



A Rural Fire Protection District, Tigard, Oregon

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011

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A Rural Fire Protection District
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Prepared by the Finance Department of Tualatin Valley Fire & Rescue

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Cover photo courtesy of Louise Thudium

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Tualatin Valley Fire and Rescue
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

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Introductory Section

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October 24, 2011

**To Board President Balfour and
Members of the Board of Directors
of Tualatin Valley Fire and Rescue**

We are pleased to submit the Comprehensive Annual Financial Report of Tualatin Valley Fire and Rescue for the fiscal year ended June 30, 2011. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse; and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District is a special district established to provide a full range of fire protection and emergency response services to its citizens. This report has been prepared in accordance with accounting principles generally accepted in the United States of America and follows guidelines recommended by the Government Finance Officers Association of the United States and Canada.

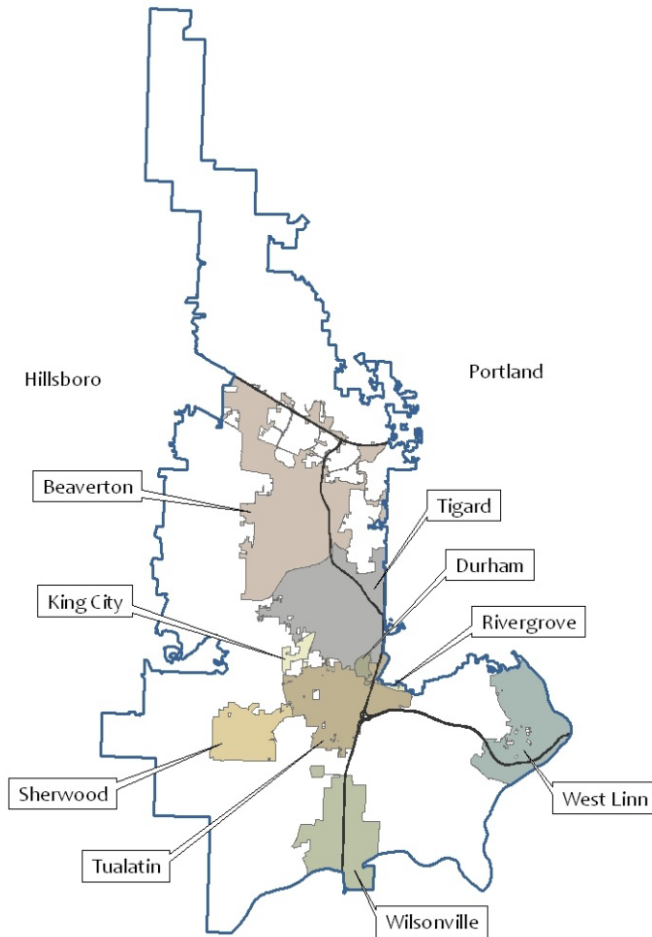
State of Oregon Revised Statutes, ORS 297.405 to 297.555, require an annual audit of the fiscal affairs of the District by independent public accountants selected by the Board of Directors. This requirement has been complied with and the auditor's opinion has been included at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Letter of Transmittal

The Reporting Entity and Its Services

The District operates under Oregon Revised Statutes Chapter 478 as a separate municipal corporation and is managed by a Board of Directors comprised of a President and four Directors including a Vice-President and a Secretary-Treasurer. The Board hires a Fire Chief to manage the day-to-day operations of the District. The governing Board appoints members of the community to serve on boards and commissions, which include the Budget Committee and the Civil Service Commission.



Tualatin Valley Fire and Rescue, a Rural Fire Protection District, was formed in 1989, through the legal merger of Washington County Fire Protection District No. 1 and Tualatin Rural Fire Protection District. Since that time, the District has expanded through the mergers of two additional fire districts, Multnomah County Rural Fire Protection District Nos. 4 and 20, and the annexation of the Valley View Water District on July 1, 1995. The District continued to grow by the annexation of the City of Beaverton to the District's service territory effective July 1, 1996. The most recent annexation was the City of West Linn, which was legally annexed on July 1, 2004, after the culmination of six years of contracted services by the District for city residents.

The District currently operates 21 career and volunteer fire stations with a complement of fire engines, ladder trucks, aerial pumpers, hazardous materials response units, technical rescue units, one heavy CBRNE unit, water tenders, brush rigs,

and several other pieces of equipment, including medics, response cars, water rescue units, a mobile command unit, and an additional fleet utilized to supplement response needs. District employees - approximately 441 in 2011 - were supplemented by approximately 54 volunteer firefighters.

The District has been and continues to be focused on providing the taxpayers the highest level of service in an efficient and effective operation. The District continues to implement continuing operational improvements in order to accomplish its strategic goals.

Tualatin Valley Fire and Rescue

Letter of Transmittal

The District serves northeast Washington County, northwest Clackamas County, and the western edge of Multnomah County. The District is a special service district supported by the property owners within its boundaries.

The District serves a population of an estimated 435,834 people. Assessed valuation continues to grow and to provide additional tax revenue. The District's funding is based upon a permanent tax rate of \$1.5252 levied on assessed valuation. Increases in assessed valuation result in increased tax revenue to the District. Assessed valuation increased from \$40.3 billion in 2009-10 to approximately \$41.4 billion in the 2010-11 fiscal year. In addition, the District depends upon an additional local option levy of 25 cents per thousand to supplement the permanent levy rate. The District's voters firmly supported the third renewal of the 25 cent levy for an additional five years at the November 2008 election. This levy will provide funding for operations through June 30, 2015.

Capital funding for the next several years will continue to be provided from a series of general obligation bond sales. The authority to issue up to \$77.5 million of bonds was strongly supported by our voters at the November 2006 election to provide funding for new stations, significant seismic reconstruction of existing stations, a command center, and for emergency response apparatus throughout the District. The District has sold a total of \$72.5 million in four issuances. A final issuance is planned for 2016.

The area served, which includes the cities of Beaverton, Durham, King City, Rivergrove, Tigard, Tualatin, Sherwood, West Linn, and Wilsonville, lies within one of the fastest growing regions of the state. The District is an area encompassing densely populated suburbs, rural farmlands, retail and commercial establishments, and growing industrial complexes.

Fire stations are strategically placed throughout the District to protect property and the District population. The District utilizes defined response time standards, projected population densities, and urban growth, as well as actual and planned traffic conditions to determine the best station sites to optimize response times.

As a result of the high quality of services provided, training standards, equipment, staffing, and related support functions, the District is among the leaders in the State of Oregon in obtaining a favorable insurance classification, class 2, according to the standards set forth by the Insurance Services Office, Inc. To the property owner in the District, this classification results in very low premium rates for fire insurance.

The District is a multi-service district with services and programs tailored to meet the needs of the community. The District is committed to creating safer communities through education, prevention, preparedness and emergency response. Emergency response services include fire suppression, emergency medical services, water dive, high angle, and heavy rescue. For several years, the District has served as a Regional Hazardous Material Response provider for the State of Oregon with a service response area ranging from the City of Portland

Letter of Transmittal

boundary on the east to the Pacific Ocean on the west and from the District's northern boundary in Multnomah County southerly to Marion County.

The District's Integrated Operations staff is dedicated to meeting all of the state mandates regarding fire investigations, commercial and retail occupancy inspections, and educating District citizens. To deal with emergencies, both fire and medical, the District staffs a team of professional firefighters and paramedics 24-hours a day with skills and equipment necessary to deal with a wide variety of emergencies. Over half of the District's professional firefighters are certified as Advanced Life Support paramedics, while 100% of the remaining fire suppression personnel are certified at either the Basic or Intermediate Emergency Medical Technician life support levels. Under the guidance of physician advisors, emergency medical service personnel (all of whom are firefighters) maintain a high skill level through several specialized programs.

Modern training facilities, including a six-story training tower, a burn building for live fire training, a 19-acre training center, and a live TV studio and media center, provide personnel with constant training to keep their skills at the highest level. The TVF&R Training Center facility, which was constructed in several phases using public funding and private donations, provides advanced training opportunities in flammable liquids and gases and usage of live props, including a tanker truck, a vehicle driving course, propane rail cars, a bridge and excavation tunnels. The Training Center provides private businesses, District employees, and other customers a site to train for actual emergency situations and to meet federally mandated training requirements. The Training Center's facility and grounds are used for the many intensive District training operations, as well as District employer taxpayers requiring specialized training.

Economic Condition and Outlook

The District, through its broad geographic base, serves a relatively strong area of Oregon's economic base. The average weekly wage of workers in Washington County ranks 38th out of the nation's 318 major counties and independent cities with workforces of more than 75,000 and the county also had the largest one year gain in average weekly wages, followed by Multnomah (85th in nation) and Clackamas (200th in nation) counties among Oregon counties.^{(1) (2)} The District's assessed valuation continues to grow although real market value has declined for the second year in the row from approximately \$67 billion dollars in 2009 to \$58 billion dollars in 2011. Economic and regional population forecasts continue to project the area's long-term continued growth and development Assessed valuation of existing property is limited to three percent increases a year; and growth in the District's assessed valuation is largely expected to come from legally allowed increases in assessed valuation, which is at 71% of market value. For 2010-11, the assessed value of the District grew 2.75% to almost \$41.4

⁽¹⁾ Siemers, E. (2011, October 5). Workers in Washington County post strong income gains. *Portland Business Journal*.

⁽²⁾ Thomas, G.S. (2011, October 5). Employees in six counties post sharp income gains. *The Business Journals on Numbers*.

Letter of Transmittal

billion. While it may be several years before new development and other increases to market value occur, the legally allowed increase in assessed value of 3% per year is expected to provide a relatively stable funding source for the District.

The District's population is expected to grow in the next 20 years. We are working proactively and cooperatively with other governments and regional planning groups to ensure continued ability to serve this future population. This includes participating in neighborhood and street planning, emergency access and road construction planning processes, as well as evaluating and working across jurisdictional boundaries to ensure closest force response to population centers regardless of where city and county boundary lines fall.

This area serves as the home to internationally recognized companies such as Nike, Mentor Graphics, In Focus, and Tektronix. Top metropolitan area employers include Intel, Fred Meyer, Inc., Qwest Communications International, Inc., Portland General Electric, IBM, Kaiser Permanente, Providence Health System, U.S. Bank, and Maxim Integrated Products, among others. The area has attracted significant retail and wholesale marketers such as Costco Wholesale Clubs, Dayton-Hudson Stores, and Rite-Aid Drug Stores; and companies such as Pacific Realty Associates have developed acres of land adjacent to the Sunset Highway. Nike's world headquarters complex houses thousands of employees in office buildings bordering a seven-acre manmade lake and five acres of wetlands. Intel has continued to invest in multi-million dollar facility expansions to manufacture state-of-the-art computer chips, largely in the neighboring City of Hillsboro.

Major Initiatives

For the Year and For the Future

In fiscal year 2011, the District focused on two significant areas. The station construction and project management of the capital projects being funded through the bond program impacts almost every division within the District. Our combined efforts are required in order to manage the projects and build fire stations and purchase apparatus that will provide taxpayers the best service and value for the next 20 years. We have reviewed our standardized station designs to incorporate seismic structural improvements, reduce overall square footage of future projects, and included environmental considerations. The District's efforts in 2011 have been toward the design, planning, and permitting for two fire stations and one combined fire station and South Operating Center facility. In addition, the District fine tuned its service delivery to the public under the new Integrated Operations business model whereby prevention, education, and emergency response operations are directed from three geographic centers in order to achieve desired community risk reduction goals.

Letter of Transmittal

Department Service Efforts and Accomplishments

During the fiscal year ended June 30, 2011, all divisions and departments of the District contributed toward the accomplishments of our 2011 strategic goals. These goals, as outlined in our 2011 Strategic Plan are:

- *Reduce the number and severity of emergency incidents.*
- *Increase the communities' participation in their safety and preparedness, and knowledge and support of the District's services.*
- *Enhance preparedness for catastrophic and unforeseen events.*
- *Foster an environment conducive to the health and safety of all employees and volunteers.*
- *Develop and enhance a workforce that understands and respects individual and group differences and builds trust in the communities we serve.*
- *Promote craftsmanship, innovation, and excellence throughout the organization.*
- *Leverage use of existing resources and seek efficiencies for the greatest community good.*
- *Ensure ongoing financial and business operations stability and predictability.*

Efforts during the fiscal year ended June 30, 2011, as a result of these goals, included:

- Resiting and designing of Stations 56, 65, and 68.
- Design and planning for construction contract awards for the South Operating Center and fire stations 56, 65 and 68.
- Purchase and replacement of emergency fire apparatus with bond proceeds continued.

Other Information

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tualatin Valley Fire and Rescue for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the 23rd consecutive year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted, in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Tualatin Valley Fire and Rescue

Letter of Transmittal

In addition, the District also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the budget year ended June 30, 2011. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. This was the 23rd year the District received the award.

Acknowledgments

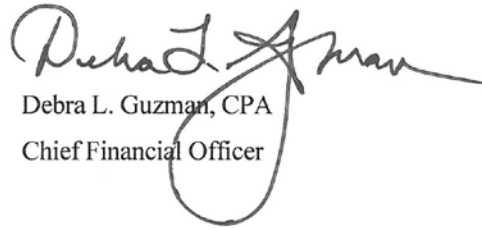
We express our sincere gratitude to the personnel of the Finance Division who assisted and contributed to this report. We also would like to extend our appreciation to the Board of Directors, managers, employees, and citizens of the District whose continuing support is vital to the financial and community affairs of the District.

Respectfully submitted,

Tualatin Valley Fire and Rescue



Michael R. Duyck
Fire Chief



Debra L. Guzman, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Tualatin Valley Fire and Rescue,
A Rural Fire Protection District
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Tualatin Valley Fire and Rescue
List of Elected and Appointed Officials
June 30, 2011

Board of Directors

Term Expires

Robert C. Wyffels, President	June 30, 2013
Clark I. Balfour, Vice-President (President-elect)	June 30, 2013
Brian J. Clopton, Secretary-Treasurer	June 30, 2015
Gordon L. Hovies, Member.....	June 30, 2013
Randy J. Lauer, Member	June 30, 2015

Budget Committee

Term Expires

Angie Fong.....	June 30, 2012
Paul A. Leavy.....	June 30, 2012
James W. Petrizzi.....	June 30, 2011
Michael D. Smith.....	June 30, 2013
Jon R. Walsh	June 30, 2013

