



A Rural Fire Protection District, Aloha Oregon

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2008

Tualatin Valley Fire & Rescue,
A Rural Fire Protection District
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Cover photo courtesy of Storm Smith.

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Introductory Section

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November 14, 2008

**Board President Bob Wyffels and
Members of the Board of Directors**

We are pleased to submit the Comprehensive Annual Financial Report of Tualatin Valley Fire and Rescue for the fiscal year ended June 30, 2008. 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 government'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 (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. 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.

The Reporting Entity and Its Services

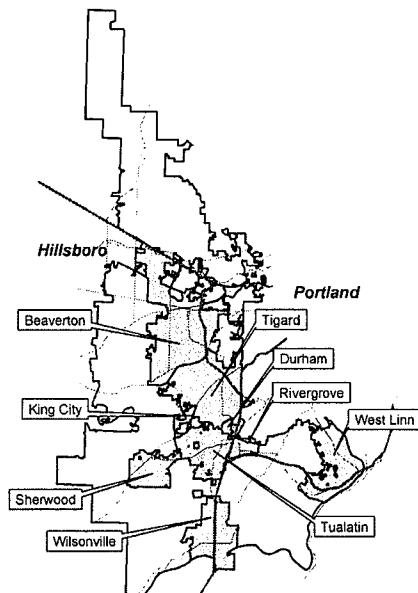
The District operates under Oregon Revised Statutes Chapter 478 as a separate municipal corporation and is managed by a Board of Directors comprised of a President and four Directors including a Vice-President and a Secretary-Treasurer. The Board hires a Fire Chief/Administrator to manage the day-to-day operations of the

Tualatin Valley Fire and Rescue

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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 22 career and volunteer fire stations, 21 first-line fire engines, two first-line ladder trucks, technical rescue units, hazmat vehicles, water tenders and several other pieces of equipment. These apparatus are complemented by additional training and reserve apparatus, which are utilized for training, maintenance and other uses. One additional career fire station is slated to be opened in the City of Tigard in the next few months. District employees of approximately 426 in 2008 were supplemented by 100 volunteer firefighters.

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

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 439,800 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 36.1 billion dollars in 2007-08 to approximately 37.7 billion dollars in the 2008-09 fiscal year. In addition, the District depends upon an additional local option levy of 25 cents a thousand to supplement

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the permanent levy rate. Our voters strongly supported the continuation 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 dollars of bonds was strongly supported by our voters at the November, 2006 election and provides funding for new stations, significant seismic reconstruction of existing stations, a command center combining other office space and adding functions, and for emergency response apparatus throughout the District. The first issuance of \$20 million of general obligation bonds occurred in April, 2007. The District expects to sell two to three additional issues timed to meet construction commitments. The next bond issue is being currently planned and is expected to take place in the spring or summer of 2009. Because of the strength of the District's credit rating, we believe we still will be able to issue bonds in 2009. However, because of the recent nationwide and worldwide credit crisis, we are considering our alternatives if the bond market is difficult.

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 of Oregon. 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, level 2, according to the standards set forth by the Insurance Services Office, Inc. To the property owner in the District, this classification results in a very low premium rate for fire insurance.

The District is a multi-service district with services and programs tailored to meet the needs of the community. The District provides fire prevention, fire education, and emergency services operations, which include fire suppression, emergency medical services, and water dive, high angle, and heavy rescue to the primary community, and to other contiguous communities on a contracted basis. 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 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 fire prevention 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

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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 life support levels. Through its specialized and sophisticated training programs, the District assists the rest of the State of Oregon's fire departments in emergency medical services training. 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, 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 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 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 developing and growing part of Oregon's economic base. The annual growth in the District's assessed valuation and market value of protected property each year is one indication of the growth in both industrial and residential areas. Economic and regional population forecasts continue to project the area's 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 continued development within its service boundaries. The true cash value, or market value, of the District grew 11.9% to over \$65 billion while assessed value grew 5.2% for the property tax year 2007-08. For 2008-09, the assessed value of the District grew 4.8% to \$37.7 billion.

The District's population is expected to continue 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, Freightliner, and Maxim Integrated Products, among others. The area has attracted significant retail and wholesale marketers such as

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Costco Wholesale Clubs, Dayton-Hudson Stores, and Rite-Aid Drug Stores, and companies such as Pacific Realty Associates LP have continued development of acres of land adjacent to the Sunset Highway. Nike's world headquarters complex houses thousands of employees in office buildings bordering a seven-acre man-made 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 2008, the District focused on three significant areas. The station construction and project management of the capital projects for the next several years 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 increased storage for technical equipment, considered designs in order to shave seconds off response times from living/office areas to response vehicles in the apparatus bays, and included environmental considerations.

Secondly, our Community Services division has worked intensively to coordinate the District's education and communication to its voters of the local option levy renewal issues and services funded by the levy. The levy was approved by 61% of the voters on November 4, 2008. In these difficult economic times, we are thankful for the continued voter support.

In addition, the District has embarked upon a project to implement the replacement of the financial and other support division software systems with an enterprise resource planning system which will integrate many of the business operations of the District. This project is expected to be started in 2009 and continue for at least the next two or three years.

Department Service Efforts and Accomplishments

During the fiscal year ended June 30, 2008, all divisions and departments of the District contributed toward the accomplishments of our 2008 strategic goals. These goals, as outlined in our Strategic Plan are:

- *Reduce number and severity of emergency incidents.*
- *Increase citizens' participation in their safety and preparedness and knowledge of District's services.*
- *Enhance preparedness for catastrophic and unforeseen events.*
- *Ensure the health and safety of all members.*
- *Develop and enhance a diverse workforce that honors and respects our individual and group differences and reflects the community we serve.*

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- *Promote craftsmanship, innovation, and excellence throughout the organization.*
- *Leverage use of existing resources for the greatest community good.*
- *Ensure ongoing financial stability and predictability.*

Efforts during the fiscal year ended June 30, 2008, as a result of these goals, included:

- Seismic reconstruction of Station 66 was completed, and construction of the new Gaarde Road station continued through 2008 utilizing bond proceeds.
- The District developed a new “green” initiative to focus and measure our progress in environmental issues in a wide variety of daily operations in addition to capital and other purchases.
- Continued design and development of stations and the Communications and Business Operations Center to be funded with the second bond sale.
- Continued purchase and replacement of emergency fire apparatus with bond proceeds.

Cash Management

The District invests available cash primarily in the Oregon State Treasury's Local Government Investment Pool, a bank money market account and in government agency securities. The Pension Trust Fund is primarily invested in U.S. Government Agency obligations, certificates of deposit and mutual funds. The Volunteer LOSAP Fund is invested in mutual funds and the Local Government Investment Pool.

Risk Management

The policy adopted by the Board of Directors mandates that a program for risk management be adopted that is consistent with legal requirements and with the ability of the District to finance. Board policy states that the District shall purchase the necessary insurance or set aside adequate reserves to self-insure.

Errors and omissions coverage, called public officials liability, is written in conjunction with Oregon Revised Statutes as they apply to public agency tort liability in accordance with tort law. The total limit of liability is \$1,000,000 per person and \$1,000,000 per occurrence. Coverage is written on claims made form of insurance policy and includes prior acts. Risk management for workers' compensation provides coverage for boards and commissions, employees and volunteers. Where non-paid persons are involved, an assumed monthly wage rate is identified for the premium and benefit purposes.

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, 2007. This was the 20th consecutive year the District has

Tualatin Valley Fire and Rescue

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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 generally accepted accounting principles 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.

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, 2008. 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 20th 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, the 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



Jeffrey D. Johnson

Fire Chief/Administrator



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, 2007

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.



Clare S. Cox

President

Jeffrey P. Ecker

Executive Director

Tualatin Valley Fire and Rescue
List of Elected and Appointed Officials

June 30, 2008

Board of Directors

	Term Expires
Clark I. Balfour, President	June 30, 2009
Robert C. Wyffels, Vice-President	June 30, 2009
Carol A. Gearin, Secretary-Treasurer	June 30, 2011
Brian J. Clopton	June 30, 2011
Larry D. Goff	June 30, 2009

Budget Committee

	Term Expires
Leland H. Ascher	June 30, 2011
Clark I. Balfour	June 30, 2009
Brian J. Clopton	June 30, 2011
Carol A. Gearin	June 30, 2011
Larry D. Goff	June 30, 2009
Christopher D. Harris	June 30, 2009
Daniel M. Lewis	June 30, 2009
Michael D. Smith	June 30, 2010
Jon R. Walsh	June 30, 2010
Robert C. Wyffels	June 30, 2009

Administrative Offices
20665 SW Blanton Street
Aloha, OR 97007

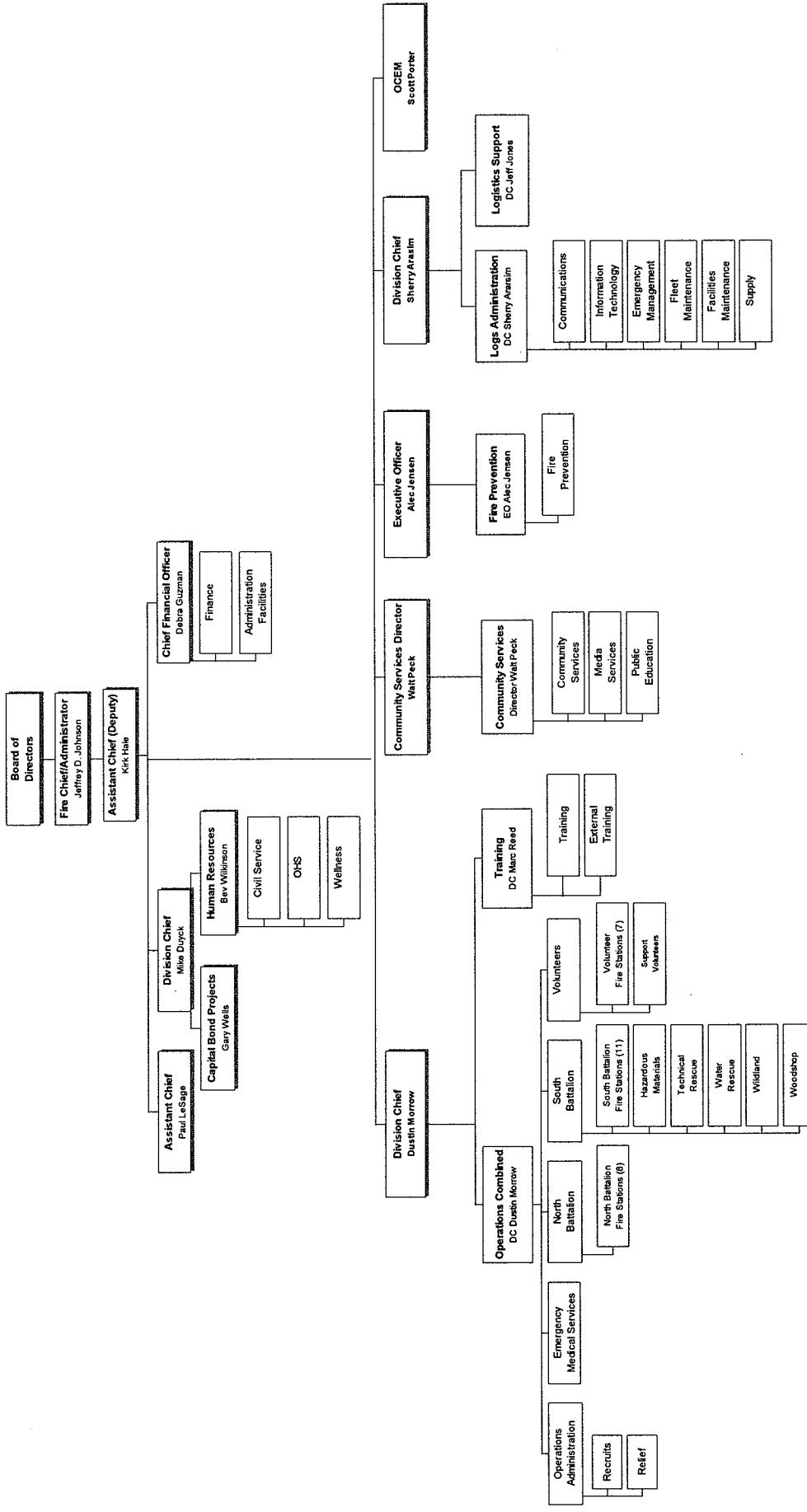
Registered Agent
Jeffrey D. Johnson
Fire Chief/Administrator

Legal Counsel
Jordan Schrader PC
PO Box 230669
Portland, OR 97281

Organizational Chart

Tualatin Valley Fire and Rescue

June 30, 2008



Financial Section

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INDEPENDENT AUDITOR'S REPORT

November 14, 2008

Board of Directors
Tualatin Valley Fire and Rescue
Aloha, 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 (the District) as of and for the year ended June 30, 2008, 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, *Government Auditing Standards* issued by the Comptroller General of the United States and the *Minimum Standards for Audits of Oregon Municipal Corporations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Tualatin Valley Fire and Rescue District
November 14, 2008
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and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 13 through 22 and Schedules of Funding Progress on page 51 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.

