Dividends	6,822
Net increase in the fair value of investments	17,488
Net investment earnings	27,753
Total additions	87,753
 DEDUCTIONS	
Benefits	13,612
Total deductions	13,612
Change in net assets	74,141
Total net assets, July 1, 2004	488,451
Total net assets, June 30, 2005	\$ 562,592