Administrative Offices

11945 SW 70th Avenue
Tigard, OR 97223

Registered Agent

Michael R. Duyck
Fire Chief/Administrator

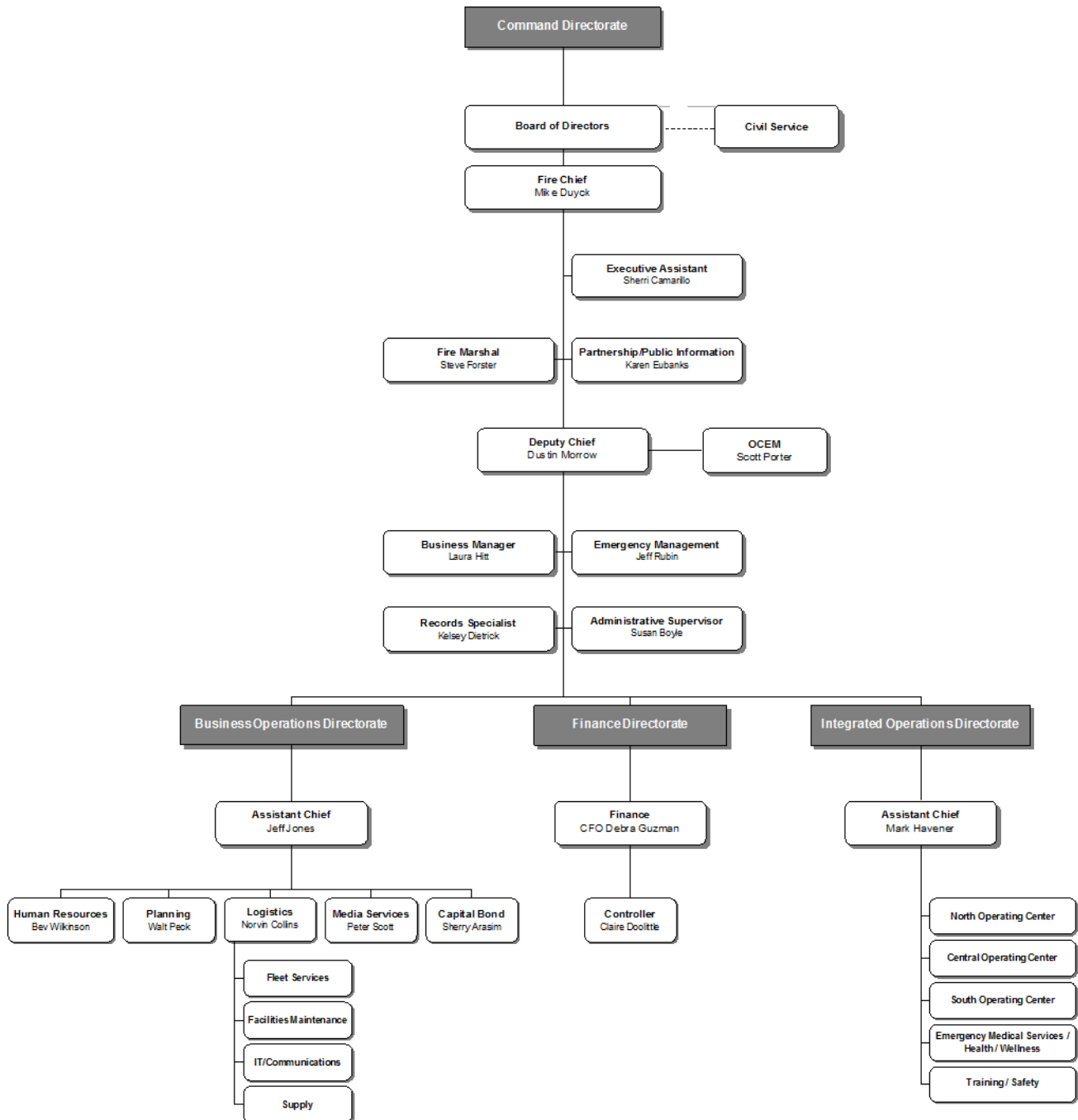
Legal Counsel

Jordan Schrader Ramis PC

Tualatin Valley Fire and Rescue

Organizational Chart

June 30, 2011



Financial Section

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**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

October 24, 2011

Board of Directors
Tualatin Valley Fire and Rescue
Tigard, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tualatin Valley Fire and Rescue, Tigard, Oregon, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and the cash flows, where applicable and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules of Funding Progress as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

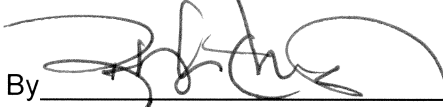
INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Tualatin Valley Fire and Rescue
October 24, 2011
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Introductory and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountant

By 
Robert G. Moody, Jr., Partner

Management's Discussion and Analysis

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Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

As management of Tualatin Valley Fire & Rescue (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages three through nine of this report.

Financial Highlights

- In the government-wide financial statements, the assets of the District exceeded its liabilities at June 30, 2011 by \$83,124,855. Of this amount, \$30,510,984 represents the District's investment in capital assets, net of related debt; \$1,240,387 is restricted for debt service; \$71,895 is restricted under grant awards for staffing, and the balance of \$51,301,589 will be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$3,268,472 for the year ended June 30, 2011. Unrestricted net assets increased by \$140,981, net assets invested in capital assets increased by \$3,113,604, restricted net assets for debt service increased by \$32,546, and restricted net assets restricted for grant awards for staffing decreased by \$18,659.
- As of June 30, 2011, the District's governmental funds reported combined ending fund balances of \$82,311,789, an increase of \$16,910,983 in comparison with the prior year. In the Capital Projects Fund, proceeds from the June 2, 2011 sale of general obligation bonds in the net amount of \$24,749,264, was offset in part by planned expenditures of \$9,233,206 and revenue of \$41,265. The net increase was also reflective of a \$10,107,472 increase in the General Fund balance and an offsetting decrease of \$8,753,812 in non-major funds.
- At June 30, 2011, unassigned fund balance for the General Fund was \$40,080,565 or 57 percent of total General Fund expenditures. This fund balance percentage reflects the achievement of District policy of maintaining five months of budgeted operating expenditures as ending fund balance each year. This policy is in place because the majority of District revenue is provided from property taxes which are not received until the end of the fifth month of each succeeding fiscal year. Before the District adds permanent positions, the District attempts to build fund balance to sustain payroll during subsequent years prior to receipt of property tax revenue. Currently, nine

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

firefighting positions are funded through a two-year grant and the District is preparing to continue their funding after grant proceeds cease.

- The District's total debt increased by \$22,203,938 during the current fiscal year. This was due to the issuance of \$23.5 million in general obligation bonds offset by principal payments on the District's outstanding bond issues.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business, and include the *Statement of Net Assets* and the *Statement of Activities*.

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category; *governmental activities*. The governmental activities of the District include general government and public safety, and are principally supported by property taxes and charges for services.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The combined government-wide and governmental fund financial statements can be found on pages 31 through 33 of this report.

Fund financial statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, internal service fund, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* are reconciled to the government-wide *Statement of Net Assets* and *Statement of Activities* in the combined presentation.

The District maintains five individual governmental funds for reporting purposes. Information is presented separately in the governmental funds' *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from three of these governmental funds are combined into a separate aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as Supplemental Information. The District's fiscal year 2010-11 implementation of Governmental Accounting Standards Board Statement No. 54 combined for reporting purposes as the General Fund, five separately budgeted funds, the General fund and four previously classified Special Revenue Funds.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The District adopts an annual appropriated budget for all funds as required by Oregon budget law. Budgetary comparison statements/schedules have been provided to demonstrate compliance elsewhere in this report.

Internal service fund. The District maintains one internal service fund, the Insurance Fund, which is a proprietary fund type. This fund accounts for the accumulation of resources used for payment of claims and losses less than deductible limits for insurance coverage. Because this fund predominately benefits governmental functions, it has been included within the *governmental activities* in the *government-wide financial statements*.

The basic internal service fund financial statements can be found on pages 36 through 38 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting basis used for fiduciary funds is much like that used for internal service funds. The basic fiduciary fund financial statements can be found on pages 39 and 40 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the combined government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 41 through 66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to past employees and volunteer firefighters. Required supplementary information can be found on page 69 of this report.

Combining and individual fund statements and schedules can be found on pages 73 through 91 of this report. The Schedule of Property Tax Transactions and Outstanding Balances can be found on page 92 of this report.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$83,124,855 at June 30, 2011. A significant portion of the District's net assets (37 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, fire apparatus, and furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The remaining assets consist mainly of cash and cash equivalents, investments, and property taxes receivable which are used to meet the District's ongoing obligations to its citizens.

Net Assets	Governmental Activities		Increase (Decrease) from Fiscal
	2011	2010	2010
Current and other assets	\$ 93,241,597	\$ 77,384,670	\$ 15,856,927
Capital assets	70,747,745	61,769,816	8,977,929
Total assets	163,989,342	139,154,486	24,834,856
Current liabilities	13,587,042	14,188,458	(601,416)
Long-term debt	67,277,445	45,109,645	22,167,800
Total liabilities	80,864,487	59,298,103	21,566,384
Net assets:			
Invested in capital assets, net of related debt	30,510,984	27,397,380	3,113,604
Restricted for debt service	1,240,387	1,207,841	32,546
Restricted for staffing	71,895	90,554	(18,659)
Unrestricted (restated for 2010)	51,301,589	51,160,608	140,981
Total net assets	\$ 83,124,855	\$ 79,856,383	\$ 3,268,472

The District's largest liability (83 percent) is for the repayment of general obligation bonds. Current liabilities of the District consist largely of accounts payable, accrued salaries, benefits payable and accrued compensated absences.

During the current fiscal year, the District's net assets increased by \$3,268,472 mostly due to the District's efforts to maintain operating expenditures under revenues in the General fund. The District seeks to ensure the net assets of the District are sufficient to support operational costs in future years. Interest revenue in

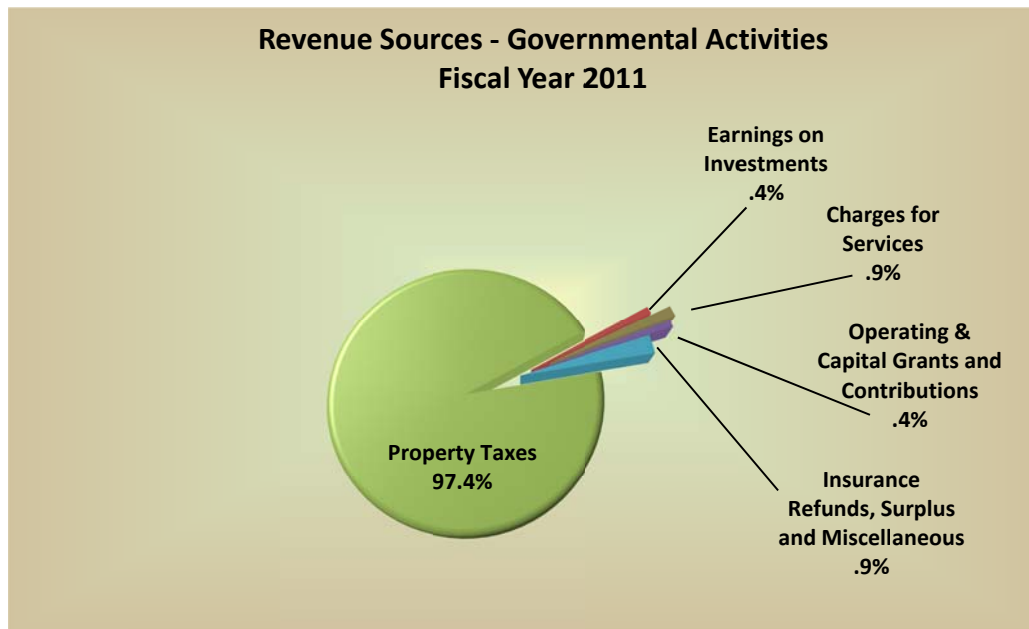
Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

future years is expected to remain marginal and the growth rate of property tax collections is expected to continue to be at low levels in 2011-12 and future years as new development and property reinvestment are curtailed due to the slowed economy. Because of forecasted future low revenue growth levels due to lack of property development and lingering economic concerns, forecasted pension cost increases and the District's desire to manage taxpayer resources prudently; we have continued to focus on managing expenses to ensure they are less than property tax revenue in order to achieve our strategic goal of financial stability.

Governmental activities. Governmental activities increased the District's net assets in the current year by \$3,268,472. Property taxes increased by 3%, reflecting increased assessed valuation of the District. Earnings on investments, due to a weak economy, fell again during the year ended June 30, 2011. Expenses for public safety increased by 3%, reflecting personnel cost increases in wages and benefits. Expenses were managed to ensure that net assets as of year-end increased proportionately to the cost of annual operations.

Changes in Net Assets	Governmental Activities		Increase (Decrease) from
	2011	2010	Fiscal 2010
Revenues:			
Program revenues			
Charges for services	\$ 738,164	\$ 587,305	\$ 150,859
Operating grants and contributions	278,408	241,384	37,024
Capital grants		43,950	(43,950)
General revenues:			
Property taxes	74,905,936	72,601,267	2,304,669
Gain on sale of capital assets		6,255	(6,255)
Earnings on investments	299,393	406,556	(107,163)
Insurance refunds	655,797	420,993	234,804
Miscellaneous	113,632	264,188	(150,556)
Total revenues	76,991,330	74,571,898	2,419,432
Expenditures/expenses:			
Public safety-fire protection	71,961,409	69,649,808	2,311,601
Interest on long-term debt	1,761,449	1,785,629	(24,180)
Total expenses	73,722,858	71,435,437	2,287,421
Change in net assets	3,268,472	3,136,461	132,011
Net assets - July 1	79,856,383	76,719,922	3,136,461
Net assets - June 30	<u>\$ 83,124,855</u>	<u>\$ 79,856,383</u>	<u>\$ 3,268,472</u>

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011



Financial Analysis of the Government's Funds

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

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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

To further enhance this analysis, the District implemented GASB Statement 54 for fiscal year ended June 30, 2011. This GASB requires an analysis and breakdown of ending fund balance between five new fund balance categories. See Footnote I.D.9 for more information on the details behind each fund balance category.

At June 30, 2011, the District's governmental funds reported combined ending fund balances of \$82,311,789, an increase of \$16,910,983 in comparison with the prior year. A large portion of this total amount (48.7 percent) constitutes *unassigned fund balance*, which is a measure of the District's liquidity, is available for spending at the District's discretion. The remainder of fund balance is either non-spendable (.4 percent), restricted by external parties (33.7 percent), committed by the Board (9.7 percent) or assigned to a specific purpose such as capital projects (7.5 percent).

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2011, unassigned fund balance of the General Fund was \$40,080,565, while total fund balance reached \$48,368,631. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57 percent of total General Fund expenditures and the total fund balance represents 69 percent of total General Fund expenditures.

The fund balance of the District's General Fund increased by \$2,051,369, or approximately 4.4 percent during the current fiscal year; most of this increase was due to receiving \$2,304,669 more in tax revenue over the prior year and controlling the rate of expenditure growth.

Capital Projects Fund. The Capital Projects Fund accounts for the accumulation of resources for building site acquisitions and construction costs for new and existing facilities. As of June 30, 2011, the ending fund balance of the Capital Projects Fund was \$26,410,167 and was restricted for capital projects. This fund accounts for the proceeds of debt issuances to fund construction, land and apparatus purchases.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

General Fund Budgetary Highlights

There was one budget transfer resolution to the General Fund during the year which was the result of realigning expenditures with a District reorganization of personnel. Actual property tax revenues exceeded budgeted amounts due to one of our cities closing its urban renewal district in June 2010 and returning its appreciated value to the tax rolls for 2010-11 fiscal year thereby reducing urban renewal district losses from \$1.7 million in 2009-10 to \$1 million in 2010-11. In addition, collection rates remained at historical averages of 94% although due to high foreclosure activity reported, the District had prepared and budgeted for a 92% collection rate. Interest revenue was budgeted to be earned at rates of 1.25% and the actual rates were significantly less on the District's conservative portfolio.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets includes land and improvements, buildings and improvements, fire apparatus and vehicles, furniture, fixtures and equipment, and construction in progress. As of June 30, 2011, the District had invested \$70,747,745 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation)	Governmental Activities		Increase (Decrease) from
	2011	2010	Fiscal 2010
Land	\$ 11,425,560	\$ 10,744,660	\$ 680,900
Buildings and improvements	37,621,184	13,747,886	23,873,298
Fire apparatus and other vehicles	15,030,668	15,189,295	(158,627)
Furniture, fixtures and equipment	3,946,197	1,652,780	2,293,417
Construction in progress	2,724,136	20,435,195	(17,711,059)
Total	<u>\$ 70,747,745</u>	<u>\$ 61,769,816</u>	<u>\$ 8,977,929</u>

During the year, the District's investment in capital assets increased by \$8,977,929, reflecting assets of \$12,572,632 added during the year, offset by \$3,493,279 of depreciation and \$101,424 of net asset disposals. The District's construction in progress includes three fire stations and related land improvements as well as the construction of a burn prop to be used for training purposes.

Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 50 of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt of \$67,429,218, consisting of general obligation bonds, net of unamortized premiums. Reduction of outstanding debt reflects scheduled principal payments made during the fiscal year. The District has been given an "Aaa"

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2011

rating from Moody's Investors Service. The State of Oregon mandates a general obligation debt limit of 1.25 percent of true cash value of assessed property. The District's legal debt margin is approximately \$665 million. Additional information on the District's long-term debt can be found in note III.E.1 on page 51 of this report.