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 on pages 52 through 67 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. This 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 them.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

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, 2008

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, 2008. 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 one through seven of this report.

Financial Highlights

- In the government-wide financial statements, the assets of the District exceeded its liabilities at June 30, 2008 by \$74,092,208. Of this amount, \$26,022,160 represents the District's investment in capital assets, net of related debt, \$1,321,652 is restricted for debt service, and the balance of \$46,748,396 will be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by a net \$8,028,087 as of June 30, 2008. Unrestricted net assets increased by \$7,398,761, net assets invested in capital assets increased by \$581,470, and total restricted net assets restricted for debt service increased \$47,856.
- As of June 30, 2008, the District's governmental funds reported combined ending fund balances of \$59,236,857, an increase of \$372,989 in comparison with the prior year. On April 1, 2007, the District issued \$20,000,000 of general obligation bonds. Of this sale, \$9,804,938 remains in the fund balance of the Capital Projects fund and is reserved for capital projects. An increase of the unreserved fund balance in the Capital Improvements fund, a special revenue fund type, was accomplished in order to pay for future capital replacements scheduled. The District's General Fund balance was increased in order to ensure continued funding of additional firefighters and other staffing during the "dry period" before receipt of property taxes in future years as we add employees to newly built fire stations and add apparatus to meet response time goals.
- At June 30, 2008, unreserved fund balance for the general fund was \$34,934,854, 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.

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Management's Discussion and Analysis

For the Year Ended June 30, 2008

- The District's total debt decreased by \$2,362,293 during the current fiscal year. This decrease was due to scheduled principal and interest payments on the District's prior 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 comprise 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.

The combined government-wide and governmental fund financial statements can be found on pages 23 and 25 of this report.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2008

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 nine individual governmental funds. 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 the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as Supplemental Information.

Additionally, the District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on pages 26 and 27.

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Management's Discussion and Analysis
For the Year Ended June 30, 2008

Again, the combined governmental fund and entity-wide financial statements can be found on pages 23 and 25 of 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 28-30 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 used for fiduciary funds is much like that used for internal service funds. The basic fiduciary fund financial statements can be found on pages 31 and 32 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 33-50 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 51 of this report.

Individual fund statements and schedules can be found on pages 52 through 66 of this report. The Schedule of Property Tax Transactions and Outstanding Balances can be found on page 67 of this report.

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 \$74,092,208 at June 30, 2008. The largest portion of the District's net assets (35 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

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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 2007
	2008	2007	
Current and other assets	\$ 66,693,055	\$ 65,139,390	\$ 1,553,665
Capital assets	36,634,978	31,856,422	4,778,556
Total assets	<u>103,328,033</u>	<u>96,995,812</u>	<u>6,332,221</u>
Current liabilities	8,818,590	8,152,163	666,427
Long-term debt	20,417,235	22,779,528	(2,362,293)
Total liabilities	<u>29,235,825</u>	<u>30,931,691</u>	<u>(1,695,866)</u>
Net assets:			
Invested in capital assets, net of related debt	26,022,160	25,440,690	581,470
Restricted for debt service	1,321,652	1,273,796	47,856
Unrestricted	<u>46,748,396</u>	<u>39,349,635</u>	<u>7,398,761</u>
Total net assets	<u>\$ 74,092,208</u>	<u>\$ 66,064,121</u>	<u>\$ 8,028,087</u>

The District's largest liability (70 percent) is for the repayment of general obligation bonds. Current liabilities of the District consist largely of accounts payable and accrued salaries and benefits payable.

During the current fiscal year, the District's net assets increased by \$8,028,087. Unrestricted net assets increased by \$7,398,761, net assets invested in capital assets increased by \$581,470, and total restricted net assets restricted for debt service increased \$47,856. Net assets increased reflecting continued positive trends in property tax collections, interest revenue, and planned expenditures less than forecasted revenue. The District seeks to ensure the net assets of the District are sufficient to support operational costs in future years. Interest revenue in future years is expected to significantly decline and property tax collections may also decrease.

Governmental activities. Governmental activities increased the District's net assets in the current year by \$8,028,087. Property taxes increased, reflecting increased assessed valuation of the District. Increased insurance refunds primarily in workers compensation increased net assets as well. Earnings on investments due to higher investment returns and higher investable assets also increased significantly. Expenses for public safety increased reflecting personnel cost increases in wages and mandated retirement

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2008

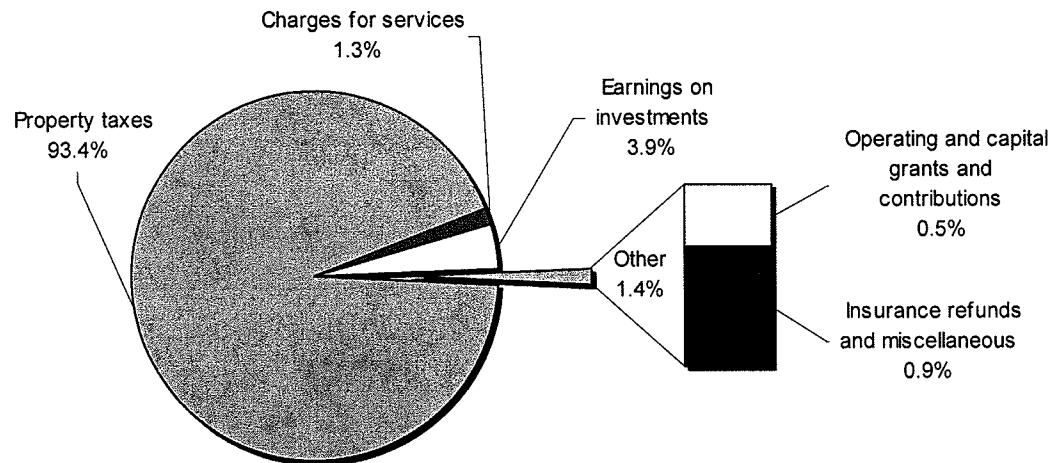
benefits. Expenses were managed to ensure that net assets as of year end increased proportionately to the cost of annual operations.

Changes in Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2007
	2008	2007	
Revenues:			
Program revenues			
Charges for services	\$ 916,859	\$ 852,678	\$ 64,181
Operating grants and contributions	177,645	583,497	(405,852)
Capital grants	167,984		167,984
General revenues:			
Property taxes	66,146,305	61,211,437	4,934,868
Loss on sale of capital assets	(38,671)	20,567	(59,238)
Earnings on investments	2,755,890	2,504,630	251,260
Insurance refunds	646,230	273,161	373,069
Proceeds from sale of surplus property	5,289		5,289
Miscellaneous	47,083	81,298	(34,215)
Total revenues	<u>70,824,614</u>	<u>65,527,268</u>	<u>5,297,346</u>
Expenses:			
Public safety-fire protection	61,874,697	58,872,384	3,002,313
Interest on long-term debt	921,830	359,307	562,523
Total expenses	<u>62,796,527</u>	<u>59,231,691</u>	<u>3,564,836</u>
Change in net assets	8,028,087	6,295,577	1,732,510
Net assets - July 1	66,064,121	59,768,544	6,295,577
Net assets - June 30	<u>\$ 74,092,208</u>	<u>\$ 66,064,121</u>	<u>\$ 8,028,087</u>

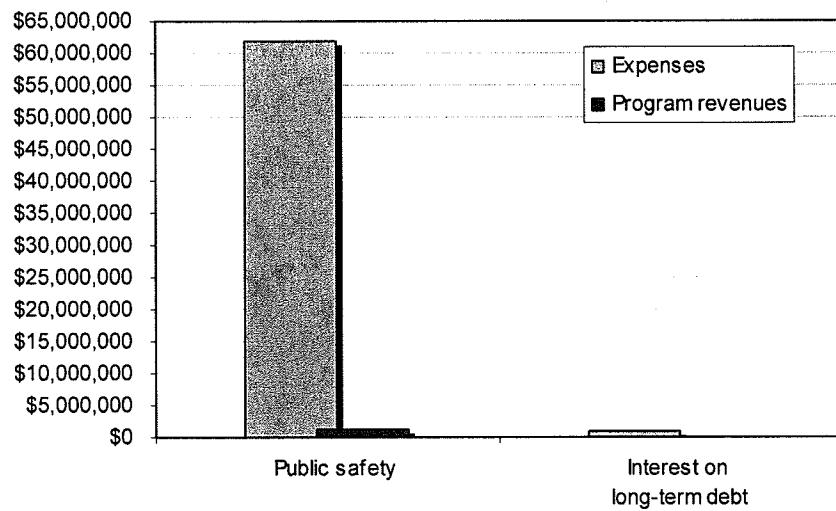
Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2008

Revenue Sources - Governmental Activities
Fiscal Year 2008



Expenses and Program Revenues - Governmental Activities
Fiscal Year 2008



Tualatin Valley Fire and Rescue

Management's Discussion and Analysis

For the Year Ended June 30, 2008

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.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2008, the District's governmental funds reported combined ending fund balances of \$59,236,857, an increase of \$372,989 in comparison with the prior year. The majority of this total amount (69 percent) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved for capital projects, supplies inventory, debt service, and retiree medical insurance payments.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2008 unreserved fund balance of the general fund was \$34,934,854, while total fund balance reached \$35,207,146. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 55 percent of total general fund expenditures and other financing uses.

The fund balance of the District's General Fund increased by \$4,512,348 or approximately 15 percent during the current fiscal year; most of this increase was due to receiving \$2,903,623 more in tax revenue over the prior year and continued spending in personnel and operational costs at a lower rate until both a favorable election to renew the local option levy occurred and the District hired permanent staff for Operations. In subsequent years, the District will begin a period of adding firefighting staff to a new Gaarde fire station and slowly adding staff and apparatus to our deployment mix. The planned increases will allow us to sustain these positions during the following years prior to receipt of property taxes.

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, 2008, the ending fund balance of the Capital Projects Fund was \$9,804,938. This fund accounts for the remaining proceeds of a \$20 million debt issuance to fund construction, land and apparatus purchases in 2007 and will account for the proceeds and expenditures of an expected 2008-09 bond sale.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis
For the Year Ended June 30, 2008

General Fund Budgetary Highlights

The Board approved one budget transfer to the adopted budget for June 30, 2008. The budget transfers authorized funding for roof repairs for the District's North Division building, additional inoculations for occupational health and grants received to fund the repainting of the District's mobile Safety House.