Economic Factors and Next Year's Budget

The District anticipates increased property tax revenues in future years based upon projected assessed value increases which by law may increase 3% a year unless assessed value exceeds real market value. While the local economy is experiencing continued lack of new construction, and market value has declined an additional 6.7% under prior year values, assessed value still remains far below market value, at 71% of market value on June 30, 2011. The District monitors its property tax collection rates for declines due to the economy and has prepared for both growth rate and collection rate declines in the next few years. Additionally, property tax revenue is negatively impacted when our cities and counties utilize urban renewal measures to develop new or existing areas. Accordingly, we continue to be very involved in this issue, both locally and at the state level. The District lost approximately \$1 million dollars of its property tax levy to urban renewal areas in fiscal year 2011 which equates to a loss of approximately 2.4 cents of our \$1.5252 permanent tax rate.

Because of poor investment returns, the state's pension system for its public employees, PERS, has implemented higher employer contributions rates for the 2011-13 biennium, and forecasted additional increases for the 2013-15 biennium and thereafter. The District's future financial forecasts include current projections that employer rates will continue to increase based upon recent actuarial information. The recently released December 31, 2010 actuarial valuation indicates in all investment return scenarios, rate increases of 3.6% will be required for the 2011-13 biennium.

The District's \$.25 local option levy allows the continued funding of 33 firefighters and associated support staff through June 30, 2015, as we were strongly supported by our voters at the November 4, 2008 election to continue to fund this levy. This provides a welcome measure of financial stability in the years ahead.

Requests for Information

This financial report is designed to provide a general overview of Tualatin Valley Fire & Rescue's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Tualatin Valley Fire & Rescue, 11945 SW 70th Avenue, Tigard, Oregon 97223.

Basic Financial Statements

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Tualatin Valley Fire and Rescue
**Governmental Funds Balance Sheet/
Statement of Net Assets**
June 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets						
Cash and cash equivalents	\$52,337,858		\$ 7,416,847	\$ 59,754,705	\$ 641,317	\$ 60,396,022
Receivables:						
Property taxes receivable	3,157,786		184,915	3,342,701		3,342,701
Accounts receivable	549,277	\$ 15,738	89,172	654,187		654,187
Prepays			18,670	18,670	1,093,098	1,111,768
Due from other funds	71,033			71,033	(71,033)	
Supplies inventory	283,918			283,918		283,918
Bond issuance costs					229,530	229,530
Other post employment benefit					31,014	31,014
Restricted assets:						
Cash and cash equivalents		27,192,457		27,192,457		27,192,457
Capital assets, not being depreciated:						
Land					11,425,560	11,425,560
Construction in progress					2,724,136	2,724,136
Capital assets, net of accumulated depreciation:						
Buildings and improvements					37,621,184	37,621,184
Fire apparatus and other vehicles					15,030,668	15,030,668
Furniture, fixtures, and equipment					3,946,197	3,946,197
Total assets	<u>\$56,399,872</u>	<u>\$27,208,195</u>	<u>\$ 7,709,604</u>	<u>\$ 91,317,671</u>	<u>\$ 72,671,671</u>	<u>\$ 163,989,342</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,236,600	\$ 798,028		\$ 2,034,628	\$ 2,205	\$ 2,036,833
Accrued salaries and benefits payable	4,008,470			4,008,470		4,008,470
Accrued interest payable					408,334	408,334
Due to other funds	53,756		\$ 17,277	71,033	(71,033)	
Deferred revenue	2,732,415		159,336	2,891,751	(2,891,751)	
Accrued compensated absences,						
Due within one year					3,655,820	3,655,820
Due in more than one year					2,551,005	2,551,005
Net pension obligation						
due in more than one year					774,807	774,807
Bonds payable, net of unamortized premium/discount:						
Due within one year					3,477,585	3,477,585
Due in more than one year					63,951,633	63,951,633
Total liabilities	<u>8,031,241</u>	<u>798,028</u>	<u>176,613</u>	<u>9,005,882</u>	<u>71,858,605</u>	<u>80,864,487</u>

(Continued)

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
**Governmental Funds Balance Sheet/
Statement of Net Assets (continued)**

June 30, 2011

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Funds	Adjustments	Statement of Net Assets
Fund balances:						
Non-spendable	283,918		18,670	302,588	(302,588)	
Restricted for capital projects		26,410,167		26,410,167	(26,410,167)	
Restricted for grant staffing			71,895	71,895	(71,895)	
Restricted for debt service			1,240,387	1,240,387	(1,240,387)	
Committed to capital purchases	7,824,666			7,824,666	(7,824,666)	
Committed to postemployment health benefits	179,482			179,482	(179,482)	
Assigned to capital projects			6,202,039	6,202,039	(6,202,039)	
Unassigned	40,080,565			40,080,565	(40,080,565)	
Total fund balances	<u>48,368,631</u>	<u>26,410,167</u>	<u>7,532,991</u>	<u>82,311,789</u>	<u>(82,311,789)</u>	
Total liabilities and fund balances	<u>\$ 56,399,872</u>	<u>\$ 27,208,195</u>	<u>\$ 7,709,604</u>	<u>\$ 91,317,671</u>		
Net Assets:						
Invested in capital assets, net of related debt						\$ 30,510,984
Restricted for:						
Debt service						1,240,387
Staffing						71,895
Unrestricted						51,301,589
Total net assets					<u>\$ 83,124,855</u>	<u>\$ 83,124,855</u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances/Statement of Activities
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses						
Current:						
Public Safety	\$ 67,000,319	\$ 195,991	\$ 94,924	\$ 67,291,234	\$ 4,670,175	\$ 71,961,409
Debt service:						
Principal			2,520,000	2,520,000	(2,520,000)	
Interest			1,738,673	1,738,673	22,776	1,761,449
Capital outlay	3,189,636	9,037,215	766,291	12,993,142	(12,993,142)	
Total expenditures	<u>70,189,955</u>	<u>9,233,206</u>	<u>5,119,888</u>	<u>84,543,049</u>	<u>(10,820,191)</u>	<u>73,722,858</u>
Revenues						
Program Revenues:						
Charges for services	763,085			763,085	(24,921)	738,164
Operating grants and contributions	62,016		94,935	156,951	121,457	278,408
General Revenues:						
Taxes	70,775,306		4,278,149	75,053,455	(147,519)	74,905,936
Interest	224,314	25,527	46,245	296,086	3,307	299,393
Insurance refunds	655,797			655,797		655,797
Miscellaneous	77,900	15,738		93,638	19,994	113,632
Total revenues	<u>72,558,418</u>	<u>41,265</u>	<u>4,419,329</u>	<u>77,019,012</u>	<u>(27,682)</u>	<u>76,991,330</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>2,368,463</u>	<u>(9,191,941)</u>	<u>(700,559)</u>	<u>(7,524,037)</u>	<u>10,792,509</u>	<u>3,268,472</u>
Other Financing Sources (Uses)						
Proceeds on sale of surplus property	22,340		2,850	25,190	(25,190)	
Transfers out	(339,434)			(339,434)	339,434	
Proceeds from debt issuance		23,500,000		23,500,000	(23,500,000)	
Premium on debt issuance		1,249,264		1,249,264	(1,249,264)	
Total other financing sources (uses)	<u>(317,094)</u>	<u>24,749,264</u>	<u>2,850</u>	<u>24,435,020</u>	<u>(24,435,020)</u>	
Net change in fund balances/net assets	<u>2,051,369</u>	<u>15,557,323</u>	<u>(697,709)</u>	<u>16,910,983</u>	<u>(13,642,511)</u>	<u>3,268,472</u>
Fund balances/net assets:						
Beginning of the year, as previously reported	38,261,159	10,852,844	16,286,803	65,400,806		79,856,383
Restatement (Note IV.G)	8,056,103		(8,056,103)			
Beginning of the year, as restated	<u>46,317,262</u>	<u>10,852,844</u>	<u>8,230,700</u>	<u>65,400,806</u>		
End of the year	<u>\$ 48,368,631</u>	<u>\$ 26,410,167</u>	<u>\$ 7,532,991</u>	<u>\$ 82,311,789</u>		<u>\$ 83,124,855</u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes:				
Current year's levy	\$ 67,443,676	\$ 67,443,676	\$68,859,043	\$ 1,415,367
Prior years' levies	1,219,729	1,219,729	1,915,434	695,705
Taxes in lieu of property taxes	12,353	12,353	829	(11,524)
Interest on unsegregated property taxes	15,612	15,612	18,221	2,609
Interest on taxes	18,828	18,828	1,387	(17,441)
Interest on investments	294,791	294,791	160,927	(133,864)
Contracted services	168,600			
Special service charges	82,530	82,530	166,735	84,205
Maintenance services	266,460	435,060	464,662	29,602
Rental income	122,779	122,779	125,002	2,223
Plan review fees	1,999	1,999	6,686	4,687
Insurance refunds			655,797	655,797
Grants and donations			62,016	62,016
Miscellaneous	22,500	22,500	78,750	56,250
Total revenues	<u>69,669,857</u>	<u>69,669,857</u>	<u>72,515,489</u>	<u>2,845,632</u>
Expenditures				
Current				
Public Safety				
Command Directorate:				
Personnel services	2,855,387	2,676,405	2,407,487	268,918
Materials and services	604,023	642,723	530,880	111,843
Total Command Directorate	<u>3,459,410</u>	<u>3,319,128</u>	<u>2,938,367</u>	<u>380,761</u>
Integrated Operations Directorate:				
Personnel services	55,304,434	55,646,881	51,551,671	4,095,210
Materials and services	3,545,231	3,505,231	2,781,028	724,203
Total Integrated Operations Directorate	<u>58,849,665</u>	<u>59,152,112</u>	<u>54,332,699</u>	<u>4,819,413</u>
Finance Directorate:				
Personnel services	1,257,464	1,257,464	1,000,121	257,343
Materials and services	534,945	534,945	408,642	126,303
Total Finance Directorate	<u>1,792,409</u>	<u>1,792,409</u>	<u>1,408,763</u>	<u>383,646</u>
Business Operations Directorate:				
Personnel services	6,440,198	6,440,198	5,244,699	1,195,499
Materials and services	4,681,576	4,688,156	4,062,763	625,393
Total Business Operations Directorate	<u>11,121,774</u>	<u>11,128,354</u>	<u>9,307,462</u>	<u>1,820,892</u>
Total Public Safety	<u>\$ 75,223,258</u>	<u>\$ 75,392,003</u>	<u>\$67,987,291</u>	<u>\$ 7,404,712</u>

(Continued)

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (continued)
For the Year Ended June 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures, Continued				
Operating contingency	\$ 5,838,104	\$ 5,669,359		\$ 5,669,359
Total expenditures	<u>81,061,362</u>	<u>81,061,362</u>	<u>\$67,987,291</u>	<u>13,074,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,391,505)</u>	<u>(11,391,505)</u>	<u>4,528,198</u>	<u>15,919,703</u>
Other Financing Uses				
Transfers out	(3,756,398)	(3,756,398)	(3,525,319)	231,079
Total other financing uses	<u>(3,756,398)</u>	<u>(3,756,398)</u>	<u>(3,525,319)</u>	<u>231,079</u>
Net change in fund balances	<u>(15,147,903)</u>	<u>(15,147,903)</u>	<u>1,002,879</u>	<u>16,150,782</u>
Fund balances - July 1, 2010	<u>32,090,296</u>	<u>32,090,296</u>	<u>32,870,970</u>	<u>780,674</u>
Fund balances - June 30, 2011	<u>\$ 16,942,393</u>	<u>\$ 16,942,393</u>	<u>\$33,873,849</u>	<u>\$ 16,931,456</u>

**Reconciliation of Budgetary Fund Balance
to GAAP Fund Balance:**

Fund Balance:	
Budgetary Fund Balance:	\$33,873,849
Advanced recognition of retirement obligation not a GAAP expense	<u>6,490,633</u>
GAAP Fund Balance	<u>\$40,364,482</u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Statement of Net Assets
Internal Service Fund
June 30, 2011

	Governmental Activities - Internal Service Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 641,317
Total assets	<u>641,317</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>2,205</u>
Total liabilities	<u>2,205</u>
Net Assets	
Unrestricted total net assets	<u>\$ 639,112</u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Statement of Revenues, Expenses, and Change in Net Assets
Internal Service Fund
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
Operating Expense	
Insurance claims	\$ 16,120
Total operating expenses	<u>16,120</u>
Operating loss	<u>(16,120)</u>
Nonoperating Revenue	
Interest income	<u>3,307</u>
Total nonoperating revenue	<u>3,307</u>
Change in net assets	(12,813)
Net assets, June 30, 2010	<u>651,925</u>
Net assets, June 30, 2011	<u><u>\$ 639,112</u></u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Paid for insurance claims	\$ (14,131)
Net cash from operating activities	<u>(14,131)</u>
Cash Flows From Investing Activities	
Interest received on investments	<u>3,307</u>
Net cash from investing activities	<u>3,307</u>
Net decrease in cash and cash equivalents	(10,824)
Cash and cash equivalents, June 30, 2010	<u>652,141</u>
Cash and cash equivalents, June 30, 2011	<u><u>\$ 641,317</u></u>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (16,120)
Increase in accounts payable	<u>1,989</u>
Net cash from operating activities	<u><u>\$ (14,131)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Statement of Net Assets
Fiduciary Funds
June 30, 2011

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 416,750
Investments, mutual funds at fair value	<u>507,796</u>
Total assets	<u>924,546</u>
Net Assets	
Held in trust for pension benefits	<u><u>\$ 924,546</u></u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 339,434
Miscellaneous	480
Investment earnings	<u>110,035</u>
Total additions	<u>449,949</u>
Deductions	
Benefits	<u>328,754</u>
Total deductions	<u>328,754</u>
Change in net assets	121,195
Total net assets, July 1, 2010	803,351
Total net assets, June 30, 2011	<u><u>\$ 924,546</u></u>

The notes to the basic financial statements are an integral part of this statement.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

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 entity-wide statements and governmental fund statements have been combined as allowed for single-purpose governmental activities. The Statement of Net Assets and the Governmental Funds Balance Sheet have been combined into a single presentation, with adjustments indicated to move from fund totals to the entity-wide totals. Similarly, the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance have also been combined. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are financed primarily through property taxes, investment earnings, grants and contributions, and charges for services to other governments.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

Separate financial statements are provided for 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 information (Statement of Net Assets and Statement of Activities) is 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 information uses 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 fund balance. 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 and other short term contracts benefiting more than one fiscal year are recorded when paid; and (4) accrued compensated absences, which are recorded when payment is due.

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.

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.

For the Internal Service Fund, a proprietary fund type, the District reports insurance refunds received and claims paid as operating revenues and expenses, respectively. Other amounts are reported as non-operating.

The District reports the following major governmental funds:

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

- 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. In addition, certain funds budgeted as Special Revenue Funds are reported as part of the General Fund because their source of funds is primarily transfers from the General Fund.
- The *Capital Projects Fund*; a capital projects fund type, accounts for the general obligation bond debt issuances and the related site acquisitions and construction costs for new and existing facilities, as well as the purchase of public safety emergency response apparatus. The principal resources are proceeds from debt issuance.

Additionally, the District reports the following fund types:

- Non-major governmental funds, including special revenue, debt service and other capital projects funds are reported in the aggregate.
- 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 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.

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

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 is 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 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

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. Taxes are payable in three installments on November 15, February 15, and May 15. Taxes unpaid and outstanding on May 15 are considered delinquent. Accounts are periodically reviewed for collectability. At June 30, 2011, no allowance for doubtful accounts is considered necessary.

4. Supplies inventory and prepaid items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements based on the purchases method. One exception is in the Grants Fund, where prepaid insurance is recorded in the governmental statement based on the consumption method.

5. Restricted assets

Proceeds from the District's general obligation bonds are classified as restricted assets on the Balance Sheet/Statement of Net Assets because their use is limited by applicable bond covenants. The Capital Projects Fund

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

is used to report proceeds of bond issuances that are restricted for use in construction. Where both restricted and unrestricted resources are available, it is the District's policy to expend restricted resources first, then unrestricted as necessary.