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 work in progress. As of June 30, 2008, the District had invested \$36,634,978 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation)	Governmental Activities		Increase (Decrease) from Fiscal 2007
	2008	2007	
Land	\$ 9,156,352	\$ 7,223,133	\$ 1,933,219
Buildings and improvements	11,065,698	9,571,516	1,494,182
Fire apparatus and other vehicles	11,391,007	12,391,334	(1,000,327)
Furniture, fixtures and equipment	1,407,371	1,658,159	(250,788)
Construction in progress	3,614,550	1,012,280	2,602,270
Total	\$ 36,634,978	\$ 31,856,422	\$ 4,778,556

During the year, the District's investment in capital assets increased by \$4,778,556, reflecting the \$8,448,848 of assets added during the year were offset by \$2,668,969 of depreciation and \$1,261,040 of asset disposals.

Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 41 of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt of \$20,417,235, consisting of general obligation bonds, net of unamortized premiums and issuance costs. The District is rated a "Aa1" 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 exceeds \$705 million. Additional information on the District's long-term debt can be found in note III.D.1 on page 42 of this report.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2008

Economic Factors and Next Year's Budget

The District anticipates increased property tax revenues in future years based upon projected assessed value increases. While the local economy is experiencing a significant construction slow down and market value is declining due to the October 2008 credit crisis, assessed value still remains far below market value. The District is monitoring its 2008-09 property tax collections for declines due to the economy and is preparing for both growth rate and collection rate declines. Additionally, property tax revenue may be impacted if our cities and counties utilize urban renewal measures to develop these areas and accordingly, we continue to be very involved in this issue both locally and at the state level.

The state's pension system for its public employees, PERS, had been under significant legislative and public scrutiny as the costs of the benefits had been projected to continue to significantly increase. This pension system was subject to significant legislative reform as well as changes mandated from court rulings. These reforms were contested through the court system creating additional uncertainty for pension costs in the future. The 2008-09 budget and future forecasts reflect current projections that employer rates will decrease based upon recent actuarial information. While the recently released December 31, 2007 actuarial validation based upon positive 2006 and 2007 investment returns reflects declining rates for 2009 and 2010, recent investment market conditions portend higher PERS rates in future years.

The District's 25 cent 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 strong 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, 20665 SW Blanton Street, Aloha, Oregon, 97007.

Basic Financial Statements

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Tualatin Valley Fire and Rescue
Governmental Funds Balance Sheet/
Statement of Net Assets
June 30, 2008

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Funds	Adjustments	Statement of Net Assets
Assets						
Cash and cash equivalents	\$38,467,674	\$10,208,013	\$14,321,922	\$62,997,609	\$ (9,499,901)	\$ 53,497,708
Receivables:						
Property taxes receivable	2,366,418		106,928	2,473,346		2,473,346
Accounts receivable	137,977	522	103,197	241,696		241,696
Due from other funds	44,101			44,101	(44,101)	
Supplies inventory	272,292			272,292		272,292
Restricted assets:						
Cash and cash equivalents					10,208,013	10,208,013
Capital assets, not being depreciated:						
Land and work in progress					12,770,902	12,770,902
Capital assets, net of accumulated depreciation:						
Buildings and improvements					11,065,698	11,065,698
Fire apparatus and other vehicles					11,391,007	11,391,007
Furniture, fixtures and equipment					1,407,371	1,407,371
Total assets	<u>\$41,288,462</u>	<u>\$10,208,535</u>	<u>\$14,532,047</u>	<u>\$66,029,044</u>	<u>\$ 37,298,989</u>	<u>\$103,328,033</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 777,461	\$ 403,597	\$ 145,300	\$ 1,326,358	\$ 5,925	\$ 1,332,283
Accrued salaries and benefits payable	3,234,151			3,234,151		3,234,151
Accrued interest payable					241,777	241,777
Due to other funds			44,101	44,101	(44,101)	
Deferred revenue	2,069,704		117,873	2,187,577	(2,185,877)	1,700
Accrued compensated absences, due within one year					4,008,679	4,008,679
Bonds and notes payable, net of unamortized premium/discount:						
Due within one year					2,362,293	2,362,293
Due in more than one year					18,054,942	18,054,942
Total liabilities	<u>6,081,316</u>	<u>403,597</u>	<u>307,274</u>	<u>6,792,187</u>	<u>22,443,638</u>	<u>29,235,825</u>
Fund balances:						
Reserved for supplies inventory	272,292			272,292	(272,292)	
Reserved for retiree medical insurance			214,327	214,327	(214,327)	
Reserved for debt service			1,321,652	1,321,652	(1,321,652)	
Reserved for capital projects	9,804,938			9,804,938	(9,804,938)	
Unreserved, reported in:						
General fund	34,934,854			34,934,854	(34,934,854)	
Special revenue funds			6,706,623	6,706,623	(6,706,623)	
Capital projects funds			5,982,171	5,982,171	(5,982,171)	
Total fund balances	<u>35,207,146</u>	<u>9,804,938</u>	<u>14,224,773</u>	<u>59,236,857</u>	<u>(59,236,857)</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

June 30, 2008

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Funds	Statement of Net Assets
				Adjustments	
Total liabilities and fund balances	<u>\$41,288,462</u>	<u>\$10,208,535</u>	<u>\$14,532,047</u>	<u>\$66,029,044</u>	
Net Assets:					
Invested in capital assets, net of related debt				\$ 26,022,160	\$ 26,022,160
Restricted for:				1,321,652	1,321,652
Debt service				<u>46,748,396</u>	<u>46,748,396</u>
Unrestricted					
Total net assets	<u>\$ 74,092,208</u>			<u>\$ 74,092,208</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, 2008

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Funds	Statement of Adjustments	Statement of Activities
Revenues						
Taxes	\$62,395,093		\$ 3,289,167	\$65,684,260	\$ 462,045	\$66,146,305
Interest	1,544,298	\$ 542,773	633,503	2,720,574	35,316	2,755,890
Charges for services	895,648			895,648	21,211	916,859
Insurance refunds	641,668			641,668	4,562	646,230
Operating grants and contributions	38,612		99,465	138,077	139,017	277,094
Capital grants			52,516	52,516	16,019	68,535
Miscellaneous	47,083			47,083		47,083
Total revenues	<u>65,562,402</u>	<u>542,773</u>	<u>4,074,651</u>	<u>70,179,826</u>	<u>678,170</u>	<u>70,857,996</u>
Expenditures/expenses						
Current						
Personal services	50,979,290		143,638	51,122,928	(32,567)	51,090,361
Materials and services	7,367,332		3,954	7,371,286	173,239	7,544,525
Depreciation					2,668,969	2,668,969
Debt service:						
Principal			2,375,000	2,375,000	(2,375,000)	
Interest			931,892	931,892	(10,062)	921,830
Capital outlay	7,101,631		1,061,399	8,163,030	(7,592,188)	570,842
Total expenditures	<u>58,346,622</u>	<u>7,101,631</u>	<u>4,515,883</u>	<u>69,964,136</u>	<u>(7,167,609)</u>	<u>62,796,527</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>7,215,780</u>	<u>(6,558,858)</u>	<u>(441,232)</u>	<u>215,690</u>	<u>7,845,779</u>	<u>8,061,469</u>
Other Financing Sources (Uses)						
Proceeds from sales of surplus property	693		156,606	157,299	(152,010)	5,289
Loss on sale of capital assets					(38,671)	(38,671)
Transfers in			2,704,125	2,704,125	(2,704,125)	
Transfers out	(2,704,125)			(2,704,125)	2,704,125	
Total other financing sources (uses)	<u>(2,703,432)</u>		<u>2,860,731</u>	<u>157,299</u>	<u>(190,681)</u>	<u>(33,382)</u>
Net change in fund balances/net assets	<u>4,512,348</u>	<u>(6,558,858)</u>	<u>2,419,499</u>	<u>372,989</u>	<u>7,655,098</u>	<u>8,028,087</u>
Fund balances/net assets:						
Beginning of the year	<u>30,694,798</u>	<u>16,363,796</u>	<u>11,805,274</u>	<u>58,863,868</u>	<u>7,200,253</u>	<u>66,064,121</u>
End of the year	<u>\$35,207,146</u>	<u>\$9,804,938</u>	<u>\$14,224,773</u>	<u>\$59,236,857</u>	<u>\$ 14,855,351</u>	<u>\$74,092,208</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes:				
Current year's levy	\$ 59,717,770	\$ 59,717,770	\$ 61,364,167	\$ 1,646,397
Prior years' levies	1,093,046	1,093,046	1,028,297	(64,749)
Taxes in lieu of property taxes	8,609	8,609	2,629	(5,980)
Interest on unsegregated property taxes	26,706	26,706	105,630	78,924
Interest on taxes	6,407	6,407	28,109	21,702
Interest on investments	1,157,093	1,157,093	1,410,559	253,466
Contracted services	187,900	187,900	532,307	344,407
Special service charges	120,520	120,520	107,943	(12,577)
Maintenance services	183,200	183,200	136,527	(46,673)
Rental income	85,450	85,450	112,705	27,255
Plan review fees			6,166	6,166
Insurance refunds			641,668	641,668
Grants and donations			38,612	38,612
Miscellaneous	20,000	20,000	47,083	27,083
Total revenues	62,606,701	62,606,701	65,562,402	2,955,701
Expenditures				
Current				
Public Safety:				
Non-organizational:				
Materials and services	8,961	8,961		8,961
Administration Division:				
Personal services	2,832,782	2,832,782	2,596,867	235,915
Materials and services	1,466,204	1,466,204	1,290,122	176,082
Total Administration Division	4,298,986	4,298,986	3,886,989	411,997
Emergency Operations Division:				
Personal services	43,552,943	43,552,943	41,251,900	2,301,043
Materials and services	2,422,175	2,429,675	1,991,040	438,635
Total Emergency Operations Division	45,975,118	45,982,618	43,242,940	2,739,678
Community Services Division:				
Personal services	865,633	865,633	806,516	59,117
Materials and services	258,965	277,465	234,409	43,056
Total Community Services Division	1,124,598	1,143,098	1,040,925	102,173
Fire Prevention Division:				
Personal services	2,932,047	2,932,047	2,757,252	174,795
Materials and services	295,633	295,633	265,139	30,494
Total Fire Prevention Division	3,227,680	3,227,680	3,022,391	205,289

(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
For the Year Ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures, Continued				
Logistics Division:				
Personal services	\$ 4,317,864	\$ 4,317,864	\$ 3,566,755	\$ 751,109
Materials and services	4,098,449	4,098,449	3,526,622	571,827
Total Logistics Division	8,416,313	8,416,313	7,093,377	1,322,936
Total Public Safety	63,051,656	63,077,656	58,286,622	4,791,034
Operating contingency	5,873,650	5,847,650		5,847,650
Total expenditures	68,925,306	68,925,306	58,286,622	10,638,684
Excess (deficiency) of revenues over (under) expenditures	(6,318,605)	(6,318,605)	7,275,780	13,594,385
Other Financing Sources (Uses)				
Proceeds from sales of surplus property			693	693
Transfers out	(3,076,582)	(3,076,582)	(2,764,125)	312,457
Total other financing sources (uses)	(3,076,582)	(3,076,582)	(2,763,432)	313,150
Net change in fund balances	(9,395,187)	(9,395,187)	4,512,348	13,907,535
Fund balances - July 1, 2007	21,716,862	21,716,862	26,368,346	4,651,484
Fund balances - June 30, 2008	\$ 12,321,675	\$ 12,321,675	\$ 30,880,694	\$ 18,559,019

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

Fund Balance:	
Budgetary Fund Balance:	\$ 30,880,694
Advanced recognition of retirement obligation not a GAAP expense	<u>4,326,452</u>
GAAP Fund Balance	<u>\$ 35,207,146</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, 2008

**Governmental
Activities -
Internal
Service Fund**

Assets

Current assets:

Cash and cash equivalents	\$ 708,112
Total assets	<u>708,112</u>

Liabilities

Current liabilities:

Accounts payable	5,925
Total liabilities	<u>5,925</u>

Net Assets

Unrestricted	702,187
Total net assets	<u>\$ 702,187</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, 2008

	Governmental Activities - Internal Service Fund
Operating Revenue	
Insurance refunds	\$ 4,562
Total operating revenues	<u>4,562</u>
Operating Expense	
Insurance claims	34,222
Total operating expenses	<u>34,222</u>
Operating loss	<u>(29,660)</u>
Nonoperating Revenue	
Interest income	35,316
Total nonoperating revenue	<u>35,316</u>
Change in net assets	5,656
Net assets, July 1, 2007	696,531
Net assets, June 30, 2008	<u>\$ 702,187</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, 2008

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Received from insurance reimbursements	\$ 4,562
Paid for insurance claims	<u>(28,297)</u>
Net cash used in operating activities	<u><u>(23,735)</u></u>
Cash Flows From Investing Activities	
Interest received on investments	35,316
Net cash provided by investing activities	<u>35,316</u>
Net increase in cash and cash equivalents	11,581
Cash and cash equivalents, July 1, 2007	<u>696,531</u>
Cash and cash equivalents, June 30, 2008	<u><u>\$ 708,112</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (29,660)
Increase in accounts payable	5,925
Net cash used in operating activities	<u><u>\$ (23,735)</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, 2008

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 568,693
Investments	<u>1,257,301</u>
Total assets	<u>1,825,994</u>
Net Assets	
Held in trust for pension benefits	<u>\$ 1,825,994</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, 2008

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	(179,553)
Total additions	<u>(119,553)</u>
Deductions	
Benefits	341,721
Total deductions	<u>341,721</u>
Change in net assets	(461,274)
Total net assets, July 1, 2007	2,287,268
Total net assets, June 30, 2008	<u>\$ 1,825,994</u>

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

Notes to the Basic Financial Statements

June 30, 2008

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, 2008

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 net assets. The governmental fund types are maintained using the *modified accrual basis of accounting* whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for: (1) interfund transactions for services, which are recorded on the accrual basis, (2) interest expense on long-term debt, which is recorded as due, (3) insurance premiums benefiting more than one fiscal year are recorded when paid, and (4) 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.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund, either legally or by Board direction. The principal revenue source is property taxes. Primary expenditures are for public safety.

Tualatin Valley Fire and Rescue

Notes to the Basic Financial Statements

June 30, 2008

- The *Capital Projects Fund*; a capital projects fund type, accounts for the general obligation bond debt issuances and the related building 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 and 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 both the government-wide and internal service fund financial statements to the extent that these standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board (GASB). The District has elected not to follow subsequent private-sector guidance.

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

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares. Short-term investments classified as cash equivalents are carried at amortized cost.

2. Investments

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

3. Receivables

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

4. Supplies inventory

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

5. Capital assets

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

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

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

6. 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 and not deferred. The face amount of the debt issued, premiums and discounts received on debt issuances, are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Liabilities for compensated absences

Accumulated accrued compensated absences for vacation and personal leave benefits 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. Fund equity

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

9. 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.

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. The District adopted one budget transfer resolution during the year ended June 30, 2008. Appropriations lapse at year-end.

III. Detailed notes on all accounts

A. Cash, cash equivalents and investments

1. Deposits and Investments

The District maintains separate accountability by fund for cash, cash equivalents, and investment accounts. Deposits with financial institutions include bank demand deposits and time certificates of deposit. The total book balance at June 30, 2008 was \$23,326,141 and the total bank balance was \$23,754,102. Of these deposits, \$200,000 was insured, and the remainder was collateralized with securities held by financial institutions acting as the agents of the District in the District's name, following state law. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

outstanding certificates of participation issued by the pool manager.

At June 30, 2008, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 1,050
Cash with county assessor	292,665
Deposits with financial institutions	23,326,141
State of Oregon Local Government Investment Pool	40,654,558
Investments:	
Open-ended mutual funds	1,257,301
	<u><u>\$ 65,531,715</u></u>

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

	Governmental Activities	Fiduciary Funds
Cash and cash equivalents:		
Unrestricted	\$ 53,497,708	\$ 568,693
Restricted	10,208,013	
Investments		1,257,301
Total cash, cash equivalents and investments	<u><u>\$ 63,705,721</u></u>	<u><u>\$ 1,825,994</u></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 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, 2008, the District does not have investments exposed to custodial credit risk.

3. Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates, the District's governmental funds investment policies limit maturities to 18 months. Generally short-term investment funds will be invested for periods less than 12 months. Identified budgeted fund balance carryovers in those funds may be available for investment periods up to 18 months. Long-term investments have the same maturity as the short-

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

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

The State of Oregon Local Government Investment Pool and money market account are unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance			Balance
	June 30, 2007	Increases	Decreases	June 30, 2008
Governmental activities:				
Non-depreciable capital assets				
Land	\$ 7,223,133	\$ 1,933,219		\$ 9,156,352
Construction in progress	1,012,280	3,442,911	\$ (840,641)	3,614,550
Total capital assets, not being depreciated	<u>8,235,413</u>	<u>5,376,130</u>	<u>(840,641)</u>	<u>12,770,902</u>
Depreciable capital assets				
Buildings and improvements	22,393,265	2,231,180	(341,250)	24,283,195
Fire apparatus and other vehicles	21,523,215	460,525	(388,517)	21,595,223
Furniture, fixtures and equipment	5,612,353	381,012	(531,273)	5,462,092
Total depreciable capital assets	<u>49,528,833</u>	<u>3,072,717</u>	<u>(1,261,040)</u>	<u>51,340,510</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,821,749)	(736,998)	341,250	(13,217,497)
Fire apparatus and other vehicles	(9,131,881)	(1,300,171)	227,836	(10,204,216)
Furniture, fixtures and equipment	(3,954,194)	(631,800)	531,273	(4,054,721)
Total accumulated depreciation	<u>(25,907,824)</u>	<u>(2,668,969)</u>	<u>1,100,359</u>	<u>(27,476,434)</u>
Total capital assets being depreciated, net	<u>23,621,009</u>	<u>403,748</u>	<u>(160,681)</u>	<u>23,864,076</u>
Total capital assets, net of depreciation	<u>\$ 31,856,422</u>	<u>\$ 5,779,878</u>	<u>\$(1,001,322)</u>	<u>\$ 36,634,978</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

C. Interfund receivables, payables, and transfers

An interfund receivable of \$44,101 was recorded in the General Fund, payable from non-major governmental funds for reimbursement of personnel and materials and services used in regional emergency preparedness.

For the year ended June 30, 2008, the District made transfers totaling \$2,704,125 from the General Fund to the other governmental funds primarily for capital asset acquisitions. In addition, \$60,000 was paid into the District's Volunteer LOSAP Fund 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.

D. Long-term debt

1. Bonds and loan 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 general obligation bonds dated April 1, 2007 with interest rates ranging from 4.0% to 5.0%, a \$5,000,000 issuance of eight-year general obligation bonds dated June 15, 2000 with interest rates ranging from 4.5% to 5.0% and a \$5,000,000 issue of 10-year general obligation bonds dated January 15, 1999 with a 4% interest rate. All of these bond issues were for purposes of funding seismic improvements, station and command center construction projects, and to purchase fire apparatus. At June 30, 2007, the District has \$57,500,000 of remaining authority to issue bonds.

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due in One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 22,850,000		\$ (2,375,000)	\$ 20,475,000	\$ 2,375,000
Unamortized premiums and issuance costs	(70,472)		12,707	(57,765)	(12,707)
Total long-term liabilities	<u>\$ 22,779,528</u>		<u>\$ (2,362,293)</u>	<u>\$ 20,417,235</u>	<u>\$ 2,362,293</u>

Tualatin Valley Fire and Rescue

Notes to the Basic Financial Statements

June 30, 2008

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

Year of Maturity	Principal	Interest	Principal	Interest	Principal	Interest
2008-09	\$ 1,000,000	\$ 794,500	\$ 795,000	\$ 19,875	\$ 680,000	\$ 27,200
2009-10	1,000,000	744,500				
2010-11	1,000,000	694,500				
2011-12	1,000,000	652,000				
2012-13	1,000,000	612,000				
2013-18	5,000,000	2,460,000				
2018-23	5,000,000	1,458,750				
2023-27	4,000,000	424,500				
Total	<u>\$ 19,000,000</u>	<u>\$ 7,840,750</u>	<u>\$ 795,000</u>	<u>\$ 19,875</u>	<u>\$ 680,000</u>	<u>\$ 27,200</u>

2. Compensated absences

Compensated absences activity for the year ended June 30, 2008, was as follows:

	Balance		Balance		Current Portion
	June 30, 2007	Additions	Reductions	June 30, 2008	
Governmental activities:					
Compensated absences	\$ 4,041,246	\$ 4,903,032	\$ (4,935,599)	\$ 4,008,679	\$ 4,008,679

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, 2008, is recorded on the balance sheet. However, there was no pending amount as of June 30, 2008. The entire balance, generally utilized within one year, is reported on the Statement of Net Assets. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

Tualatin Valley Fire and Rescue

Notes to the Basic Financial Statements

June 30, 2008

E. 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	\$ 59,236,857
 Items which are not current financial resources or liabilities, and thus are not reported in the fund statements:	
Capital assets, net	36,634,978
Accrued compensated absences	(4,008,679)
Long-term debt	(20,417,235)
Accrued interest payable on long-term debt	(241,777)
Deferred revenue recognized on full accrual basis	2,185,877
Net assets of Internal Service Funds combined with total governmental activities	<u>702,187</u>
Net assets in the Statement of Net Assets	<u>\$ 74,092,208</u>

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	\$ 372,989
 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 less depreciation for the year	4,778,557
Property taxes not meeting the measurable and available criteria	453,976
Payments on long-term debt and related expenses	2,417,629
Change in net assets of Internal Service fund combined with total governmental activities	<u>5,656</u>
	<u>\$ 8,028,807</u>

Notes to the Basic Financial Statements

June 30, 2008

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.

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 2006, 2007 and 2008 remain open. The District's maximum liability for premiums related to these three open claim years is approximately \$1,911,234, which represents the difference between the maximum possible premium less the net paid premium. If the claims experience for any of these open claim years is favorable, the District could receive a refund of a portion of the premiums paid.

B. Commitments and contingencies

On March 9, 2004, the City of West Linn residents voted to annex to the District as of July 1, 2004. As part of the annexation contract between the City of West Linn and the District, the District has made certain commitments to reconstruct two fire station facilities within the City, generally within seven years of annexation. As of June 30, 2008, the District had approximately \$2,897,000 of outstanding contract commitments for station construction contracts and fire engines in the amount of \$1,529,337.

C. Related party transactions

For 2008 and prior years, the District provided accounting and bookkeeping services for Washington County Consolidated Communications Agency (WCCA), an ORS 190 entity, which is an intergovernmental entity created by agreement of local governments. WCCA functions as a 9-1-1 dispatch agency. The District is a participating member of the agreement. During the year ended June 30, 2008, the District paid \$1,186,006 to WCCA for dispatch fees and \$10,607 for equipment maintenance charges. WCCA paid \$13,659 to the District for accounting services, \$7,200 for contracted medical director services for the year ended June 30, 2008. The District ended its contract with WCCA effective September 30, 2007 and transitioned all WCCA accounting services to WCCA.

Notes to the Basic Financial Statements

June 30, 2008

D. Deferred compensation plan

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(g). The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Under terms of the bargaining agreement, participating employees who meet length of service requirements receive a District matching contribution in an amount ranging from 1.5% to 3.0% of base wages. The District makes a similar match for non-bargaining employees. The District's contribution during fiscal year 2008 was \$458,097 of which \$342,108 was made for the bargaining unit employees.

E. Other post-employment benefits

Based upon past contractual arrangements with the District's bargaining unit, the District currently pays amounts for medical insurance for retirees until they reach 65 years of age. This benefit is determined by the retiring employee's years of service and ranges from \$50 to \$100 per month. A similar arrangement was extended to the retired non-bargaining employees. For fiscal year 2008, the District incurred expenditures of \$76,175 in payments to former bargaining unit employees and \$35,602 in payments to former non-bargaining employees. The benefit is financed on a pay-as-you-go basis and currently includes payments to 73 retirees. This plan has been phased out for employees retiring after June 30, 2000 and was replaced with a plan that is funded over the course of an employee's career. The District accounts for the resources and expenditures associated with this past plan commitment through the Retiree Medical Insurance Stipend Fund, a special revenue fund.

F. Employee retirement systems and pension plans

1. Oregon Public Employees Retirement System (PERS)

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. It is an agent multiple-employer system for political subdivisions that have not elected to join the State and Local Government Rate Pool. 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 publicly available financial reports that include financial statements and required supplementary

Tualatin Valley Fire and Rescue
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June 30, 2008

information. The reports can be obtained from the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377.

The 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.

The required employee contribution of 6% is paid by the District as a result of a collective bargaining agreement. Prior to December 31, 2003, the employee's 6% contribution was made to the PERS ORS 238 plans. Effective January 1, 2004, this same 6% 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 District's contributions to PERS was \$6,342,000 for 2008, \$6,314,000 for 2007, and \$6,146,000 for 2006, equal to the required contributions each year. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The employer rate adopted by the PERS board based on the December 31, 2005 actuarial valuation for the District for fiscal year 2007-08 was 12.96% for Tier One and Tier Two employees. For OPSRP employees, the District remitted contributions based on employee class. The OPSRP contribution rates were 9.13% for general service employees and 12.40% for police and fire employees. In addition the District remits the required 6% IAP contribution on behalf of its employees.

The actuarial assumptions in the December 31, 2005, valuation included (a) 8.0% investment rate of return, (b) projected salary increases of 3.75% with additional increases for promotion and longevity that vary by age and service, (c) post-retirement cost of living increases of 2% per year, and (d) certain demographic assumptions. The underlying long-term assumed rate of inflation is 2.075% per year. The actuarial value of PERS assets are valued at fair market value on the valuation date less reserve equal to a prorata portion of the investment gains (losses) over the four year period ending on the valuation date. The unfunded actuarial liability as of the December 31, 2005 valuation is amortized on a level percentage of covered payroll on a closed fixed term method basis over a 22-year period through December 31, 2027.

2. Single-Employer Defined Benefit Pension Plan

The District maintains a single-employer defined benefit pension plan for those former employees of Washington County Fire Protection District No. 1 (a merged District) who retired prior to July 16, 1981.

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June 30, 2008

Compensation levels and years of service were frozen for benefit purposes as of June 30, 1981. The amortization period for this plan is closed. The plan is accounted for on a flow of economic resources measurement focus and uses the accrual basis of accounting. Benefits and refunds are recognized when incurred. Administrative costs are paid with plan assets and consist primarily of professional services.

The Plan is maintained for five retired employees and two 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.

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.

The total actuarial present value of accumulated plan benefits as of June 30, 2008, the date of the latest actuarial valuation, was \$2,603,541. All benefits are vested. Significant actuarial assumptions used in the valuation included (a) rate of return of 6%, (b) cost of living increases of 2% for the 1976 Plan retirees and 3.5% for 1973 Plan retirees, and (c) mortality based upon static table pursuant to IRS Treasury Regulation §1.430(h)(3)-1 for 2008 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.

Based on the June 30, 2008 actuarial valuation, the annual pension costs are \$214,461. The Net Pension Obligation (NPO) is \$214,461 since no contributions were made in 2008. The Plan does not issue stand-alone financial reports.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

Condensed Statement of Net Assets, June 30, 2008:

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 205,067
Investments	797,906
Total assets	<u>1,002,973</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 1,002,973</u>

Changes in Net Assets for the year ended June 30, 2008:

	Pension Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 4,746
Dividends	94,751
Net decrease in the fair value of investments	<u>(260,994)</u>
Net investment earnings	<u>(161,497)</u>
Total additions	<u>(161,497)</u>
DEDUCTIONS	
Benefits	<u>330,571</u>
Total deductions	<u>330,571</u>
Change in net assets	(492,068)
Total net assets, July 1, 2007	1,495,041
Total net assets, June 30, 2008	<u>\$ 1,002,973</u>

3. Volunteer Length of Service Award Plan

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

Tualatin Valley Fire and Rescue

Notes to the Basic Financial Statements

June 30, 2008

eligible for full retirement benefits after age 55. However, reduced benefits are available for vested volunteers after separation from service prior to age 55.

Significant actuarial assumptions used in the June 30, 2008 valuation included rate of return of 5% and mortality based upon static table for annuitants described in Treasury Regulation §1.430(h)(3)-1 for valuation dates occurring in 2008. RP-2000 projected through 2015. 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 2008 was \$21,689, which was less than the actual contribution of \$60,000.

The plan does not issue stand-alone financial reports.

Trend Information

Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$39,274	153%	(\$20,726)
2007	21,689	276	-
2006	21,689	276	-

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2008

Condensed Statement of Net Assets, June 30, 2008:

	Volunteer LOSAP Fund
ASSETS	
Cash and cash equivalents	\$ 363,626
Investments	459,395
Total assets	<u>823,021</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 823,021</u>

Condensed Statement of Changes in Net Assets, for the year ended June 30, 2008:

	Volunteer LOSAP Fund
ADDITIONS	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	
Interest	15,242
Dividends	19,506
Net decrease in the fair value of investments	<u>(52,804)</u>
Net investment earnings	<u>(18,056)</u>
Total additions	<u>41,944</u>
DEDUCTIONS	
Benefits	<u>11,150</u>
Total deductions	<u>11,150</u>
Change in net assets	30,794
Total net assets, July 1, 2007	<u>792,227</u>
Total net assets, June 30, 2008	<u>\$ 823,021</u>

Required Supplementary Information

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Tualatin Valley Fire and Rescue
Required Supplementary Information

Schedule of Funding Progress
Single-Employer Defined Benefit Pension Plan

Actuarial Date June 30,	AVA ⁽¹⁾	AAL ⁽²⁾	FAAL/ (UAAL) ⁽³⁾	Percent Funded	Covered Payroll	FAAL/(UAAL) as a Percentage of Covered Payroll
2008	\$1,002,973	\$2,603,541	(1,600,568)	39%	N/A	N/A
2001	2,706,837	2,670,258	36,579	101	N/A	N/A
1999	2,950,136	2,900,897	49,239	102	N/A	N/A
1997	2,942,996	2,874,084	68,912	102	N/A	N/A

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ Actuarial Accrued Liability

Schedule of Funding Progress
Volunteer Length of Service Award Plan

Actuarial Date June 30,	AVA ⁽¹⁾	AAL ⁽²⁾	FAAL/ (UAAL) ⁽³⁾	Percent Funded	Covered Payroll	FAAL/(UAAL) as a Percentage of Covered Payroll
2008	\$ 823,021	\$ 939,824	\$(116,803)	87.57%	N/A	N/A
1999	411,627	504,004	(92,377)	82	N/A	N/A

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ 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 Balances - Budget and Actual

For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 403,750	\$ 542,773	\$ 139,023
Total revenues	<u>403,750</u>	<u>542,773</u>	<u>139,023</u>
Expenditures			
Capital outlay	13,153,750	7,101,631	6,052,119
Operating contingency	<u>4,000,000</u>	<u>7,101,631</u>	<u>4,000,000</u>
Total expenditures	<u>17,153,750</u>	<u>7,101,631</u>	<u>10,052,119</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	<u>(16,750,000)</u>	<u>(6,558,858)</u>	<u>10,191,142</u>
Fund balances - July 1, 2007	<u>16,750,000</u>	<u>16,363,796</u>	<u>(386,204)</u>
Fund balances - June 30, 2008	<u>\$</u> <u>9,804,938</u>	<u>\$</u> <u>9,804,938</u>	<u>\$</u> <u>9,804,938</u>

**Tualatin Valley Fire and Rescue
Combining Balance Sheet
Nonmajor Governmental Funds**
June 30, 2008

	Special Revenue Fund Type					Capital Projects Fund Type		
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Stipend Fund	Debt Service Fund	Property and Building Fund	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	\$ 612,210	\$ 6,083,604		\$ 61,297	\$ 215,898	\$ 1,305,947	\$ 6,042,966	\$ 14,321,922
Receivables:								
Property taxes receivable								
Accounts receivable								
Total assets	<u><u>\$ 26,650</u></u>	<u><u>\$ 638,860</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ 47,264</u></u>	<u><u>\$ 29,267</u></u>	<u><u>\$ 90,564</u></u>	<u><u>\$ 215,898</u></u>	<u><u>\$ 1,412,875</u></u>
	<u><u><u>\$ 638,860</u></u></u>	<u><u><u>\$ 6,083,620</u></u></u>	<u><u><u>\$ 47,264</u></u></u>	<u><u><u>\$ 90,564</u></u></u>	<u><u><u>\$ 215,898</u></u></u>	<u><u><u>\$ 1,412,875</u></u></u>	<u><u><u>\$ 6,042,966</u></u></u>	<u><u><u>\$ 14,532,047</u></u></u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable								
Due to other funds								
Deferred revenue								
Total liabilities	<u><u>\$ 26,650</u></u>	<u><u>\$ 26,650</u></u>	<u><u>\$ 79,771</u></u>	<u><u>\$ 3,163</u></u>	<u><u>\$ 1,571</u></u>	<u><u>\$ 91,223</u></u>	<u><u>\$ 60,795</u></u>	<u><u>\$ 145,300</u></u>
	<u><u><u>\$ 26,650</u></u></u>	<u><u><u>\$ 26,650</u></u></u>	<u><u><u>\$ 79,771</u></u></u>	<u><u><u>\$ 44,101</u></u></u>	<u><u><u>\$ 1,571</u></u></u>	<u><u><u>\$ 91,223</u></u></u>	<u><u><u>\$ 60,795</u></u></u>	<u><u><u>44,101</u></u></u>
Fund balances:								
Reserved for retiree medical insurance								
Reserved for debt service								
Unreserved, reported in:								
Special revenue funds								
Capital projects fund								
Total fund balances	<u><u>\$ 612,210</u></u>	<u><u>\$ 6,003,849</u></u>	<u><u>\$ 90,564</u></u>	<u><u>\$ 90,564</u></u>	<u><u>\$ 214,327</u></u>	<u><u>\$ 1,321,652</u></u>	<u><u>\$ 5,982,171</u></u>	<u><u>\$ 6,706,623</u></u>
Total liabilities and fund balances	<u><u><u>\$ 638,860</u></u></u>	<u><u><u>\$ 6,083,620</u></u></u>	<u><u><u>\$ 47,264</u></u></u>	<u><u><u>\$ 90,564</u></u></u>	<u><u><u>\$ 215,898</u></u></u>	<u><u><u>\$ 1,412,875</u></u></u>	<u><u><u>\$ 6,042,966</u></u></u>	<u><u><u>\$ 14,532,047</u></u></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, 2008