6. 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 and an estimated useful life greater than one year. Replacements, which improve or extend the life of property, are capitalized. Interest incurred during construction is not capitalized as a capital asset. 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 and other vehicles	4 - 17 years
Furniture, fixtures, and equipment	4 - 10 years

7. Liabilities for compensated absences

Accumulated accrued compensated absences for vacation, deferred vacation and personal leave benefits are accrued when incurred in the Statement of Net Assets and Statement of Activities. A liability for those amounts is reported in governmental funds only if they have matured as a result of employee retirements or resignations. Accumulated sick leave does not vest and is, therefore, recorded when leave is taken.

8. Long-term debt

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 information, bond premiums and discounts, as well as bond issuance costs, are recognized when incurred. 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.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

9. Fund equity

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No.54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this Standard, the prior fund balance classifications of reserved, designated and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Both the Fire Chief and the Chief Financial Officer have been given this authority by the Board.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The Board of Directors has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum ending fund balance policy to be a balance sufficient to meet five months of operating costs in the General Fund.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

10. Retirement plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (OPERS). Contributions to OPERS are made on a current basis as required by the plan and are charged as expenses/expenditures.

The District maintains a single-employer defined benefit pension plan for certain former employees who retired prior to July 16, 1981. Actuarially determined contributions to the pension plan are funded annually by the District.

The District has a volunteer Length of Service Award Plan (LOSAP) benefiting its volunteer firefighters. Actuarially determined contributions to the LOSAP are funded annually by the District.

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 General Fund and its sub-funds are budgeted and adopted as individual funds. They are combined in the Supplemental Section of this report.

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 personnel services, materials and services, capital outlay, and transfers out and contingencies 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 percent 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 percent 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, 2011. Appropriations lapse at year-end.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

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 combined total book balance at June 30, 2011 was \$44,556,117 and the total bank balance was \$45,183,526. The District's demand deposits are fully insured by the Federal Deposit Insurance Corporation; remaining bank deposits are insured to \$250,000. Remaining amounts are secured in accordance with Oregon Revised Statutes 295 under a collateral program administered by the Oregon State Treasurer, which is a shared liability structure for participating bank depositories, protecting public funds though still not guaranteeing that all funds are 100 percent protected. In general, bank depositories are required to pledge collateral valued at least 10 percent of their quarter-end public fund deposits if they are well capitalized, 25 percent if they are adequately capitalized or 110 percent of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110 percent by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

At June 30, 2011, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 900
Cash with county assessors	329,903
Deposits with financial institutions	44,556,117
State of Oregon Local Government Investment Pool	43,118,309
Investments:	
Open-ended mutual funds	507,796
	<u>\$ 88,513,025</u>

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents:		
Unrestricted	\$ 60,396,022	\$ 416,750
Restricted	27,192,457	
Investments:		507,796
Total cash, cash equivalents, and investments	<u>\$ 87,588,479</u>	<u>\$ 924,546</u>

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

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. Cost approximates the District's fair value in 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, 2011, 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 amounts in those funds may be available for investment periods up to 18 months. Investments with a maturity of 12 months or more shall be limited to U.S. Agency or U.S. Treasury securities.

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 bankers' acceptances, Aa rated corporate bonds, time deposits, repurchase agreements, and the State of Oregon LGIP. The Pension Trust funds maintain a separate investment policy following fiduciary and trust investment guidelines and that allow investment in mutual funds in addition to the above investment types.

The LGIP was created to offer a short-term investment alternative to Oregon local governments. The investments are regulated by the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company, and approved by the Oregon Investment Council (ORS 294.805 to 294.898). Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer. The State of Oregon LGIP and money market account are unrated for credit quality.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

B. Capital assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Non-depreciable capital assets				
Land	\$ 10,744,660	\$ 680,900		\$ 11,425,560
Construction in progress	20,435,195	2,372,680	\$ (20,083,739)	2,724,136
Total capital assets, not being depreciated	31,179,855	3,053,580	(20,083,739)	14,149,696
Depreciable capital assets				
Buildings and improvements	28,610,246	25,231,004	(900,411)	52,940,839
Fire apparatus and other vehicles	26,395,638	1,478,217	(449,443)	27,424,412
Furniture, fixtures, and equipment	6,440,435	2,893,570	(276,337)	9,057,668
Total depreciable capital assets	61,446,319	29,602,791	(1,626,191)	89,422,919
Less accumulated depreciation for:				
Buildings and improvements	(14,862,360)	(1,269,454)	812,159	(15,319,655)
Fire apparatus and other vehicles	(11,206,343)	(1,626,709)	439,308	(12,393,744)
Furniture, fixtures, and equipment	(4,787,655)	(597,116)	273,300	(5,111,471)
Total accumulated depreciation	(30,856,358)	(3,493,279)	1,524,767	(32,824,870)
Total capital assets being depreciated, net	30,589,961	26,109,512	(101,424)	56,598,049
Total capital assets, net of depreciation	<u>\$ 61,769,816</u>	<u>\$ 29,163,092</u>	<u>\$ (20,185,163)</u>	<u>\$ 70,747,745</u>

All depreciation is charged to Public Safety in the Statement of Activities.

C. Interfund receivables, payables, and transfers

An interfund receivable of \$71,033 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 and recruit training.

For the year ended June 30, 2011, \$339,434 was paid into the District's Pension Trust and Volunteer LOSAP Funds (fiduciary funds) during the year. This expenditure in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance was reported as a transfer from the General Fund on a budgetary basis.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

D. Operating Leases

The District leases copiers under non-cancelable operating leases. The total cost for these leases amounted to approximately \$55,961 for the year ended June 30, 2011. Future payments are due as follows:

<u>Ending June 30,</u>	<u>Amount</u>
2012	\$ 66,469
2013	59,623
2014	56,033
2015	31,086
2016	<u>6,687</u>
	<u>\$ 219,898</u>

E. Long-term debt

1. Bonds payable

The District was authorized by its voters in November 2006, to issue \$77,500,000 of general obligation bonds. The District has outstanding bonds payable from the \$20,000,000 issuance of 20-year bonds dated April 11, 2007, with stated interest rates on specific maturities ranging from 4.0 percent to 5.0 percent, the \$14,000,000 issuance of 15-year bonds dated March 17, 2009, with stated interest rates ranging from 3.0 percent to 4.375 percent, the \$15,000,000 issuance of 20-year bonds dated June 16, 2009, with stated interest rates ranging from 3.0 percent to 4.25 percent and the \$23,500,000 issuance of 20-year bonds dated June 2, 2011, with stated interest rates ranging from 2.0 percent to 5.0 percent. All these bond issues were for purposes of funding station construction and command center projects, seismic improvements, and to purchase land and fire apparatus. At June 30, 2011, the District had \$5,000,000 of remaining authority to issue bonds.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

Annual debt service requirements to maturity for the bonds are as follows:

Issue Date	Original Issue	Principal			Outstanding at June 30, 2011	Due Within One Year	Interest Rates
		Outstanding at June 30, 2010	Additions	Reductions			
<u>General Obligation Bonds:</u>							
April 11, 2007	\$ 20,000,000	\$ 17,000,000		\$ (1,000,000)	\$ 16,000,000	1,000,000	4.00 - 5.00%
March 17, 2009	14,000,000	13,440,000		(960,000)	12,480,000	960,000	3.00 - 4.375%
June 16, 2009	15,000,000	14,445,000		(560,000)	13,885,000	570,000	3.00 - 4.25%
June 2, 2011	23,500,000		23,500,000		23,500,000	865,000	2.00 - 5.00%
Total General Obligation Bonds		44,885,000	23,500,000	(2,520,000)	65,865,000	3,395,000	
<u>Unamortized Premium</u>		340,280	1,249,264	(25,326)	1,564,218	82,585	
Total		\$ 45,225,280	\$ 24,749,264	\$ (2,545,326)	\$ 67,429,218	\$ 3,477,585	

Outstanding issues are callable as follows:

- April 11, 2007 - at par plus accrued interest beginning April 1, 2017
- March 17, 2009 - at par plus accrued interest beginning March 1, 2019
- June 16, 2009 - at par plus accrued interest beginning June 15, 2019
- June 2, 2011 - at par plus accrued interest beginning June 1, 2021

Future bond maturities are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,395,000	\$ 2,520,412	\$ 5,915,412
2013	3,420,000	2,419,635	5,839,635
2014	3,450,000	2,315,835	5,765,835
2015	3,485,000	2,211,285	5,696,285
2016	3,525,000	2,105,885	5,630,885
2017-2021	18,400,000	8,600,325	27,000,325
2022-2026	18,395,000	4,731,856	23,126,856
2027-2031	11,795,000	1,278,725	13,073,725
	<u>\$ 65,865,000</u>	<u>\$ 26,183,958</u>	<u>\$ 92,048,958</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

2. Compensated absences

Compensated absences activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Compensated absences	\$ 4,852,502	\$ 6,401,523	\$ (5,047,200)	\$ 6,206,825	\$ 3,655,820

Due to the current financial resources focus of the governmental funds, only the portion of the accrued compensated absences related to retirements or resignations as of June 30, 2011, is recorded on the balance sheet. The entire balance is reported on the Statement of Net Assets. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

F. Reconciliation of Governmental Fund Statements to Entity-wide Statements of Net Assets and Activities

Governmental fund balances differ from net assets as presented in the Statement of Net Assets due to the differences in measurement focus between the fund and entity-wide statements. Fund balance as presented in the governmental funds balance sheet reconciles to net assets in the Statement of Net Assets through consideration of the following:

Fund balance in the Governmental Fund Balance Sheet	\$ 82,311,789
Items that are not current financial resources or liabilities, and thus are not reported in the fund statements:	
Unamortized bond issuance costs	229,530
Other post employment benefit	31,014
Capital assets, net	70,747,745
Accrued compensated absences	(6,206,825)
Net pension obligation	(774,807)
Long-term debt	(67,429,218)
Prepaid items	1,093,098
Accrued interest payable on long-term debt	(408,334)
Deferred revenue recognized on full accrual basis	2,891,751
Net assets of Internal Service Funds combined with total governmental activities	<u>639,112</u>
Net assets in the Statement of Net Assets	<u>\$ 83,124,855</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

Similarly, changes in fund balance reconcile to changes in net assets in the Statement of Activities through consideration of the following:

Net changes in fund balances	\$ 16,910,983
Amounts that are not considered current financial resources or uses are not reported in the funds, but are considered on the full accrual basis in the Statement of Activities:	
Net increases in capital assets (\$12,471,208) less depreciation for the year (\$3,493,279)	8,977,929
Property taxes not meeting the measurable and available criteria	(147,519)
Expenditures in the Statement of Activities that do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	1,093,098
Certain revenues recognized as measurable and available in the current year	(24,456)
Net increase in accrued compensated absences	(1,354,324)
Other post employment benefit	35,650
Net increase in net pension obligations	(26,411)
Issuance of long-term debt provides current financial resources to governmental funds, however, they have no effect on Net Assets	(24,749,264)
Payments on long-term debt and related expenses	2,565,599
Amounts considered current financial resources and reported in the funds, but which are not considered in the full accrual Statement of Activities:	
Change in net assets of Internal Service fund combined with total governmental activities	<u>(12,813)</u>
Net change in net assets	<u><u>\$ 3,268,472</u></u>

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 and natural disasters have a deductible of \$100,000. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

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 more of the open claim years. Claim years for fiscal 2008, 2009, 2010 and 2011 remain open. The District's maximum liability for premiums related to these four open claim years is approximately \$1.2 million which represents the difference between the maximum possible premium less the premium paid. 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. Related party transactions

The District contracts with 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 911 dispatch agency. The District is a participating member of the agreement. During the year ended June 30, 2011, the District paid \$1,383,200 to WCCCA for dispatch fees and \$4,567 for equipment maintenance charges. WCCCA paid the District \$9,000 for contracted medical director services and \$80 for nursing services that the District provided to WCCCA for the year ended June 30, 2011.

C. Deferred compensation plan

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). 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 3.5 percent to 5.5 percent of base wages. The District makes a similar match ranging from 1.0 percent to 3.0 percent for non-bargaining employees. The District's contribution during fiscal year 2011 was \$983,583, of which \$841,328 was made for the bargaining unit employees.

D. Employee retirement systems and pension plans

1. Oregon Public Employees Retirement System (PERS)

Plan Description - The Oregon Public Employees Retirement System (PERS or "the System") provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges, and school districts. For the District and state agencies, community colleges, school districts, and political subdivisions that have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 283A, and Internal Revenue Code 401(a) by the Public Employees Retirement Board. The Board has the authority under state statutes to amend the Plan's benefits and contribution rates. PERS issues financial reports, available to the

Tualatin Valley Fire and Rescue
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public, 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 503-598-7377.

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 Tier One and Tier Two plans, and the Oregon Public Service Employee's Retirement Plan (OPSRP) established for public employees hired after August 29, 2003, are established by state statutes to provide benefits for state and local governments and their employees. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature.

Funding Policy - The required employee contribution of six percent is paid by the District as a result of a collective bargaining agreement. Prior to December 31, 2003, the employee's six percent contribution was made to the PERS ORS 238 plans. Effective January 1, 2004, this same six percent contribution was required to be remitted to the Individual Account Program (IAP) for all eligible employees under the ORS 238A Individual Account Program plan. The District also contributes the remaining amounts necessary to pay benefits when due. The employer rate adopted by the PERS board based on the December 31, 2007 actuarial valuation for the District for fiscal year 2010-11 was 10.90 percent for Tier One and Tier Two employees. For OPSRP employees, the District remitted contributions based on employee class. The OPSRP contribution rates were 4.55 percent for general service employees and 7.26 percent for police and fire employees.

Annual Pension Cost - The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees. The District's contributions to PERS were approximately \$6,446,000 for 2011, \$6,148,000 for 2010, and \$6,822,000 for 2009, equal to the required contributions each year.

2. Single-Employer Defined Benefit Pension Plan

Plan Description - 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 are recognized when incurred. Administrative costs are paid with plan assets and consist primarily of professional services.

The Plan is maintained for four retired employees and three beneficiaries. Benefits paid are based upon the former employees' years of service and a percentage of their average monthly compensation prior to June 30, 1981.

Tualatin Valley Fire and Rescue
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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 investments in the Oregon Local Government Investment Pool and open-end mutual funds.

Actuarial Methods and Assumptions - The total actuarial present value of accumulated plan benefits as of June 30, 2010, the date of the latest actuarial valuation, was \$2,921,875. All benefits are vested. Significant actuarial assumptions used in the valuation included (a) rate of return of 3.5 percent (reduced from 5% in the previous valuation), (b) cost of living increases of 1.5% to 2% percent for the 1976 Plan retirees and 2.0% to 3.5% percent for 1973 Plan retirees, and (c) mortality based upon static table pursuant to IRS Treasury Regulation §1.430(h)(3)-1 for 2010 valuations. Because all pension participants are retired, the actuarial valuation of liabilities was performed by discounting expected future cash flows at the assumed rate of interest earned by assets. Assets are actuarially valued at market value. Unfunded liabilities are amortized over a 9-year open amortization period.

Funded Status - Based on the June 30, 2010 actuarial valuation, the annual pension costs are \$330,355. The Net Pension Obligation (NPO) as of June 30, 2011 is estimated at \$774,259. Pension benefits for retirees and beneficiaries for future years will be made on a pay-as-you-go basis. As benefits are paid over the remaining lifetime of the current participants, it is expected that the Net Pension Obligation will trend toward zero over the remaining lifetime of the current participants.

The Plan does not issue stand-alone financial reports.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$341,918	99%	\$774,259
2010	330,355	0	770,000
2009	225,184	0	439,645

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
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Annual Pension Cost and Net Pension Obligation, June 30, 2011:

	<u>Pension Trust Fund</u>
Annual Required Contribution	\$ 370,803
Interest on NPO	26,950
Adjustment for NPO	<u>(55,835)</u>
Annual Pension Cost	341,918
 Contributions - actuarially projected	 <u>(337,659)</u>
 Increase in Net Pension Obligation	 4,259
 Net Pension Obligation (Asset) - beginning of year	 <u>770,000</u>
Net Pension Obligation (Asset) - end of year	<u><u>\$ 774,259</u></u>

Condensed Statement of Net Assets, June 30, 2011:

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 452
Total assets	<u>452</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 452</u></u>

Changes in Net Assets for the year ended June 30, 2011:

	<u>Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 300,160
Miscellaneous	40
Total additions	<u>300,200</u>
DEDUCTIONS	
Benefits	301,910
Other	29
Total deductions	<u>301,939</u>
 Change in net assets	 (1,739)
 Total net assets, July 1, 2010	 <u>2,191</u>
Total net assets, June 30, 2011	<u><u>\$ 452</u></u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

3. Volunteer Length of Service Award Plan (LOSAP)

Plan Description - The District adopted a Volunteer Length of Service Award Plan (LOSAP) effective July 1, 1998, for its volunteer firefighters. 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.

Actuarial Methods and Assumptions - The June 30, 2010 actuarial valuation, the latest available, included rate of return of five percent and mortality based upon a static table for annuitants described in Treasury Regulation §1.430(h)(3)-1 for valuation dates occurring in 2010. The aggregate cost method is used to determine the normal cost for Annual Required Contribution (ARC) and Annual Pension Cost (APC). The entry age normal actuarial cost method is used to determine the Actuarial Accrued Liability (AAL) for the disclosure of the funded status and funding progress of the program. 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 2011 was \$53,611, which was greater than the actual contribution of \$39,274. There is no explicit assumption for future inflation, as benefits are not tied to inflation.

Funded Status and Funding Progress – As of June 30, 2010, the District's actuarial accrued liability (AAL) for benefits was \$982,436 and the actuarial value of assets was \$801,161, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,275. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The plan does not issue stand-alone financial reports.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$61,426	64%	\$548
2010	61,254	64%	(21,604)
2009	38,238	157%	(43,584)

Annual Pension Cost and Net Pension Obligation, June 30, 2011:

	Volunteer LOSAP Fund
Annual Required Contribution	\$ 53,611
Interest on NPO	(1,080)
Adjustment for NPO	8,895
Annual Pension Cost	<u>61,426</u>
Contributions	<u>(39,274)</u>
Increase in Net Pension Obligation	22,152
Net Pension Obligation (Asset) - beginning of year	<u>(21,604)</u>
Net Pension Obligation - end of year	<u><u>\$ 548</u></u>

Condensed Statement of Net Assets, June 30, 2011:

	Volunteer LOSAP Fund
ASSETS	
Cash and cash equivalents	\$ 416,298
Investments	<u>507,796</u>
Total assets	<u>924,094</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 924,094</u></u>

Tualatin Valley Fire and Rescue
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Condensed Statement of Changes in Net Assets, for the year ended June 30, 2011:

	<u>Volunteer LOSAP Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 39,274
Total contributions	<u>39,274</u>
Investment earnings:	
Interest	2,097
Dividends	6,550
Miscellaneous	440
Net increase in the fair value of investments	101,388
Net investment earnings	<u>110,475</u>
Total additions	<u>149,749</u>
DEDUCTIONS	
Benefits	26,815
Total deductions	<u>26,815</u>
Change in net assets	122,934
Total net assets, July 1, 2010	801,160
Total net assets, June 30, 2011	<u><u>\$ 924,094</u></u>

E. Other post-employment benefits (OPEB)

1. Health Benefit Retiree Program

Plan Description - The District's Health Benefit Retiree Program was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The District accounts for the resources and expenditures associated with funding this single-employer program through the Retiree Medical Insurance Stipend Fund, a special revenue fund. The District's Health Benefit Retiree Program has two components: the Explicit Benefit Plan and the Self-Pay Health Plan. The Explicit Benefit Plan is comprised of several agreements made between the District and various employees and employee groups. Under the plan, certain union and non-union retirees are eligible for an explicit benefit in the form of either a monthly stipend or subsidized medical benefits. This plan is closed to current active employees. The Self-Pay Health Plan is provided in accordance with ORS 243.303, which requires that early retirees, including those ineligible for an explicit benefit, be allowed to continue their health care coverage at their own expense. Since union actives continue their coverage through the Union Trust, only non-union actives are eligible to continue their coverage under the District's health plan after retirement. The difference between retiree claims costs, which because of the effect of age is generally higher in

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
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comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy – Under the Explicit Benefit Plan, 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. Under the Self-Pay Health Plan, the District makes no contributions. As of June 30, 2011, the date of the most recent actuarial valuation, there were 109 active employees and 61 retirees and surviving spouses included in the Health Benefit Retiree Program.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

	<u>2011</u>
Annual required contribution	\$ 148,553
Interest on Net OPEB Obligation	139
Adjustment to ARC for Net OPEB Obligation	<u>(237)</u>
Annual OPEB cost	148,455
Expected contributions	<u>(184,105)</u>
Increase (decrease) in net OPEB obligation	(35,650)
Net OPEB obligation - beginning of year	<u>4,636</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (31,014)</u></u>

The District's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2011 were as follows:

Fiscal Year	Annual	% of Annual OPEB	Net OPEB
<u>Ending</u>	<u>OPEB Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
			<u>(Asset)</u>
2011	\$ 148,455	124.01 %	\$ (31,014)
2010	135,015	93.57	4,636
2009	135,136	102.99	(4,046)

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

Funded Status and Funding Progress - As of June 30, 2011, the District's actuarial accrued liability (AAL) for benefits was \$1,806,831, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,806,831 on a covered payroll of \$8,460,763. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For the governmental activities, OPEBs are generally liquidated by the General Fund.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about the future employment, mortality, claim cost, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used to determine the Annual Required Contribution (ARC) for this plan was the Entry Age Normal (EAN) method. Under this method, the District adopted the Level Dollar alternative to apply the EAN method, where the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants in such a way that annual costs are expected to remain level. The actuarial assumptions included a discount rate of three percent and a 55 percent assumption of participants who elect medical coverage at retirement; ten percent of whom will also elect to continue dental coverage at retirement. They also assume medical and vision premiums would increase at 8.5 percent inflation for the current year, grading down to an annual rate of five percent after eight years, which is consistent with expectations for long-term health care cost inflation. An open period was used for the medical portion of the plan and a closed period was used to amortize the unfunded liability attributed to the stipend. There is no explicit assumption for future inflation, as benefits are not tied to inflation. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates, and withdrawal rates, are the same as those used by Oregon PERS.

2. PERS Retirement Health Insurance Account (RHIA)

Plan Description – As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statutes (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OPERS, PO Box 23700, Tigard, OR 97281-37400.

Funding Policy – Given that RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes .29% of annual covered Tier 1 and Tier 2 payroll and .19% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contribution to RHIA for the year ended June 30, 2011, 2010 and 2009 were approximately \$112,000, \$102,500 and \$131,000 respectively.

3. Retiree Health Plan For Local 1660 Members

Plan Description – The District contributes to the IAFF Local 1660 Union Health Trust, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by Local 1660. The Health Trust provides medical benefits to retired employees of participating fire districts. The authority to establish and amend benefit provisions remains with Local 1660. The Health Trust issues a publicly available financial report that includes financial statements and required supplementary information for the retiree health plan. That report may be obtained by writing to Mr. Rocky L. Hanes, President, IAFF Local 1660, P.O. Box 1904, Lake Oswego, OR 97035.

Funding Policy - Local 1660 sets the contribution requirements for the retirees of the participating employers and they may be amended by the Local 1660 board of trustees. Currently, retirees must self-pay for their retiree health

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

coverage and health coverage is only available until attainment of age 65. Retired members and beneficiaries receiving benefits contribute an average of \$1,162 and \$142 per month for medical and dental coverage to age 65.

Participating fire districts are contractually required to contribute at a monthly per employee rate negotiated with Local 1660. The negotiated per employee rate reflects the on-going net claims costs for retired members, but is not directly based on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The District's contributions to the Union Health Trust specifically for retiree benefits for the plan years ended June 30, 2011, 2010 and 2009 were \$8,940, \$9,540 and \$11,140 respectively, which equaled the required contributions as negotiated for each year.

F. Commitments and contingencies

On March 29, 2011, the Board voted to authorize the District to enter into two Construction Management/General Contractors agreements to provide professional services and construction of two fire stations in the future. These projects will be completed during the 2011-12 year.

As of June 30, 2011, the District is committed under various accepted bid agreements and contracts for approximately \$602,300 for goods, services and construction of facilities.

The District has been named in litigation regarding property damage during a fire. The District's Oregon Tort liability limits are limited to \$50,000 for property damage and the District's insurance company is vigorously defending the merits of the claim. The District expects the risk of any loss to be negligible.

G. Restatement of beginning fund balance

The District has restated its June 30, 2010 fund balance to reflect the retrospective classification of fund balance categories that resulted by implementation of GASB Statement No. 54. The following discloses the restatement of fund balances as of the beginning of the fiscal year resulting from the aggregation into the General Fund of funds not meeting the criteria for separate reporting under GASB 54:

	General Fund	Nonmajor Funds
Fund balances, beginning of the year, as previously reported	\$ 38,261,159	\$ 16,286,803
Restatement - aggregate funds	8,056,103	(8,056,103)
Fund balances, beginning of the year, as restated	<u>\$ 46,317,262</u>	<u>\$ 8,230,700</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2011

H. Reclassification of beginning fund balance

Also as a result of the implementation of GASB Statement No. 54 the District has reclassified its July 1, 2010 fund balances to reflect the retrospective classification of fund balances to the categories introduced by the Statement. The following discloses the reclassification of fund balances as of the beginning of the fiscal year:

	General Fund	Capital Projects Fund	Non-major Funds	Totals
Fund Balances at July 1, 2010, as previously reported:				
Reserved for supplies inventory	\$ 281,282			\$ 281,282
Reserved for retiree medical insurance	215,414			215,414
Reserved for debt service			\$ 1,207,841	1,207,841
Reserved for capital projects		\$ 10,852,844		10,852,844
Unreserved, reported in:				-
General Fund	37,979,877			37,979,877
Special Revenue Funds	7,840,689		90,554	7,931,243
Capital Projects Funds			6,932,305	6,932,305
Total Fund Balances	<u>\$ 46,317,262</u>	<u>\$ 10,852,844</u>	<u>\$ 8,230,700</u>	<u>\$ 65,400,806</u>
Fund Balances at July 1, 2010, as reclassified:				
Fund balances:				
Non-spendable	\$ 281,282			\$ 281,282
Restricted for capital projects		\$ 10,852,844		10,852,844
Restricted for grant activities			\$ 90,554	90,554
Restricted for debt service			1,207,841	1,207,841
Committed to capital purchases	7,840,689			7,840,689
Committed to postemployment health benefits	215,414			215,414
Assigned to capital projects			6,932,305	6,932,305
Unassigned	37,979,877			37,979,877
Total fund balances	<u>\$ 46,317,262</u>	<u>\$ 10,852,844</u>	<u>\$ 8,230,700</u>	<u>\$ 65,400,806</u>

Required Supplementary Information

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**Tualatin Valley Fire and Rescue
Required Supplementary Information
June 30, 2011**

**Schedule of Funding Progress
Single-Employer Defined Benefit Pension Plan**

Actuarial Date June 30,	AVA ⁽¹⁾	AAL ⁽²⁾	FAAL/ (UAAL) ⁽⁴⁾	Percent Funded	Covered Payroll
2010	\$2,191	\$2,921,875	\$ (2,919,684)	- %	N/A
2008	1,002,973	2,603,541	(1,600,568)	39 %	N/A
2001	2,706,837	2,670,258	36,579	101 %	N/A

**Schedule of Funding Progress
Volunteer Length of Service Award Plan**

Actuarial Date June 30,	AVA ⁽¹⁾	AAL ⁽²⁾	FAAL/ (UAAL) ⁽⁴⁾	Percent Funded	Covered Payroll
2010	\$ 801,161	\$ 982,436	\$ (181,275)	81.55 %	N/A
2009	737,936	936,162	(198,226)	78.83 %	N/A
2008	823,021	939,824	(116,803)	87.57 %	N/A

**Schedule of Funding Progress
Health Benefit Retiree Program**

Actuarial Date June 30,	AVA ⁽¹⁾	AAL ⁽²⁾	(UAAL) ⁽⁴⁾	Percent Funded	Covered Payroll	UAAL ⁽³⁾
2011	-	\$1,806,831	(\$1,806,831)	0.00%	\$ 8,460,763	-21.36%
2010	-	1,693,719	(1,693,719)	0.00%	7,450,107	22.73%
2009	-	1,721,578	(1,721,578)	0.00%	7,450,107	23.11%

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ Actuarial Accrued Liability

⁽³⁾ As a Percentage of Covered Payroll

⁽⁴⁾ Funded/Unfunded Actuarial Accrued Liability

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Supplemental Information

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Tualatin Valley Fire and Rescue
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 47,500	\$ 25,527	\$ (21,973)
Miscellaneous		15,738	15,738
Total revenues	<u>47,500</u>	<u>41,265</u>	<u>(6,235)</u>
Expenditures			
Materials and services	250,000	195,991	54,009
Capital outlay	21,732,727	9,037,215	12,695,512
Operating contingency	10,654,633		10,654,633
Total expenditures	<u>32,637,360</u>	<u>9,233,206</u>	<u>23,404,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,589,860)</u>	<u>(9,191,941)</u>	<u>23,397,919</u>
Other Financing Sources (Uses)			
Proceeds from debt issuance	28,500,000	23,500,000	(5,000,000)
Premium on debt issuance		1,249,264	1,249,264
Total other financing sources (uses)	<u>28,500,000</u>	<u>24,749,264</u>	<u>(3,750,736)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	<u>(4,089,860)</u>	<u>15,557,323</u>	<u>19,647,183</u>
Fund balance - July 1, 2010	<u>14,032,967</u>	<u>10,852,844</u>	<u>(3,180,123)</u>
Fund balance - June 30, 2011	<u><u>\$ 9,943,107</u></u>	<u><u>\$ 26,410,167</u></u>	<u><u>\$ 16,467,060</u></u>

NONMAJOR GOVERNMENTAL FUNDS

These funds account for the accumulation of resources for particular activities or functions from designated sources. Funds included in this category are:

Special Revenue Fund

Grants Fund – accounts for the resources used for the acquisition of items approved through awarded grants

Debt Service Fund

Debt Service Fund – accounts for payment of general obligation bond principal and interest. The principal source of revenue is property taxes

Capital Projects Fund

Property and Building Fund – accounts for the proceeds of general obligation bond issue and expenditures to be funded with those proceeds, such as construction costs for new and existing facilities

Tualatin Valley Fire and Rescue
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<i>Special Revenue Fund Type</i>	<i>Debt Service Fund Type</i>	<i>Capital Projects Fund Type</i>	
	Grants Fund	Debt Service Fund	Property and Building Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents		\$ 1,214,808	\$ 6,202,039	\$ 7,416,847
Receivables:				
Property taxes receivable		184,915		184,915
Accounts receivable	\$ 89,172			89,172
Prepaid expenses	18,670			18,670
Total assets	<u>\$ 107,842</u>	<u>\$ 1,399,723</u>	<u>\$ 6,202,039</u>	<u>\$ 7,709,604</u>
 Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 17,277			\$ 17,277
Deferred revenue		\$ 159,336		159,336
Total liabilities	<u>17,277</u>	<u>159,336</u>		<u>176,613</u>
 Fund balances:				
Non-spendable	18,670			18,670
Restricted	71,895	1,240,387		1,312,282
Assigned			\$ 6,202,039	6,202,039
Total fund balances	<u>90,565</u>	<u>1,240,387</u>	<u>6,202,039</u>	<u>7,532,991</u>
Total liabilities and fund balances	<u>\$ 107,842</u>	<u>\$ 1,399,723</u>	<u>\$ 6,202,039</u>	<u>\$ 7,709,604</u>