	Special Revenue Fund Type					Capital Projects Fund Type		
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Stipend Fund	Debt Service Fund	Property and Building Fund	Total Nonmajor Governmental Funds
Revenues								
Taxes	\$ 30,298	\$ 228,981			\$ 9,249	\$ 3,289,167		\$ 3,289,167
Interest		52,516			65,581		\$ 299,394	633,503
Grants and donations				\$ 99,465				151,981
Total revenues	<u>30,298</u>	<u>281,497</u>		<u>99,465</u>	<u>9,249</u>	<u>3,354,748</u>	<u>299,394</u>	<u>4,074,651</u>
Expenditures								
Current								
Public safety:								
Personal services				\$ 31,862			111,776	143,638
Materials and services				3,954				3,954
Debt service:								
Principal						2,375,000		2,375,000
Interest						931,892		931,892
Capital outlay								
Total expenditures								
Excess (deficiency) of revenues over (under) expenditures	<u>30,298</u>	<u>(525,003)</u>	<u>(35,816)</u>	<u>10,733</u>	<u>(102,527)</u>	<u>47,856</u>	<u>133,227</u>	<u>(441,232)</u>
Other Financing Sources								
Transfers in								
Sale of surplus property								
Total other financing sources								
Net change in fund balances								
Fund balances - July 1, 2007								
Fund balances - June 30, 2008	<u>\$ 612,210</u>	<u>\$ 6,003,849</u>		<u>\$ 90,564</u>	<u>\$ 214,327</u>	<u>\$ 1,321,652</u>	<u>\$ 5,982,171</u>	<u>\$ 14,224,773</u>

**Tualatin Valley Fire and Rescue
Apparatus Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 17,862	\$ 30,298	\$ 12,436
Total revenues	<u>17,862</u>	<u>30,298</u>	<u>12,436</u>
Expenditures			
Operating contingency	438,160		438,160
Total expenditures	<u>438,160</u>		<u>438,160</u>
Excess (deficiency) of revenues over (under) expenditures	(420,298)	30,298	450,596
Other Financing Sources			
Sales of surplus property		148,861	148,861
Total other financing sources		<u>148,861</u>	<u>148,861</u>
Net change in fund balances	(420,298)	179,159	599,457
Fund balances - July 1, 2007	420,298	433,051	12,753
Fund balances - June 30, 2008	<u>\$</u>	<u>612,210</u>	<u>\$ 612,210</u>

**Tualatin Valley Fire and Rescue
Capital Improvements Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 104,920	\$ 228,981	\$ 124,061
Grants and donations	52,516		52,516
Total revenues	<u>104,920</u>	<u>281,497</u>	<u>176,577</u>
Expenditures			
Capital outlay	1,472,683	806,500	666,183
Operating contingency	962,894		962,894
Total expenditures	<u>2,435,577</u>	<u>806,500</u>	<u>1,629,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,330,657)</u>	<u>(525,003)</u>	<u>1,805,654</u>
Other Financing Sources			
Sale of surplus property		7,745	7,745
Transfers in	2,582,500	2,582,500	
Total other financing sources	<u>2,582,500</u>	<u>2,590,245</u>	<u>7,745</u>
Net change in fund balances	251,843	2,065,242	1,813,399
Fund balances - July 1, 2007	2,468,771	3,938,607	1,469,836
Fund balances - June 30, 2008	<u>\$ 2,720,614</u>	<u>\$ 6,003,849</u>	<u>\$ 3,283,235</u>

Tualatin Valley Fire and Rescue
Emergency Management Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures			
Current			
Public safety:			
Personal services	\$ 40,379	\$ 31,862	\$ 8,517
Materials and services	7,894	3,954	3,940
Total expenditures	<u>48,273</u>	<u>35,816</u>	<u>12,457</u>
Other Financing Sources			
Transfers in	48,273	35,816	(12,457)
Total other financing sources	<u>48,273</u>	<u>35,816</u>	<u>(12,457)</u>
Net change in fund balances			
Fund balances - July 1, 2007			
Fund balances - June 30, 2008	<u>\$</u>	<u>\$</u>	<u>\$</u>

**Tualatin Valley Fire and Rescue
Grants Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Grants and donations	\$ 1,000,000	\$ 99,465	\$ (900,535)
Total revenues	<u>1,000,000</u>	<u>99,465</u>	<u>(900,535)</u>
Expenditures			
Capital outlay	1,500,000	88,732	1,411,268
Total expenditures	<u>1,500,000</u>	<u>88,732</u>	<u>1,411,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(500,000)</u>	<u>10,733</u>	<u>510,733</u>
Other Financing Sources			
Transfers in	300,000		(300,000)
Sale of surplus property	200,000		(200,000)
Total other financing sources	<u>500,000</u>		<u>(500,000)</u>
Net change in fund balances		10,733	10,733
Fund balances - July 1, 2007		79,831	79,831
Fund balances - June 30, 2008	<u>\$</u>	<u>90,564</u>	<u>\$ 90,564</u>

Tualatin Valley Fire and Rescue
Retiree Medical Insurance Stipend Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 6,901	\$ 9,249	\$ 2,348
Total revenues	<u>6,901</u>	<u>9,249</u>	<u>2,348</u>
Expenditures			
Current			
Personal services	152,740	111,776	40,964
Total expenditures	<u>152,740</u>	<u>111,776</u>	<u>40,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,839)</u>	<u>(102,527)</u>	<u>43,312</u>
Other Financing Sources			
Transfers in	85,809	85,809	_____
Total other financing sources	<u>85,809</u>	<u>85,809</u>	<u>_____</u>
Net change in fund balances	(60,030)	(16,718)	43,312
Fund balances - July 1, 2007	260,890	231,045	(29,845)
Fund balances - June 30, 2008	<u>\$ 200,860</u>	<u>\$ 214,327</u>	<u>\$ 13,467</u>

Tualatin Valley Fire and Rescue

Debt Service Fund**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 3,274,088	\$ 3,289,167	\$ 15,079
Interest	14,737	65,581	50,844
Total revenues	<u>3,288,825</u>	<u>3,354,748</u>	<u>65,923</u>
Expenditures			
Debt service:			
Principal	2,375,000	2,375,000	
Interest	931,892	931,892	
Total expenditures	<u>3,306,892</u>	<u>3,306,892</u>	
Excess (deficiency) of revenues over (under) expenditure and net change in fund balances	(18,067)	47,856	65,923
Fund balances - July 1, 2007	<u>1,218,792</u>	<u>1,273,796</u>	<u>55,004</u>
Fund balances - June 30, 2008	<u>\$ 1,200,725</u>	<u>\$ 1,321,652</u>	<u>\$ 120,927</u>

**Tualatin Valley Fire and Rescue
Property and Building Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
	Revenues			
Interest	\$ 212,500	\$ 212,500	\$ 299,394	\$ 86,894
Total revenues	<u>212,500</u>	<u>212,500</u>	<u>299,394</u>	<u>86,894</u>
Expenditures				
Capital outlay	123,000	173,000	166,167	6,833
Operating contingency	2,212,500	2,162,500		2,162,500
Total expenditures	<u>2,335,500</u>	<u>2,335,500</u>	<u>166,167</u>	<u>2,169,333</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balance	<u>(2,123,000)</u>	<u>(2,123,000)</u>	<u>133,227</u>	<u>2,256,227</u>
Fund balances - July 1, 2007	5,123,000	5,123,000	5,848,944	725,944
Fund balances - June 30, 2008	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,982,171</u>	<u>\$ 2,982,171</u>

Tualatin Valley Fire and Rescue

Insurance Fund**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 28,483	\$ 35,316	\$ 6,833
Insurance refunds	28,000	4,562	(23,438)
Total revenues	<u>56,483</u>	<u>39,878</u>	<u>(16,605)</u>
Expenditures			
Materials and services	726,683	34,222	692,461
Total expenditures	<u>726,683</u>	<u>34,222</u>	<u>692,461</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(670,200)	5,656	675,856
Fund balances - July 1, 2007	670,200	696,531	26,331
Fund balances - June 30, 2008	<u>\$</u>	<u>\$ 702,187</u>	<u>\$ 702,187</u>

Tualatin Valley Fire and Rescue
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2008

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 205,067	\$ 363,626	\$ 568,693
Investments	<u>797,906</u>	<u>459,395</u>	<u>1,257,301</u>
Total assets	<u>1,002,973</u>	<u>823,021</u>	<u>1,825,994</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 1,002,973</u>	<u>\$ 823,021</u>	<u>\$ 1,825,994</u>

Tualatin Valley Fire and Rescue
Combining Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
Additions			
Contributions:			
Employer		\$ 60,000	\$ 60,000
Total contributions		<u>60,000</u>	<u>60,000</u>
Investment earnings:			
Total additions	\$ (161,497)	(18,056)	(179,553)
	<u>(161,497)</u>	<u>41,944</u>	<u>(119,553)</u>
Deductions			
Benefits	330,571	11,150	341,721
Total deductions	<u>330,571</u>	<u>11,150</u>	<u>341,721</u>
Change in net assets	(492,068)	30,794	(461,274)
Total net assets, July 1, 2007	1,495,041	792,227	2,287,268
Total net assets, June 30, 2008	<u>\$ 1,002,973</u>	<u>\$ 823,021</u>	<u>\$ 1,825,994</u>

**Tualatin Valley Fire and Rescue
Pension Trust Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment earnings	\$ 41,075	\$ (161,497)	\$ (202,572)
Total revenues	<u>41,075</u>	<u>(161,497)</u>	<u>(202,572)</u>
Expenditures			
Personnel services	361,025	330,571	30,454
Materials and services	5,550	5,550	5,550
Total expenditures	<u>366,575</u>	<u>330,571</u>	<u>36,004</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(325,500)	(492,068)	(166,568)
Fund balances - July 1, 2007	1,383,240	1,495,041	111,801
Fund balances - June 30, 2008	<u>\$ 1,057,740</u>	<u>\$ 1,002,973</u>	<u>\$ (54,767)</u>

Tualatin Valley Fire and Rescue
Volunteer LOSAP Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment earnings	\$ 23,640	\$ (18,056)	\$ (41,696)
Total revenues	<u>23,640</u>	<u>(18,056)</u>	<u>(41,696)</u>
Expenditures			
Personnel services	592,870	11,150	581,720
Total expenditures	<u>592,870</u>	<u>11,150</u>	<u>581,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(569,230)</u>	<u>(29,206)</u>	<u>540,024</u>
Other Financing Sources			
Transfers in	60,000	60,000	
Total other financing sources	<u>60,000</u>	<u>60,000</u>	<u> </u>
Net change in fund balances	(509,230)	30,794	540,024
Fund balances - July 1, 2007	746,825	792,227	45,402
Fund balances - June 30, 2008	<u>\$ 237,595</u>	<u>\$ 823,021</u>	<u>\$ 585,426</u>

Tualatin Valley Fire and Rescue
Schedule of Property Tax Transactions and Outstanding Balances
For the Year Ended June 30, 2008

Tax Year	Taxes Uncollected June 30, 2007	Add Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest Received	(Deduct) Cancellations and Adjustments	(Deduct) Collections	Taxes Uncollected June 30, 2008
2007-08	\$67,886,825	(\$1,707,454)		\$21,712	(\$86,668)	(\$64,345,840)	\$1,768,575
2006-07	\$1,375,455		304	52,377	(37,698)	(962,724)	427,714
2005-06	331,485		604	24,559	(30,494)	(164,853)	161,301
2004-05	159,786		228	23,308	(11,758)	(108,247)	63,317
2003-04	50,613		219	10,243	(7,503)	(37,138)	16,434
2003 and prior	46,562		1	6,021	(1,205)	(15,374)	36,005
Total prior	1,963,901		1,356	116,508	(88,658)	(1,288,336)	704,771
	\$1,963,901	\$67,886,825	(\$1,706,098)	\$138,220	(\$175,326)	(\$65,634,176)	\$2,473,346

	General Fund	Debt Service Fund	Total
Reconciliation to tax revenues on combined financial statements:			
Property tax collections above	\$62,353,404	\$3,280,772	\$65,634,176
Property taxes susceptible to accrual at June 30, 2008	325,443	14,783	340,226
Property taxes susceptible to accrual at June 30, 2007	(286,383)	(6,445)	(292,828)
Taxes in lieu of property taxes	2,629	57	2,686
 Tax revenues	 \$62,395,093	 \$3,289,167	 \$65,684,260

	Property Taxes	Taxes in Lieu of Property Taxes	Taxes Uncollected June 30, 2008
	Current Levy	Prior Years	Total
DISTRIBUTED AS FOLLOWS:			
General Fund	\$61,364,167	\$1,028,297	\$62,395,093
Debt Service Fund	3,262,903	26,207	3,289,167
	\$64,627,070	\$1,054,504	\$65,684,260
			\$2,473,346

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 These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	68
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	72
Debt Capacity 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.	76
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	79
Operating Information 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.	81
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 Six Fiscal Years
 (accrual basis of accounting)

Governmental Activities:	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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
Restricted	993,589	858,636	1,031,033	1,165,747	1,273,796	1,321,652
Unrestricted	26,115,793	27,576,532	28,809,681	30,663,907	39,349,635	46,748,396
Total primary government net assets	\$ 45,159,585	\$ 47,929,299	\$ 53,304,101	\$ 59,768,544	\$ 66,064,121	\$ 74,092,208

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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
Interest on long-term debt	426,663	342,004	280,733	210,432	359,307	921,830
Loss on sale of capital assets			77,030			38,671
Total primary government expenses	<u>48,345,638</u>	<u>50,998,610</u>	<u>53,458,373</u>	<u>56,863,405</u>	<u>59,231,691</u>	<u>62,835,198</u>
Program Revenues						
Governmental activities:						
Charges for services ⁽¹⁾	5,403,408	3,767,913	704,506	818,382	852,678	916,859
Operating grants and contributions	65,000	197,112	1,794,138	606,864	583,497	277,094
Capital grants and contributions				<u>1,453,268</u>		<u>68,535</u>
Total primary government program revenues	<u>5,468,408</u>	<u>3,965,025</u>	<u>2,498,644</u>	<u>2,878,514</u>	<u>1,436,175</u>	<u>1,262,488</u>
Total primary government net expense	<u>(42,877,230)</u>	<u>(47,033,585)</u>	<u>(50,959,729)</u>	<u>(53,984,891)</u>	<u>(57,795,516)</u>	<u>(61,572,710)</u>
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
Investment earnings	549,532	484,643	875,339	1,645,622	2,504,630	2,755,890
Gain on sale of capital assets	193,753	204,634		42,130	273,161	
Insurance refunds	234,107	119,642	148,656	450,318	20,567	646,230
Miscellaneous	199,856	32,790	76,822	192,871	81,298	52,372
Total primary government	<u>48,299,276</u>	<u>49,803,299</u>	<u>56,334,531</u>	<u>60,449,334</u>	<u>64,091,093</u>	<u>69,600,797</u>
Change in Net Assets						
Total primary government	<u>\$ 5,422,046</u>	<u>\$ 2,769,714</u>	<u>\$ 5,374,802</u>	<u>\$ 6,464,443</u>	<u>\$ 6,295,577</u>	<u>\$ 8,028,087</u>

⁽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 Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 198,660	\$ 177,847	\$ 204,312	\$ 225,511	\$ 236,315	\$ 272,292
Unreserved	\$ 20,516,145	\$ 20,213,268	\$ 22,218,710 ⁽¹⁾	\$ 25,737,059	\$ 30,458,483	\$ 34,934,854
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> ⁽²⁾	<u>\$ 35,207,146</u> ⁽²⁾
All Other Governmental Funds						
Reserved	\$ 1,261,284	\$ 1,235,280	\$ 1,339,277	\$ 1,428,618	\$ 17,868,637	⁽²⁾ \$ 11,340,917
Unreserved, reported in						
Special revenue funds	3,870,283	4,119,430	2,801,691	2,523,009	4,451,489	6,706,623
Capital projects fund	1,820,528	2,656,074	4,224,381	3,882,796	5,848,944	5,982,171
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>

⁽¹⁾ Fiscal years 2005 and prior were not restated for compensated absences.

⁽²⁾ The increase in total fund balance of the General Fund and the reserved fund balance of the Capital Projects Fund in 2008 and 2007 is explained in Management Discussion and Analysis.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 47,084,315	\$ 48,939,210	\$ 55,433,542	\$ 58,139,673	\$ 61,007,196	\$ 65,684,260
Interest	539,707	476,100	860,920	1,614,208	2,469,936	2,720,574
Charges for services	5,416,815	3,767,482	702,918	831,114	848,145	895,648
Insurance refunds	68,090	92,129	142,632	383,678	239,646	641,668
Grants and donations		197,112	1,256,727	606,864	230,399	190,593
Miscellaneous	284,765	82,602	70,635	181,377	73,987	47,083
Total revenues	<u>53,393,692</u>	<u>53,554,635</u>	<u>58,467,374</u>	<u>61,756,914</u>	<u>64,869,309</u>	<u>70,179,826</u>
Expenditures						
Current						
Public safety	44,450,102	48,012,106	49,622,079	53,080,053	55,487,788	58,494,214
Capital outlay	2,805,918	3,331,000	4,622,077	5,448,168	3,026,118	8,163,030
Debt service:						
Principal	2,835,000	1,520,000	1,582,100	1,190,000	1,280,000	2,375,000
Interest	435,185	345,908	287,532	225,450	170,200	931,892
Total expenditures	<u>50,526,205</u>	<u>53,209,014</u>	<u>56,113,788</u>	<u>59,943,671</u>	<u>59,964,106</u>	<u>69,964,136</u>
Excess (deficiency) of revenues	<u>2,867,487</u>	<u>345,621</u>	<u>2,353,586</u>	<u>1,813,243</u>	<u>4,905,203</u>	<u>215,690</u>
Other Financing Sources (Uses)						
Proceeds from debt issuance	1,437,100				20,000,000	
Proceeds from sales of surplus property	443,350	389,378	32,886	173,229	161,672	157,299
Transfers in	4,576,464	3,488,460	4,002,535	4,090,853	2,604,257	2,704,125
Transfers out	<u>(4,611,464)</u>	<u>(3,488,460)</u>	<u>(4,002,535)</u>	<u>(4,090,853)</u>	<u>(2,664,257)</u>	<u>(2,704,125)</u>
Total other financing sources (uses)	<u>1,845,450</u>	<u>389,378</u>	<u>32,886</u>	<u>173,229</u>	<u>20,101,672</u>	<u>157,299</u>
Net change in fund balances	<u>\$ 4,712,937</u>	<u>\$ 734,999</u>	<u>\$ 2,386,472</u>	<u>\$ 1,986,472</u>	<u>\$ 25,006,875</u>	<u>\$ 372,989</u>
Debt service as a percentage of noncapital expenditures	6.85%	3.74%	3.63%	2.60%	2.53%	5.29%

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		Assessed Market Value	Total Direct Tax Rate
	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Total Market Value			
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
2001	21,601,875,201	29,409,944,697	1,182,778,771	1,201,425,179	95,555,476	116,241,390	711,629,007	833,056,257	23,591,838,454	31,560,667,523	74.75	1.59
2000 ⁽¹⁾	20,211,306,315	27,081,664,480	1,160,962,103	1,216,050,650	91,949,693	124,963,516	650,168,888	710,658,588	22,114,386,999	29,133,337,234	75.91	1.56
1999	19,247,561,956	24,807,891,061	1,094,067,817	1,145,392,645	88,256,670	115,199,869	600,845,807	664,744,982	21,030,732,230	26,733,228,557	78.67	1.52

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

* Includes Multnomah County Assessed Valuation in its entirety.

⁽¹⁾ Assessed value does not include urban renewal. Prior years include urban renewal and have not been restated.

Note: In May 1997, Oregon voters approved Measure 30 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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	2000	1999
Range of property tax rates for direct and overlapping governments per \$1,000 of assessed value	\$12.37	\$11.21	\$11.96	\$12.09	\$11.51	\$12.01	\$11.93	\$10.66	\$10.83	\$10.26	
	to										
	\$20.55	\$20.11	\$21.35	\$20.09	\$21.65	\$18.86	\$18.69	\$17.82	\$17.35	\$17.00	
Tualatin Valley Fire and Rescue	\$1.87	\$1.82	\$1.82	\$1.83	\$1.83	\$1.82	\$1.83	\$1.83	\$1.59	\$1.56	\$1.52
Washington County	3.03	2.45	2.84	2.87	2.90	2.91	2.96	2.53	2.54	2.54	2.56
Washington County School District No. 1J	8.06	6.52	6.58	6.60	6.67	6.79	7.18	5.94	6.14	5.59	
Washington County School District No. 1-1	6.53	5.28	4.77	7.18	7.12	7.22	6.97	7.00	6.35	6.31	
Beaverton School District 48J	6.74	6.29	7.98	6.60	8.01	6.56	6.36	6.12	6.19	6.17	
West Linn School District #101	7.57	9.31	7.90	9.18	9.28	9.15	8.97	9.02	6.81	8.22	
Newberg School District #46	8.55	8.27	8.17	8.21	8.82	6.65	6.86	6.72	6.89	7.04	
Tigard School District 23J	6.86	6.90	6.98	7.79	7.88	7.16	7.03	7.24	6.31	6.64	
School - Tigard/Tualatin Bond	0.78	0.90	1.01	1.80	1.13						
City of Beaverton	4.18	4.21	4.01	4.10	3.97	3.61	3.31	3.79			
City of Tigard	2.74	2.73	2.72	2.70	2.68	2.90	2.57	2.60	2.60	3.10	
City of Durham	1.81	1.83	1.86	1.94	1.96	1.84	1.83	1.88	1.47	0.49	
City of King City	1.94	1.94	1.94	1.53	1.93	1.94	1.97	1.99	2.02	1.52	
Metzger Water - Combined	0.00	0.19	0.18	0.19	0.22	0.23	0.23	0.25	0.21	0.27	
Portland Community College	0.51	0.49	0.50	0.51	0.51	0.49	0.55	0.57	0.35	0.35	
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	1.43	1.44	1.45	1.46	1.46	1.46	1.47	1.49	1.56	1.52	
Enhanced Sheriffs	1.09	1.11	1.12	1.14	1.17	1.03	1.05	1.08	1.05	1.03	
Clackamas Education Service District	0.37	0.37	0.37	0.36	0.37	0.37	0.37	0.37	0.36	0.36	
Multnomah Education Service District	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.45	0.46	0.45	
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	2.40	2.87	2.40	2.82	2.40	2.83	2.97	2.97			
Clackamas Community College	0.55	2.40	0.54	0.54	0.54	0.54	0.86	0.56			
Clackamas County School District 31 (West Linn/Wilsonville)	6.37	6.37	9.23	9.18	6.37	6.37	6.97	6.37	6.81	8.22	
Clackamas County School District No. 71 (Lake Oswego)	6.85	7.04	7.32	7.11	6.90	6.90	7.02	6.08	5.51	5.61	
Clackamas County School District No. 86 (Canby)	4.58	4.58	7.11	6.54	4.58	4.58	7.91	4.58	5.41	6.80	
Washington County School District No. 88	8.92	7.07	6.94	7.30	7.33	7.36	7.44	7.51	7.79	6.06	
City of Sherwood	3.72	3.78	3.89	4.19	4.20	4.38	4.71	4.39	4.39	4.73	
City of Tualatin	2.26	2.13	2.14	2.01	2.01	2.10	2.75	2.90	3.16	2.99	
City of Wilsonville	2.25	2.32	2.37	2.42	2.36	2.52	2.93	2.67	2.68	2.69	
City of Wilsonville - Urban Renewal	0.79	0.69	0.73	2.65	0.73	1.42	0.68	0.73	0.96	0.75	
City of West Linn	2.12	2.88	3.03								

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. 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)

	2008			1999		
	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation
Private enterprises:						
Nike Inc	1	\$344,982	0.93 %	4	\$182,808	0.75 %
Intel Corporation	6	170,617	0.46	1	794,012	3.24
Pacific Realty & Associates	4	179,659	0.49	6	168,195	0.69
Tektronix, Inc.	7	137,497	0.37	7	161,861	0.66
Maxim Integrated Products	8	134,952	0.36	-	-	-
PS Business Parks	10	98,541	0.27	-	-	-
Integrated Device/Sumitomo Bank	-	-	-	9	106,090	0.43
Fred Meyer, Inc	-	-	-	10	83,252	0.34
Komatsu Silicon America Inc	-	-	-	3	215,343	0.88
Public utilities:						
Verizon Northwest Inc.	2	244,346	0.66	-	-	-
Portland General Electric	3	201,753	0.55	5	187,276	0.76
Northwest Natural Gas	5	170,897	0.46	8	147,999	0.60
Sprint Nextel Corporation	9	123,560	0.33	-	-	0.00
General Telephone of NW				2	268,433	1.10
All other taxpayers		<u>35,190,078</u>	<u>95.12</u>		<u>22,192,364</u>	<u>90.55</u>
Total		<u><u>\$36,996,882</u></u>	<u><u>100.00 %</u></u>		<u><u>\$24,507,633</u></u>	<u><u>100.00 %</u></u>

Source: Washington County Department of Assessment and Taxation.

⁽¹⁾ Data presented is for Washington County only. The District also levies taxes in 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
2008	\$67,886,825	\$64,345,840	94.78 %	\$1,288,336	\$65,634,176	96.68 %
2007	62,860,513	59,799,046	95.13	1,176,222	60,975,268	97.00
2006	59,783,920	56,844,054	95.08	1,339,636	58,183,690	97.32
2005	56,843,613	53,918,038	94.85	1,438,746	55,356,784	97.38
2004	50,483,968	47,697,565	94.48	1,225,232	48,922,797	96.91
2003	48,507,471	45,798,106	94.41	1,292,291	47,090,397	97.08
2002	46,251,187	43,682,532	94.45	1,060,463	44,742,996	96.74
2001	37,636,823	35,530,538	94.40	1,030,065	36,560,603	97.14
2000	34,545,771	32,402,208	93.80	1,007,526	33,409,734	96.71
1999	31,717,895	29,844,244	94.09	898,003	30,742,247	96.92

Source:

District financial statements, current and prior years.

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⁾
					Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita ⁽³⁾		
2008	\$ 36,996,882	\$ 20,475,000	\$ 1,321,652	\$ 19,153,348	0.05	\$43.55	0.13	%
2007	35,116,244	22,850,000	1,273,796	21,576,204	0.06	50.12	0.15	
2006	33,378,251	4,139,000	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	0.01	10.26	0.03	
2004	27,533,018	6,902,100	867,007	6,035,093	0.02	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	
2001	23,591,838	11,135,000	929,734	10,205,266	0.04	25.58	0.08	
2000	22,114,387	11,940,000	204,017	11,735,983	0.05	29.74	0.10	
1999	21,030,732	7,695,000	77,714	7,617,286	0.04	20.55	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 79 for personal income and population data.

Tualatin Valley Fire and Rescue
Computation of Overlapping Net Direct Debt
June 30, 2008

Jurisdiction	Net Direct Debt Outstanding⁽¹⁾	Percentage Applicable to District	Amount Applicable to District
Clackamas School No. 3J (West Linn/Wilsonville)	\$114,852,238	100.00 %	\$114,852,238
Clackamas County	9,181,211	18.82	1,727,904
Clackamas County School District No.7J (Lake Oswego)	4,298,923	5.58	239,880
Clackamas County School District No. 86 (Canby)	9,980,097	15.34	1,530,578
Clackamas Community College	10,037,379	24.97	2,506,334
City of West Linn	8,635,000	100.00	8,635,000
Columbia County SD 1J (Scappoose)	1,321	0.22	3
Multnomah County	625,243	1.05	6,565
Metro Service District	61,243,848	29.78	18,238,418
Tri-Metropolitan Transport District	12,732,530	28.68	3,651,690
Multnomah County School District 1J (Portland)	263,969	1.75	4,619
Portland Community College	14,585,089	32.85	4,791,202
Willamette ESD	11,116	0.52	58
Washington County	87,851,999	73.53	64,597,575
Tualatin Hills Park & Recreation District	14,780,254	98.04	14,490,561
Washington County School No. 23J (Tigard-Tualatin)	138,528,796	99.75	138,182,474
Washington County District No. 48J (Beaverton)	362,736,269	96.18	348,879,744
Washington County School District No. 88J (Sherwood)	129,958,055	99.35	129,113,328
Washington County School District No. 1J (Hillsboro)	39,754,521	14.28	5,676,946
Washington County School District No. 1J (Reedville Bond)	660,351	55.49	366,429
City of Beaverton	1,019,990	99.99	1,019,888
City of Durham	1,684,885	99.99	1,684,717
City of Sherwood	10,994,013	99.99	10,992,914
City of Tigard	10,547,768	99.99	10,546,713
City of Tualatin	14,074,367	99.99	14,072,960
Yamhill County School District No. 29J (Newberg)	3,070,870	5.58	171,355
Total			<u>\$895,980,088</u>

Note: ⁽¹⁾ Net direct debt includes general obligation bonds minus any fully self-supporting bonds.

Source: Municipal Dept Advisory Commission, State of Oregon.

Tualatin Valley Fire and Rescue
Computation of Legal Debt Margin
June 30, 2008

Legal Debt Margin Calculation for Fiscal Year 2008

True cash value of District property	\$65,042,424,035
Debt limit under ORS 478.410(2) - (1.25% of the true cash value)	813,030,300
Amount of debt applicable to debt limit:	
Gross bonded debt outstanding	\$20,475,000
Assets in Debt Service Fund available for debt service	<u>(1,321,652)</u>
Total amount of debt applicable to debt limit	<u>19,153,348</u>
Legal debt margin	<u><u>\$793,876,952</u></u>
Total net debt applicable to the limit as a percentage of debt limit	2.36%

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 334,165,357	\$ 364,166,715	\$ 394,508,344	\$ 433,175,108	\$ 443,843,973	\$ 474,261,738	\$ 536,899,449	\$ 596,886,836	\$ 726,889,918	\$ 813,030,300
Total net debt applicable to limit	<u>7,617,286</u>	<u>11,735,983</u>	<u>10,205,266</u>	<u>8,843,879</u>	<u>7,585,069</u>	<u>6,035,093</u>	<u>4,288,967</u>	<u>2,964,253</u>	<u>21,576,204</u>	<u>19,153,348</u>
Legal debt margin	<u><u>\$ 326,548,071</u></u>	<u><u>\$ 352,430,732</u></u>	<u><u>\$ 384,303,078</u></u>	<u><u>\$ 424,326,229</u></u>	<u><u>\$ 436,258,904</u></u>	<u><u>\$ 468,226,645</u></u>	<u><u>\$ 532,610,482</u></u>	<u><u>\$ 593,922,583</u></u>	<u><u>\$ 705,313,714</u></u>	<u><u>\$ 793,876,952</u></u>
Total net debt applicable to the limit as a percentage of debt limit	2.28%	3.22%	2.59%	2.04%	1.71%	1.27%	0.80%	0.50%	2.97%	2.36%

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 (Washington County)⁽²⁾	Total Personal Income (Washington County) (in thousands)	School Enrollment⁽³⁾	Unemployment Rate (%) (Washington County)
2008	439,800	\$34,600	\$15,217,080	54,480	4.3 %
2007	430,500	34,000	14,637,000	53,824	4.5
2006	424,000	34,000	14,416,000	52,884	5.4
2005	418,000	32,000	13,376,000	52,034	5.8
2004	417,646	32,000	13,364,672	50,822	6.5
2003	411,500	32,000	13,168,000	50,906	7.0
2002	407,400	32,000	13,036,800	47,985	5.9
2001	399,021	33,000	13,167,693	48,040	3.1
2000	394,680	31,000	12,235,080	45,776	3.3
1999	370,680	30,621	11,350,592	45,032	4.0

Note: Information regarding the median age and education level of the District's population is not available.

Sources: Estimated from information provided by

⁽¹⁾ Metro

⁽²⁾ State of Oregon Employment Division, Research Dept.

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

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire and Rescue Service	243	263	287	310	294	300	302	298	301	305
Fire Prevention and Training	40	41	31	32	33	43	42	40	41	40
Administrative and Support	55	52	53	60	60	60	59	65	64	67
Total	<u>338</u>	<u>356</u>	<u>371</u>	<u>402</u>	<u>387</u>	<u>403</u>	<u>403</u>	<u>403</u>	<u>406</u>	<u>412</u>

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

Function	1999*	2000*	2001*	2002*	2003*	2004	2005	2006	2007	2008 est.
Public Safety										
Fire Prevention Inspections	8,704	5,251	6,144	7,150	9,071	4,813	4,452	4,818	8,605	6,800
Emergency Medical Service Calls	17,024	19,674	21,767	22,505	22,587	22,730	23,347	24,650	25,262	25,560
Fire Responses	4,119	4,734	5,256	5,239	5,107	4,797	4,758	5,121	4,605	4,470
Other Responses - including hazardous condition , public service	2,476	2,774	2,352	2,562	2,061	2,502	2,058	2,433	2,020	2,035
Miscellaneous - including good intent	865	1,052	891	958	658	248	182	204	215	175

* Includes Oregon City contract incidents

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Number of Stations	22	24	24	24	22	22	22	22	22	22
Equipment ⁽¹⁾										
Aerial/Truck/Platform										
Antique Fire Equipment										
Brush Rig										
Elevated Waterway										
HazMat										
Mobile Command Unit										
Pumper/Engine										
Rescue										
Squad/Rescue										
Technical Rescue										
Water Tender										
<i>Engines</i>	36	38	40	41	41	41	36	36	36	36
<i>Ladder trucks</i>	4	5	5	5	5	5	3	4		
<i>Brush rigs</i>	13	13	11	11	11	11	8	8		
<i>Tenders</i>	6	6	7	7	7	7	7	7	6	6
<i>Hazmat squad</i>	2	2	2	2	2	2	1	1		
<i>Squad/Support units</i>	7	7	12	12	12	12	11	11	13	
<i>Technical rescue</i>	2	2	1	1	1	1	1	1		
<i>Heavy squad</i>	1	1	-	-	-	-	-	-		
<i>Muster vehicles</i>	-	-	5	5	5	5	4	4		

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 14, 2008

Board of Directors
Tualatin Valley Fire and Rescue
Aloha, 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 (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and *Minimum Standards for Audits of Oregon Municipal Corporations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Page 2

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 14, 2008.

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



Certified Public Accountants

**Audit Comments and Disclosures
Required by State Regulations Section**

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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

November 14, 2008

Board of Directors
Tualatin Valley Fire and Rescue
Aloha, 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 (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and *Minimum Standards for Audits of Oregon Municipal Corporations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

We considered the District's internal control over financial reporting as necessary to plan and perform our audit of the basic financial statements. We have issued our report on internal control over financial reporting and on compliance and other matters dated November 14, 2008. That report can be found on page 83 of this Comprehensive Annual Financial Report.

ACCOUNTING RECORDS

We found the District's accounting records to be adequate for audit purposes.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated that collateral was sufficient during the year ended June 30, 2008.

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

Page 2

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the District was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the District is in compliance with the limitation imposed by state statute. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

BUDGET COMPLIANCE

The District appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 2008.

PUBLIC CONTRACTS

The District's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**
Page 3

OTHER

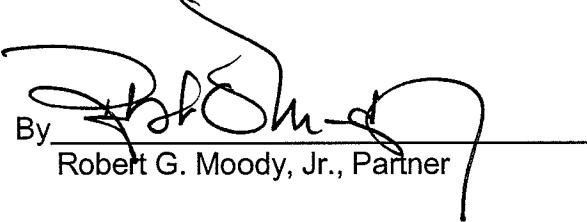
Compliance with the following is not applicable to the District:

- Highway funds.

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By


Robert G. Moody, Jr., Partner

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