Tualatin Valley Fire and Rescue
**Combining Statement of Revenues,
Expenditures and Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<i>Special Revenue Fund Type</i>	<i>Debt Service Fund Type</i>	<i>Capital Projects Fund Type</i>	
	Grants Fund	Debt Service Fund	Property and Building Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes		\$ 4,278,149		\$ 4,278,149
Interest		13,070	\$ 33,175	46,245
Grants and donations	\$ 94,935			94,935
Total revenues	94,935	4,291,219	33,175	4,419,329
Expenditures				
Current				
Public safety:				
Personnel services	89,172			89,172
Materials and services	5,752			5,752
Debt service:				
Principal		2,520,000		2,520,000
Interest		1,738,673		1,738,673
Capital outlay			766,291	766,291
Total expenditures	94,924	4,258,673	766,291	5,119,888
Excess (deficiency) of revenues over (under) expenditures	11	32,546	(733,116)	(700,559)
Other Financing Sources				
Sale of surplus property			2,850	2,850
Net change in fund balances	11	32,546	(730,266)	(697,709)
Fund balances - July 1, 2010	90,554	1,207,841	6,932,305	8,230,700
Fund balances - June 30, 2011	\$ 90,565	\$ 1,240,387	\$ 6,202,039	\$ 7,532,991

Tualatin Valley Fire and Rescue
Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Grants and donations	\$ 1,185,802	\$ 94,935	\$ (1,090,867)
Total revenues	<u>1,185,802</u>	<u>94,935</u>	<u>(1,090,867)</u>
Expenditures			
Personnel services	1,219,221	89,172	1,130,049
Materials and services	30,000	5,752	24,248
Capital outlay	20,750		20,750
Operating contingency	100,000		100,000
Total expenditures	<u>1,369,971</u>	<u>94,924</u>	<u>1,275,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(184,169)</u>	<u>11</u>	<u>184,180</u>
Other Financing Sources			
Transfers in	93,614		(93,614)
Total other financing sources	<u>93,614</u>	<u></u>	<u>(93,614)</u>
Net change in fund balances	(90,555)	11	90,566
Fund balance - July 1, 2010	90,555	90,554	(1)
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ 90,565</u>	<u>\$ 90,565</u>

Tualatin Valley Fire and Rescue
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 4,204,658	\$ 4,278,149	\$ 73,491
Interest	9,965	13,070	3,105
Total revenues	<u>4,214,623</u>	<u>4,291,219</u>	<u>76,596</u>
Expenditures			
Debt service:			
Principal	2,520,000	2,520,000	
Interest	<u>1,738,673</u>	<u>1,738,673</u>	
Total expenditures	<u>4,258,673</u>	<u>4,258,673</u>	
 Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	 (44,050)	 32,546	 76,596
 Fund balance - July 1, 2010	 869,337	 1,207,841	 338,504
Fund balance - June 30, 2011	<u><u>\$ 825,287</u></u>	<u><u>\$ 1,240,387</u></u>	<u><u>\$ 415,100</u></u>

Tualatin Valley Fire and Rescue
Property and Building Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 17,173	\$ 33,175	\$ 16,002
Total revenues	<u>17,173</u>	<u>33,175</u>	<u>16,002</u>
Expenditures			
Capital outlay	818,705	766,291	52,414
Operating contingency	1,934,248		1,934,248
Total expenditures	<u>2,752,953</u>	<u>766,291</u>	<u>1,986,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,735,780)</u>	<u>(733,116)</u>	<u>2,002,664</u>
Other Financing Sources			
Sale of surplus property		2,850	2,850
Total other financing sources	<u></u>	<u>2,850</u>	<u>2,850</u>
Net change in fund balances	(2,735,780)	(730,266)	2,005,514
Fund balance - July 1, 2010	<u>6,869,075</u>	<u>6,932,305</u>	<u>63,230</u>
Fund balance - June 30, 2011	<u>\$ 4,133,295</u>	<u>\$ 6,202,039</u>	<u>\$ 2,068,744</u>

Tualatin Valley Fire and Rescue
Insurance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Interest	\$ 9,500	\$ 3,307	\$ (6,193)
Total revenues	<u>9,500</u>	<u>3,307</u>	<u>(6,193)</u>
Expenditures			
Materials and services	<u>659,595</u>	<u>16,120</u>	<u>643,475</u>
Total expenditures	<u>659,595</u>	<u>16,120</u>	<u>643,475</u>
 Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	 (650,095)	 (12,813)	 637,282
 Fund balance - July 1, 2010	 <u>650,095</u>	 <u>651,925</u>	 <u>1,830</u>
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ 639,112</u>	<u>\$ 639,112</u>

Tualatin Valley Fire and Rescue
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2011

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 452	\$ 416,298	\$ 416,750
Investments, mutual funds at fair value		507,796	507,796
Total assets	<u>452</u>	<u>924,094</u>	<u>924,546</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 452</u>	<u>\$ 924,094</u>	<u>\$ 924,546</u>

Tualatin Valley Fire and Rescue
Combining Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
Additions			
Contributions:			
Employer	\$ 300,160	\$ 39,274	\$ 339,434
Miscellaneous	40	440	480
Investment earnings:		110,035	110,035
Total additions	<u>300,200</u>	<u>149,749</u>	<u>449,949</u>
Deductions			
Benefits	301,910	26,815	328,725
Materials and services	29		29
Total deductions	<u>301,939</u>	<u>26,815</u>	<u>328,754</u>
 Change in net assets	 (1,739)	 122,934	 121,195
 Total net assets, July 1, 2010	 <u>2,191</u>	 <u>801,160</u>	 <u>803,351</u>
Total net assets, June 30, 2011	<u><u>\$ 452</u></u>	<u><u>\$ 924,094</u></u>	<u><u>\$ 924,546</u></u>

Tualatin Valley Fire and Rescue
Pension Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment earnings	\$ 351		\$ (351)
Miscellaneous		\$ 40	40
Total revenues	<u>351</u>	<u>40</u>	<u>(311)</u>
Expenditures			
Personnel services	363,882	301,910	61,972
Materials and services	<u>10,000</u>	<u>29</u>	<u>9,971</u>
Total expenditures	<u>373,882</u>	<u>301,939</u>	<u>71,943</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(373,531)	(301,899)	71,632
Other Financing Sources			
Transfers in	<u>373,852</u>	<u>300,160</u>	<u>(73,692)</u>
Total other financing sources	<u>373,852</u>	<u>300,160</u>	<u>(73,692)</u>
Net change in fund balances	321	(1,739)	(2,060)
Fund balance - July 1, 2010	<u>1,964</u>	<u>2,191</u>	<u>227</u>
Fund balance - June 30, 2011	<u><u>\$ 2,285</u></u>	<u><u>\$ 452</u></u>	<u><u>\$ (1,833)</u></u>

Tualatin Valley Fire and Rescue
Volunteer LOSAP Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Investment earnings		\$ 110,035	\$ 110,035
Miscellaneous		440	440
Total revenues		<u>110,475</u>	<u>110,475</u>
Expenditures			
Personnel services	\$ 764,399	26,815	737,584
Total expenditures	<u>764,399</u>	<u>26,815</u>	<u>737,584</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(764,399)</u>	 <u>83,660</u>	 <u>848,059</u>
Other Financing Sources			
Transfers in	39,274	39,274	
Total other financing sources	<u>39,274</u>	<u>39,274</u>	
 Net change in fund balances	 (725,125)	 122,934	 848,059
 Fund balance - July 1, 2010	 725,125	 801,160	 76,035
Fund balance - June 30, 2011	<u>\$ -</u>	<u>\$ 924,094</u>	<u>\$ 924,094</u>

GENERAL FUND

These funds account for the accumulation of resources for particular activities or functions from designated sources. Funds included in this category roll into the General Fund in the combined basic financial statements and are:

Apparatus Fund – accounts for the accumulation of resources for emergency service apparatus and vehicles

Capital Improvements Fund – accounts for the accumulation of resources for firefighting, emergency medical service, office and fire technology and other equipment

Emergency Management Fund – accounts for resources used in regional emergency preparedness

Retiree Medical Insurance Stipend Fund – accounts for the accumulation of resources to be used for the payment of post-employment health benefits

Tualatin Valley Fire and Rescue
Combining Balance Sheet
General Fund
June 30, 2011

Assets	General Fund	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Retiree Medical Insurance Stipend Fund	Total General Fund
Cash and cash equivalents	\$ 44,214,805	\$ 1,790,728	\$ 6,146,083	\$ 6,100	\$ 180,142	\$ 52,337,858
Receivables:						
Property taxes receivable	3,157,786					3,157,786
Accounts receivable	484,656		2,700	61,921		549,277
Due from other funds	71,033					71,033
Supplies inventory	283,918					283,918
Total assets	<u>\$ 48,212,198</u>	<u>\$ 1,790,728</u>	<u>\$ 6,148,783</u>	<u>\$ 68,021</u>	<u>\$ 180,142</u>	<u>\$ 56,399,872</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,106,830		\$ 114,845	\$ 14,265	\$ 660	\$ 1,236,600
Accrued salaries and benefits payable	4,008,470					4,008,470
Due to other funds				53,756		53,756
Deferred revenue	2,732,415					2,732,415
Total liabilities	<u>7,847,715</u>		<u>114,845</u>	<u>68,021</u>	<u>660</u>	<u>8,031,241</u>
Fund balances:						
Nonspendable	283,918					283,918
Committed		\$ 1,790,728	6,033,938		179,482	8,004,148
Unassigned	40,080,565					40,080,565
Total fund balances	<u>40,364,483</u>	<u>1,790,728</u>	<u>6,033,938</u>		<u>179,482</u>	<u>48,368,631</u>
Total liabilities and fund balances	<u>\$ 48,212,198</u>	<u>\$ 1,790,728</u>	<u>\$ 6,148,783</u>	<u>\$ 68,021</u>	<u>\$ 180,142</u>	<u>\$ 56,399,872</u>

Tualatin Valley Fire and Rescue
**Combining Schedule of Revenues,
Expenditures and Changes in Fund Balances**
General Fund
For the Year Ended June 30, 2011

	General Fund	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Retiree Medical Insurance Stipend Fund	Total General Fund
Revenues						
Program Revenues:						
Charges for services	\$ 763,085					\$ 763,085
Operating grants and contributions	62,016					62,016
General Revenues:						
Taxes	70,775,306					70,775,306
Interest	180,535	\$ 9,129	\$ 33,641		\$ 1,009	224,314
Insurance refunds	655,797					655,797
Miscellaneous	77,900					77,900
Total revenues	72,514,639	9,129	33,641		1,009	72,558,418
Expenditures						
Current						
Public safety:						
Personnel services	59,103,535			\$ 34,719	71,941	59,210,195
Materials and services	7,783,312			6,812		7,790,124
Capital outlay			3,189,636			3,189,636
Total expenditures	66,886,847		3,189,636	41,531	71,941	70,189,955
Excess (deficiency) of revenues over (under) expenditures	5,627,792	9,129	(3,155,995)	(41,531)	(70,932)	2,368,463
Other Financing Sources (Uses)						
Transfers in			3,109,354	41,531	35,000	3,185,885
Transfers out	(3,525,319)					(3,525,319)
Sale of surplus property	850	4,611	16,878			22,339
Total other financing sources	(3,524,469)	4,611	3,126,232	41,531	35,000	(317,095)
Net change in fund balances	2,103,323	13,740	(29,763)		(35,932)	2,051,368
Fund balances - July 1, 2010	38,261,159	1,776,988	6,063,701		215,414	46,317,262
Fund balances - June 30, 2011	\$ 40,364,482	\$ 1,790,728	\$ 6,033,938	\$ -	\$ 179,482	\$ 48,368,630

Tualatin Valley Fire and Rescue
Apparatus Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 4,111	\$ 9,129	\$ 5,018
Total revenues	<u>4,111</u>	<u>9,129</u>	<u>5,018</u>
Expenditures			
Operating contingency	500,000		500,000
Total expenditures	<u>500,000</u>		<u>500,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(495,889)</u>	<u>9,129</u>	<u>505,018</u>
Other Financing Sources			
Sales of surplus property		4,611	4,611
Total other financing sources		<u>4,611</u>	<u>4,611</u>
Net change in fund balances	(495,889)	13,740	509,629
Fund balance - July 1, 2010	1,644,518	1,776,988	132,470
Fund balance - June 30, 2011	<u>\$ 1,148,629</u>	<u>\$ 1,790,728</u>	<u>\$ 642,099</u>

Tualatin Valley Fire and Rescue
Capital Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 15,503	\$ 33,641	\$ 18,138
Total revenues	<u>15,503</u>	<u>33,641</u>	<u>18,138</u>
Expenditures			
Capital outlay	4,774,041	3,189,636	1,584,405
Operating contingency	<u>2,811,763</u>	<u></u>	<u>2,811,763</u>
Total expenditures	<u>7,585,804</u>	<u>3,189,636</u>	<u>4,396,168</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(7,570,301)</u>	 <u>(3,155,995)</u>	 <u>4,414,306</u>
Other Financing Sources			
Transfers in	3,109,354	3,109,354	
Sale of surplus property	<u>16,878</u>	<u>16,878</u>	<u>16,878</u>
Total other financing sources	<u>3,109,354</u>	<u>3,126,232</u>	<u>16,878</u>
 Net change in fund balances	 (4,460,947)	 (29,763)	 4,431,184
 Fund balance - July 1, 2010	 <u>6,326,338</u>	 <u>6,063,701</u>	 <u>(262,637)</u>
Fund balance - June 30, 2011	<u>\$ 1,865,391</u>	<u>\$ 6,033,938</u>	<u>\$ 4,168,547</u>

Tualatin Valley Fire and Rescue
Emergency Management Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Expenditures			
Current			
Public safety:			
Personnel services	\$ 47,912	\$ 34,719	\$ 13,193
Materials and services	9,107	6,812	2,295
Total expenditures	<u>57,019</u>	<u>41,531</u>	<u>15,488</u>
Other Financing Sources			
Transfers in	<u>57,019</u>	<u>41,531</u>	<u>(15,488)</u>
Total other financing sources	<u>57,019</u>	<u>41,531</u>	<u>(15,488)</u>
Net change in fund balances			
Fund balance - July 1, 2010	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2011	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

Tualatin Valley Fire and Rescue
Retiree Medical Insurance Stipend Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 708	\$ 1,009	\$ 301
Total revenues	<u>708</u>	<u>1,009</u>	<u>301</u>
Expenditures			
Current:			
Personnel services	110,103	71,941	38,162
Total expenditures	<u>110,103</u>	<u>71,941</u>	<u>38,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,395)</u>	<u>(70,932)</u>	<u>38,463</u>
Other Financing Sources			
Transfers in	83,285	35,000	(48,285)
Total other financing sources	<u>83,285</u>	<u>35,000</u>	<u>(48,285)</u>
Net change in fund balances	(26,110)	(35,932)	(9,822)
Fund balance - July 1, 2010	211,273	215,414	4,141
Fund balance - June 30, 2011	<u>\$ 185,163</u>	<u>\$ 179,482</u>	<u>\$ (5,681)</u>

Tualatin Valley Fire and Rescue
Schedule of Property Tax Transactions and Outstanding Balances
For the fiscal year ended June 30, 2011

Tax Year	Taxes Uncollected June 30, 2010	Add Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest Received	(Deduct) Cancellations and Adjustments	(Deduct) Collections	Taxes Uncollected June 30, 2011
2010-11		\$ 76,954,903	\$ (1,944,217)	\$ 26,427	\$ (389,912)	\$ (72,714,192)	\$ 1,933,009
2009-10	\$ 2,204,674		1,077	86,557	90,603	(1,563,989)	818,922
2008-09	848,681		529	71,477	(37,042)	(479,233)	404,412
2007-08	315,481		55	53,415	(12,594)	(246,959)	109,398
2006-07	84,137		28	16,954	(4,273)	(68,166)	28,680
2005-06	19,112		1	2,236	(6,588)	(1,914)	12,847
2004-05 and prior	45,525		5	4,427	(8,980)	(5,544)	35,433
Total prior	3,517,610		1,695	235,066	21,126	(2,365,805)	1,409,692
Total	\$ 3,517,610	\$ 76,954,903	\$ (1,942,522)	\$ 261,493	\$ (368,786)	\$ (75,079,997)	\$ 3,342,701

	General Fund	Debt Service Fund	Total
Reconciliation to tax revenues on fund financial statements:			
Property tax collections above	\$ 70,800,172	\$ 4,279,825	\$ 75,079,997
Property taxes susceptible to accrual at June 30, 2011	435,430	25,579	461,009
Property taxes susceptible to accrual at June 30, 2010	(461,125)	(27,274)	(488,399)
Taxes in lieu of property taxes	829	19	848
Tax revenues (page 33)	\$ 70,775,306	\$ 4,278,149	\$ 75,053,455

	Property Taxes		Taxes in Lieu of Property Taxes		Taxes Uncollected June 30, 2011
	Current Levy	Prior Years		Total	
DISTRIBUTED AS FOLLOWS:					
General Fund	\$ 68,859,043	\$ 1,915,434	\$ 829	\$ 70,775,306	\$ 3,157,786
Debt Service Fund	4,176,534	101,596	19	4,278,149	184,915
Total	\$ 73,035,577	\$ 2,017,030	\$ 848	\$ 75,053,455	\$ 3,342,701

Statistical Section

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends	95
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	99
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	103
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	106
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	108
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
Sources	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	

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Tualatin Valley Fire and Rescue
Net Assets by Component
 Last Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:									
Invested in capital assets, net of related debt	\$ 18,050,203	\$ 19,494,131	\$ 23,463,387	\$ 27,938,890	\$ 25,440,690	\$ 26,022,160	\$ 26,836,071	\$ 27,397,380	\$ 30,510,984
Restricted	993,589	858,636	1,031,033	1,165,747	1,273,796	1,321,652	544,419	1,298,395	1,312,282
Unrestricted	26,115,793	27,576,532	28,809,681	30,663,907	39,349,635	46,748,396	49,339,432	51,160,608	51,301,589
Total primary government net assets	<u>\$ 45,159,585</u>	<u>\$ 47,929,299</u>	<u>\$ 53,304,101</u>	<u>\$ 59,768,544</u>	<u>\$ 66,064,121</u>	<u>\$ 74,092,208</u>	<u>\$ 76,719,922</u>	<u>\$ 79,856,383</u>	<u>\$ 83,124,855</u>

Tualatin Valley Fire and Rescue
Changes in Net Assets
 Last Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Public safety - fire protection	\$ 47,918,975	\$ 50,656,606	\$ 53,100,610	\$ 56,652,973	\$ 58,872,384	\$ 61,874,697	\$ 67,371,019	\$ 69,649,810	\$ 71,748,402
Interest on long-term debt	426,663	342,004	280,733	210,432	359,307	921,830	950,457	1,785,629	1,761,938
Loss on sale of capital assets			77,030			38,671			95,763
Total primary government expenses	48,345,638	50,998,610	53,458,373	56,863,405	59,231,691	62,835,198	68,321,476	71,435,439	73,606,103
Program Revenues									
Governmental activities:									
Charges for services ⁽¹⁾	5,403,408	3,767,913	704,506	818,382	852,678	916,859	758,476	587,305	738,171
Operating grants and contributions	65,000	197,112	1,794,138	606,864	583,497	277,094	134,753	241,384	278,408
Capital grants and contributions				1,453,268		68,535	432,805	43,950	
Total primary government program revenues	5,468,408	3,965,025	2,498,644	2,878,514	1,436,175	1,262,488	1,326,034	872,639	1,016,579
Total primary government net expense	(42,877,230)	(47,033,585)	(50,959,729)	(53,984,891)	(57,795,516)	(61,572,710)	(66,995,442)	(70,562,800)	(72,589,524)
General Revenues and Other									
Changes in Net Assets									
Property taxes	47,122,028	48,961,590	55,233,714	58,118,393	61,211,437	66,146,305	68,254,733	72,601,267	74,905,936
Investment earnings	549,532	484,643	875,339	1,645,622	2,504,630	2,755,890	1,006,351	406,556	299,393
Gain on sale of capital assets	193,753	204,634		42,130	20,567		8,834		
Insurance refunds	234,107	119,642	148,656	450,318	273,161	646,230	236,921	420,993	655,797
Miscellaneous	199,856	32,790	76,822	192,871	81,298	52,372	116,317	270,443	113,625
Total primary government	48,299,276	49,803,299	56,334,531	60,449,334	64,091,093	69,600,797	69,623,156	73,699,259	75,974,751
Change in Net Assets									
Total primary government	\$ 5,422,046	\$ 2,769,714	\$ 5,374,802	\$ 6,464,443	\$ 6,295,577	\$ 8,028,087	\$ 2,627,714	\$ 3,136,459	\$ 3,385,227

⁽¹⁾ In 2005, the annexation of the City of West Linn replaced charges for services revenue with property tax revenue.

Tualatin Valley Fire and Rescue
Fund Balances, Governmental Funds
 Last Nine Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 198,660	\$ 177,847	\$ 204,312	\$ 225,511	\$ 236,315	\$ 272,292	\$ 302,466		
Unreserved	20,516,145	20,213,268	22,218,710	25,737,059	30,458,483	34,934,854	36,809,276		
Non-spendable								\$ 281,282	\$ 283,918
Restricted									
Committed								8,056,103	8,004,148
Assigned									
Unassigned								37,979,877	40,080,565
Total general fund	<u>\$ 20,714,805</u>	<u>\$ 20,391,115</u>	<u>\$ 22,423,022</u>	<u>\$ 25,962,570</u>	<u>\$ 30,694,798</u>	<u>\$ 35,207,146</u>	<u>\$ 37,111,742</u>	<u>\$ 46,317,262</u>	<u>\$ 48,368,631</u>
All Other Governmental Funds									
Reserved	\$ 1,261,284	\$ 1,235,280	\$ 1,339,277	\$ 1,428,618	\$ 17,868,637	\$ 11,340,917	\$ 22,908,804		
Unreserved, reported in									
Special revenue funds	3,870,283	4,119,430	2,801,691	2,523,009	4,451,489	6,706,623	7,343,692		
Capital projects fund	1,820,528	2,656,074	4,224,381	3,882,796	5,848,944	5,982,171	5,959,548		
Non-spendable								\$ 12,151,239	\$ 18,670
Restricted									27,722,449
Committed								6,932,305	6,202,039
Assigned									
Unassigned									
Total all other governmental funds	<u>\$ 6,952,095</u>	<u>\$ 8,010,784</u>	<u>\$ 8,365,349</u>	<u>\$ 7,834,423</u>	<u>\$ 28,169,070</u>	<u>\$ 24,029,711</u>	<u>\$ 36,212,044</u>	<u>\$ 19,083,544</u>	<u>\$ 33,943,158</u>

⁽¹⁾ Fiscal years 2005 and prior were not restated for compensated absences.
⁽²⁾ GASB 54 was implemented in fiscal year 2011. Fund balances were restated for fiscal year 2010 forward.

Tualatin Valley Fire and Rescue
Changes in Fund Balances, Governmental Funds
 Last Nine Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Taxes	\$ 47,084,315	\$ 48,939,210	\$ 55,433,542	\$ 58,139,673	\$ 61,007,196	\$ 65,684,260	\$ 67,581,260	\$ 72,431,406	\$ 75,053,455
Interest	539,707	476,100	860,920	1,614,208	2,469,936	2,720,574	992,093	402,132	296,086
Charges for services	5,416,815	3,767,482	702,918	831,114	848,145	895,648	728,156	583,312	763,092
Insurance refunds	68,090	92,129	142,632	383,678	239,646	641,668	230,529	415,446	655,797
Grants and donations		197,112	1,256,727	606,864	230,399	190,593	81,762	225,052	156,951
Miscellaneous	284,765	82,602	70,635	181,377	73,987	47,083	89,484	104,552	93,631
Total revenues	53,393,692	53,554,635	58,467,374	61,756,914	64,869,309	70,179,826	69,703,284	74,161,900	77,019,012
Expenditures									
Current									
Public safety	44,450,102	48,012,106	49,622,079	53,080,053	55,487,788	58,494,214	61,873,639	65,697,931	67,630,668
Capital outlay	2,805,918	3,331,000	4,622,077	5,448,168	3,026,118	8,163,030	19,875,402	13,007,737	12,993,142
Debt service:									
Principal	2,835,000	1,520,000	1,582,100	1,190,000	1,280,000	2,375,000	2,475,000	2,115,000	2,520,000
Interest	435,185	345,908	287,532	225,450	170,200	931,892	841,575	1,798,179	1,738,673
Total expenditures	50,526,205	53,209,014	56,113,788	59,943,671	59,964,106	69,964,136	85,065,616	82,618,847	84,882,483
Excess (deficiency) of revenues	2,867,487	345,621	2,353,586	1,813,243	4,905,203	215,690	(15,362,332)	(8,456,947)	(7,863,471)
Other Financing Sources (Uses)									
Proceeds from debt issuance	1,437,100				20,000,000		29,000,000		23,500,000
Premiums from debt issuance							362,404		1,249,264
Proceeds from sales of surplus property	443,350	389,378	32,886	173,229	161,672	157,299	86,857	533,967	25,190
Transfers in	4,576,464	3,488,460	4,002,535	4,090,853	2,604,257	2,704,125	3,205,453	4,641,755	3,185,885
Transfers out	(4,611,464)	(3,488,460)	(4,002,535)	(4,090,853)	(2,664,257)	(2,704,125)	(3,205,453)	(4,641,755)	(3,185,885)
Total other financing sources (uses)	1,845,450	389,378	32,886	173,229	20,101,672	157,299	29,449,261	533,967	24,774,454
Net change in fund balances	\$ 4,712,937	\$ 734,999	\$ 2,386,472	\$ 1,986,472	\$ 25,006,875	\$ 372,989	\$ 14,086,929	\$ (7,922,980)	\$ 16,910,983
Debt service as a percentage of noncapital expenditures	6.85%	3.74%	3.63%	2.60%	2.53%	5.29%	5.09%	5.62%	5.92%

Tualatin Valley Fire and Rescue
Assessed and Market Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Property*		Personal Property		Mobile Home Property		Utility Property		Total		Total Assessed To Total Market Value	Direct Tax Rate
	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value		
2011	\$38,896,351,775	\$55,859,041,477	\$1,239,530,152	\$1,251,419,908	\$45,889,216	\$59,433,410	\$1,209,023,665	\$1,214,510,966	\$41,390,794,808	\$58,384,405,761	70.89	1.88
2010	37,743,268,296	60,010,991,508	1,291,172,910	1,302,244,097	54,963,237	62,488,050	1,193,592,740	1,194,549,230	40,282,997,183	62,570,272,885	64.38	1.90
2009	36,352,459,360	64,462,001,645	1,365,624,057	1,375,655,902	51,351,504	57,431,190	1,063,723,000	1,067,347,629	38,833,157,921	66,962,436,366	57.99	1.84
2008	34,641,993,583	62,615,731,611	1,280,664,739	1,292,853,444	54,128,069	59,845,740	1,020,096,190	1,073,993,240	36,996,882,581	65,042,424,035	56.88	1.87
2007	32,870,751,582	55,887,171,646	1,209,328,395	1,215,420,705	66,468,302	71,311,755	969,696,390	977,289,297	35,116,244,669	58,151,193,403	60.39	1.82
2006	31,203,991,728	45,563,141,842	1,175,706,594	1,184,110,910	70,563,327	74,439,919	927,989,770	929,254,187	33,378,251,419	47,750,946,858	69.90	1.82
2005	28,848,716,198	40,772,439,891	1,165,078,033	1,183,135,033	74,672,926	79,567,132	901,881,166	916,813,830	30,990,348,323	42,951,955,886	72.15	1.83
2004	25,418,465,223	35,783,324,752	1,155,357,494	1,177,160,244	75,064,755	79,974,937	884,130,333	900,479,073	27,533,017,805	37,940,939,006	72.57	1.83
2003	24,306,004,535	33,235,850,673	1,263,151,114	1,282,255,419	81,158,866	86,366,432	886,779,584	903,045,300	26,537,094,099	35,507,517,824	74.74	1.82
2002	22,965,955,204	32,416,457,824	1,168,446,682	1,178,099,901	199,152,229	210,352,253	840,421,507	849,098,635	25,173,975,622	34,654,008,613	72.64	1.83

Information from Washington, Clackamas, and Multnomah County Assessment and Tax Roll Summaries.

* Includes Multnomah County Assessed Valuation in its entirety.

Note: In May 1997, Oregon voters approved Measure 50 that revised the property tax system state-wide effective July 1, 1997. For property tax purposes, the measure changed a property's assessed valuation from real market value to a value for tax purposes. In addition, the maximum assessed value of a property was limited to a maximum of 3% growth per year. Accordingly, since that date, there is an increasing difference between market value and assessed value.

Tualatin Valley Fire and Rescue
Property Tax Rates - Direct and Overlapping
Governments (per \$1,000 of Assessed Value)
 Last Ten Fiscal Years
 For Fiscal Years Ended June 30

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	\$11.93	\$12.01	\$11.51	\$12.09	\$11.96	\$11.21	\$12.37	\$12.11	\$12.61	\$12.51
Range of property tax rates for direct and overlapping governments per \$1,000 of assessed value	to	to	to	to	to	to	to	to	to	to
	\$18.69	\$18.86	\$21.65	\$20.09	\$21.35	\$20.11	\$20.55	\$20.96	\$21.97	\$19.10
Tualatin Valley Fire and Rescue	\$1.83	\$1.82	\$1.83	\$1.83	\$1.82	\$1.82	\$1.82	\$1.84	\$1.89	\$1.88
Washington County	2.96	2.91	2.90	2.87	2.84	2.45	3.03	2.98	2.98	2.98
Washington County School District No. 1J (Hillsboro SD)	7.18	6.79	6.67	6.60	6.58	6.52	8.06	7.10	7.46	7.58
Washington County School District No. 1-IJ (Portland SD)	6.97	7.22	7.12	7.18	4.77	5.28	6.53	6.53	6.53	6.53
Beaverton School District 48J	6.36	6.56	8.01	6.60	7.98	6.29	6.74	6.56	6.88	6.78
West Linn School District #101 (Washington County portion)	8.97	9.15	9.28	9.18	7.90	9.31	7.57	9.05	9.18	9.34
Newberg School District #46	6.86	6.65	8.82	8.21	8.17	8.27	8.55	8.30	8.24	8.33
Tigard School District 23J	7.03	7.16	7.88	7.79	6.98	6.90	6.86	7.71	7.68	7.37
Tigard/Tualatin School District 23J (Bond Pocket)			1.13	1.80	1.01	0.90	0.78	0.81	0.78	0.43
City of Beaverton	3.31	3.61	3.97	4.10	4.01	4.21	4.18	4.12	4.20	4.20
City of Tigard	2.57	2.90	2.68	2.70	2.72	2.73	2.74	2.68	2.72	2.72
City of Durham	1.83	1.84	1.96	1.94	1.86	1.83	1.81	1.82	1.83	1.81
City of King City	1.97	1.94	1.93	1.53	1.94	1.94	1.94	1.94	1.94	2.08
Metzger Water - Combined	0.23	0.23	0.22	0.19	0.18	0.19	0.00	0.00	0.00	0.00
Portland Community College	0.55	0.49	0.51	0.51	0.50	0.49	0.51	0.50	0.63	0.64
Port of Portland	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Tualatin Hills Park and Recreation District	1.47	1.46	1.46	1.46	1.45	1.44	1.43	1.43	1.73	1.74
Enhanced Sheriffs	1.05	1.03	1.17	1.14	1.12	1.11	1.09	1.31	1.28	1.27
Clackamas Education Service District	0.37	0.37	0.37	0.36	0.37	0.37	0.37	0.37	0.37	0.37
Multnomah Education Service District	0.45	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Northwest Regional Education Service District	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Clackamas County (Rural)	2.97	2.83	2.40	2.82	2.40	2.87	2.40	2.85	2.86	2.98
Clackamas Community College	0.86	0.54	0.54	0.54	0.54	2.40	0.55	0.55	0.74	0.72
Clackamas County School District 3J (West Linn/Wilsonville)	6.97	6.37	6.37	9.18	9.23	6.37	6.37	6.37	9.18	9.34
Clackamas County School District No. 7J (Lake Oswego)	7.02	6.90	6.90	7.11	7.32	7.04	6.85	7.15	7.16	6.90
Clackamas County School District No. 86 (Canby)	7.91	4.58	4.58	6.54	7.11	4.58	4.58	6.63	6.91	6.88
Washington County School District No. 88	7.44	7.36	7.33	7.30	6.94	7.07	8.92	8.80	8.92	8.88
City of Sherwood	4.71	4.38	4.20	4.19	3.89	3.78	3.72	3.54	3.56	4.00
City of Tualatin	2.75	2.10	2.01	2.01	2.14	2.13	2.26	2.15	2.18	2.53
City of Wilsonville	2.93	2.52	2.36	2.42	2.37	2.32	2.25	2.20	2.17	2.69
City of Wilsonville - Urban Renewal	0.68	1.42	0.73	2.65	0.73	0.69	0.79	0.86	2.42	2.23
City of West Linn					3.03	2.88	2.12	2.12	2.45	2.45

Note: Tualatin Valley Fire and Rescue has approximately thirty overlapping jurisdictions with boundaries that do not coincide with the District. Therefore, tax rates within the District have a wide variation depending upon code area, i.e., which of the above jurisdictions overlap with the District within a specific area. The Washington County figure includes county-wide levies for Co-op Library, Road Improvements, and 9-1-1 Emergency.

Source: Washington and Clackamas County Assessment and Tax Roll Summaries

Tualatin Valley Fire and Rescue
Principal Taxpayers
Current Year and Nine Years Ago
(in thousands)

	2011			2002		
	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation
Private enterprises:						
Intel Corporation	1	\$ 1,086,960	2.63 %	1	\$ 884,856	3.51 %
Nike, Inc.	2	431,605	1.04	3	274,521	1.09
Pacific Realty Associates	5	301,957	0.73	6	194,615	0.77
Genentech, Inc.	7	231,547	0.61			
Maxim Integrated Products	9	137,022	0.33	5	169,655	0.67
Tektronix, Inc.	10	128,237	0.31	8	155,958	0.62
PS Business Parks						
Spieker Properties LP				9	120,123	0.48
Integrated Device/Sumitomo				10	115,927	0.46
Public utilities:						
Portland General Electric	3	390,953	0.94	4	282,644	1.12
Frontier Communications	4	371,640	0.90			
Northwest Natural Gas Co	6	282,171	0.68	7	182,680	0.73
Comcast Corporation	8	213,073	0.51			
Verizon Northwest, Inc.				2	371,568	1.48
All other taxpayers		37,815,631	91.36		22,421,428	89.07
Total		<u>\$ 41,390,795</u>	<u>100.00 %</u>		<u>\$ 25,173,976</u>	<u>100.00 %</u>

Source: Washington County Department of Assessment and Taxation

⁽¹⁾Data presented is for Washington County only. The District also levies taxes in portions of Multnomah and Clackamas counties.

Tualatin Valley Fire and Rescue
Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2011	\$ 76,954,903	\$ 72,714,192	94.49 %	\$ -	\$ 75,079,997	97.56 %
2010	74,662,973	70,399,625	94.29	3,444,426	73,844,051	98.90
2009	70,168,538	66,017,433	94.08	3,746,693	69,764,126	99.42
2008	67,886,825	64,345,840	94.78	3,431,587	67,777,427	99.84
2007	62,860,513	59,799,046	95.13	3,032,787	62,831,833	99.95
2006	59,783,920	56,844,054	95.08	2,927,019	59,771,073	99.98
2005	56,843,613	53,918,038	94.85	2,890,142 ⁽¹⁾	56,808,180	99.94
2004	50,483,968	47,697,565	94.48	2,757,418 ⁽¹⁾	50,454,983	99.94
2003	48,507,471	45,798,106	94.41	1,292,291 ⁽¹⁾	47,090,397	97.08
2002	46,251,187	43,682,532	94.45	1,060,463 ⁽¹⁾	44,742,996	96.74

Source: District financial statements, current and prior years

⁽¹⁾ County collection records only show detail for the previous five years of delinquent tax collections. Differences in older years is determined to be minimal.

Tualatin Valley Fire and Rescue
**Ratio of Net General Bonded Debt to Assessed Value
and Net General Bonded Debt Per Capita**
Last Ten Fiscal Years

Fiscal Year	Assessed Value (in thousands) ⁽¹⁾	Gross Bonded Debt ⁽²⁾	Debt Service Monies Available ⁽²⁾	Net General Bonded Debt ⁽²⁾	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita ⁽³⁾	Percentage of Personal Income ⁽³⁾
2011	\$ 41,390,795	\$ 65,865,000	\$ 1,240,387	\$ 64,624,613	0.01 %	\$ 99.19	0.25 %
2010	40,282,997	44,885,000	1,207,841	43,677,159	0.01	99.19	0.25
2009	38,833,158	47,000,000	544,418	46,455,582	0.01	105.04	0.29
2008	36,996,882	20,475,000	1,321,652	19,153,348	0.06	43.55	0.13
2007	35,116,244	22,850,000	1,273,796	21,576,204	0.07	50.12	0.15
2006	33,378,251	4,130,000	1,165,747	2,964,253	0.01	6.99	0.02
2005	30,990,348	5,320,000	1,031,033	4,288,967	0.02	10.26	0.03
2004	27,533,018	6,902,100	867,007	6,035,093	0.03	14.45	0.05
2003	26,537,095	8,422,100	837,031	7,585,069	0.03	18.43	0.06
2002	25,173,975	9,820,000	971,121	8,848,879	0.04	21.72	0.07

Sources:

- (1) Washington, Clackamas, and Multnomah County Assessment and Taxation Departments
- (2) District financial statements, current and prior years
- (3) See the Schedule of Demographic and Economic Statistics on page 100 for personal income and population data

Tualatin Valley Fire and Rescue
Computation of Overlapping Net Direct Debt
June 30, 2011

Jurisdiction	Net Direct Debt Outstanding ⁽¹⁾	Percentage Applicable to District	Amount Applicable to District
City of Durham	\$ 1,320,000	99.99 %	\$ 1,319,850
City of Hillsboro	8,870,000	0.15	13,136
City of Sherwood	7,771,061	99.99	7,770,206
City of Tigard	32,300,000	100.00	32,299,160
City of Tualatin	9,615,000	99.99	9,614,346
City of West Linn	13,225,000	100.00	13,225,000
Clackamas Community College	32,605,000	25.17	8,207,526
Clackamas County	76,195,000	19.02	14,494,651
Clackamas County SD 3J (West Linn/Wilsonville)	223,127,238	100.00	223,127,014
Clackamas County SD 7J (Lake Oswego)	114,094,222	5.64	6,438,565
Clackamas County SD 86 (Canby)	89,251,603	14.78	13,191,208
Columbia County SD 1J (Scappoose)	32,825,000	0.21	67,652
Metro Service District	158,020,000	28.70	45,346,525
Multnomah County	104,660,000	0.99	1,031,634
Multnomah County SD 1J (Portland)	476,916,623	1.58	7,516,206
Portland Community College	199,390,000	31.41	62,618,430
Tri-Metropolitan Transport District	9,800,000	27.62	2,706,740
Tualatin Hills Park & Recreation District	70,790,000	98.02	69,389,420
Washington County	20,030,000	72.72	14,565,496
Washington County SD 1J (Hillsboro)	341,403,096	13.27	45,312,385
Washington County SD 23J (Tigard-Tualatin)	123,491,239	99.90	123,363,425
Washington County SD 48J (Beaverton)	539,485,000	95.48	515,084,633
Washington County SD 88J (Sherwood)	127,748,533	99.28	126,829,255
Willamette ESD	1,880,000	0.44	8,360
Yamhill County SD 29J (Newberg)	65,146,547	4.91	3,198,174
Subtotal overlapping debt			1,346,738,997
District direct debt			67,312,463
Total direct and overlapping debt			\$ 1,414,051,460

Note: ⁽¹⁾ Net direct debt includes General Obligation Bonds and Full Faith and Credit Bonds minus any fully Self-Supporting Unlimited-tax GO Bonds and self-supporting Full Faith and Credit Debt.

Source: Municipal Dept Advisory Commission, State of Oregon

Tualatin Valley Fire and Rescue
Computation of Legal Debt Margin
June 30, 2011

Real market value of District property	\$	58,384,405,761
Debt limit under ORS 478.410(2) - (1.25% of the real market value)		729,805,072
Amount of debt applicable to debt limit:		
Gross bonded debt outstanding	\$	65,865,000
Assets in Debt Service Fund available for debt service		(1,240,387)
Total amount of debt applicable to debt limit		64,624,613
Legal debt margin		<u>\$665,180,459</u>

Total net debt applicable to the limit as a percentage of debt limit 8.86%

	2002	2003	2004	2005	2006	2007	2,008	2009	2010	2011
Debt Limit	\$ 433,175,108	\$ 443,843,973	\$ 474,261,738	\$ 536,899,449	\$ 596,886,836	\$ 726,889,918	\$ 813,030,300	\$ 837,030,455	\$ 782,128,411	\$ 729,805,072
Total net debt applicable to limit	8,848,879	7,585,069	6,035,093	4,288,967	2,964,253	21,576,204	19,153,348	46,982,500	43,644,613	64,624,613
Legal debt margin	\$ 424,326,229	\$ 436,258,904	\$ 468,226,645	\$ 532,610,482	\$ 593,922,583	\$ 705,313,714	\$ 793,876,952	\$ 790,047,955	\$ 738,483,798	\$ 665,180,459
Total net debt applicable to the limit as a percentage of debt limit	2.04%	1.71%	1.27%	0.80%	0.50%	2.97%	2.36%	5.61%	5.58%	8.86%

Source: District financial statements, Washington, Clackamas, and Multnomah County Assessment and Tax Roll Summaries, and Oregon Revised Statutes

Tualatin Valley Fire and Rescue
Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Per Capita Income⁽²⁾ (Washington County)	Total Personal Income (Washington County) (in thousands)	School Enrollment⁽³⁾ (Washington County)	Unemployment Rate⁽⁴⁾ (Washington County)
2011	435,834	\$ 39,465	\$ 17,200,189	55,922	8.00 %
2010	440,339	40,188	17,696,344	55,672	9.15
2009	437,033	39,660	17,332,729	54,519	7.68
2008	433,964	37,969	16,477,179	54,480	4.42
2007	431,189	35,991	15,518,923	53,824	4.30
2006	421,343	34,298	14,451,222	52,884	4.73
2005	410,416	33,301	13,667,263	52,034	5.63
2004	417,646	32,706	13,659,530	50,822	6.85
2003	411,500	33,198	13,660,977	50,906	7.18
2002	407,400	33,942	13,827,971	47,985	6.75

⁽¹⁾ 2010 National Census Data for the 2011 fiscal years, prior years were estimated by Portland State University Center for Population, Research & Census.

⁽²⁾ Worksource Oregon Employment Department

⁽³⁾ Beaverton School District No. 48 and Washington County School District Nos. 23J and 88

⁽⁴⁾ Worksource Oregon Labor Market Information System

Tualatin Valley Fire and Rescue
Major Employment Industries
 Current Year and Nine Years Ago

	2011		2002	
	Annual Average Employees	% of Total	Annual Average Employees	% of Total
Construction		11,172	12,366	6%
Manufacturing				
Wood Products	1,034		1,610	
Fabricated metal products	2,756		2,430	
Food	1,596		1,774	
Plastics and rubber products	1,537		1,597	
Computer Products	25,319		29,228	
Machinery	3,413		3,460	
Other	6,288		8,066	
Total Manufacturing	41,942	18%	48,165	22%
Trade, Transportation, and Utilities				
Wholesale	16,099		14,554	
Retail	28,040		26,689	
Transportation, Warehousing, and Utilities	3,218		4,628	
Total Trade, Transportation, and Utilities	47,357	20%	45,871	21%
Information				
Publishing	3,259		5,115	
Telecommunications	2,032		1,893	
Other (broadcasting, ISP's, etc.)	2,666		920	
Total Information	7,957	3%	7,928	4%
Financial Activities				
Finance and Insurance	10,466		9,751	
Real Estate	3,122		3,123	
Total Financial Activities	13,589	6%	12,875	6%
Professional and Business Services	35,396	15%	32,413	15%
Educational Services	4,765	2%	3,476	2%
Healthcare and Social Assistance	24,238	10%	16,037	7%
Leisure and Hospitality	19,774	8%	16,601	7%
Other Services (agriculture, private homes, misc.)	10,586	4%	10,726	5%
Government (federal, state, and local)	22,331	9%	17,075	8%
Total Employment	239,105	100%	223,531	100%

Source: Oregon Employment Department Labor Market Information System (OLMIS)

Note: Data presented is for Washington County only and is based on a July - June fiscal year.

Tualatin Valley Fire and Rescue
Full-Time Equivalent District Employees by Function
 Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fire and Rescue Service	310	294	300	302	298	301	305	307	319	309
Fire Prevention and Training	32	33	43	42	40	41	40	43	37	19
Administrative and Support	60	60	60	59	65	64	67	67	76	113
Total	402	387	403	403	403	406	412	417	432	441

Tualatin Valley Fire and Rescue
Operating Indicators by Function
 Last Ten Calendar Years

Function	2002*	2003*	2004	2005	2006	2007	2008	2009	2010	2011 est.
Public Safety										
Fire Prevention Inspections	7,150	9,071	4,813	4,452	4,818	8,605	6,802	6,704	7,729	4,420
Emergency Medical Service Calls**	22,505	22,587	22,730	23,347	24,650	25,262	25,381	24,092	24,671	25,397
Fire Responses**	5,239	5,107	4,797	4,758	5,121	4,605	4,527	4,079	3,564	3,277
Other Responses - including hazardous condition , public service**	2,562	2,061	2,502	2,058	2,433	2,020	2,019	2,114	1,883	1,992
Miscellaneous - including good intent**	958	658	248	182	204	215	166	224	266	240

* Includes Oregon City contract incidents

** Statistics are based on *Dispatch Call Type*

Note: The District intentionally reduced the number of commercial occupancy inspections based on careful analysis of incident data and community risk, as is reflected in the 2011 estimates. This reduction was designed to shift resources from lower priority inspections to higher priority programs. In 2010, several new programs were implemented to target a significant false alarm problem in the District (nearly 1 in 10 calls), high call volume at assisted living facilities (10-20% of calls), and other significant District issues. The District will continue to closely monitor incident data and community risk, shifting resources as appropriate.

Tualatin Valley Fire and Rescue
Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Number of Stations	24	22	22	22	22	22	22	23	23	23
Equipment ⁽¹⁾										
Aerial/Truck/Platform					4	4	4	5	5	5
Antique Fire Equipment					3	3	3	3	3	3
Brush Rig					8	8	8	9	9	9
Cars									4	4
Elevated Waterway					3	4	4	4	3	3
HazMat					3	3	3	3	3	3
Medic Unit								3	4	4
Mobile Command Unit					1	1	1	1	1	1
Pumper/Engine					33	31	37	35	30	30
Rehab Unit								2	2	4
Rescue					8	5	5			
Squad/Rescue					4	5	7			
Technical Rescue					6	6	6	4	6	6
Water Tender					8	7	7	7	7	7
Engines	41	41	36	36						
Ladder trucks	5	5	3	4						
Brush rigs	11	11	8	8						
Tenders	7	7	7	6						
Hazmat squad	2	2	1	1						
Squad/Support units	12	12	11	13						
Technical rescue	1	1	1	1						
Heavy squad										
Muster vehicles	5	5	4	4						

⁽¹⁾ Reclassified equipment categories in 2006 to more closely mirror NFPA (National Fire Protection Agency) standards.

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

October 24, 2011

Board of Directors
Tualatin Valley Fire and Rescue
Tigard, Oregon

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tualatin Valley Fire and Rescue, Tigard, Oregon (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the 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 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement 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 the procedures to the extent we considered necessary to address the required comments and disclosures, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B and 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 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

OAR 162-10-230 INTERNAL CONTROL

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

* * * * *

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

A handwritten signature in dark ink, appearing to read "T. H. K. & W. W. K., LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants