



A Rural Fire Protection District, Aloha Oregon



Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007

Proudly serving the communities of:

**Beaverton • Durham • King City • Rivergrove • Rosemont
Sherwood • Tigard • Tualatin • West Linn • Wilsonville**

And portions of: Washington • Clackamas • Multnomah counties



A Rural Fire Protection District, Aloha Oregon

Comprehensive Annual Financial Report

for the year ended June 30, 2007

Tualatin Valley Fire & Rescue,
A Rural Fire Protection District
20665 SW Blanton Street
Aloha, Oregon 97007
Phone 503.649.8577
Fax 503.649.5347
www.tvfr.com

Prepared by the Finance Department of Tualatin Valley Fire & Rescue

Debra Guzman, Chief Financial Officer
Debbie Vuylsteke, Financial Operations Manager
Linda Compton, Sr. Financial Systems Analyst

Cover photo courtesy of John Wolf, TVFR

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Tualatin Valley Fire and Rescue
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

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November 9, 2007

**Board President Clark Balfour 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, 2007. 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

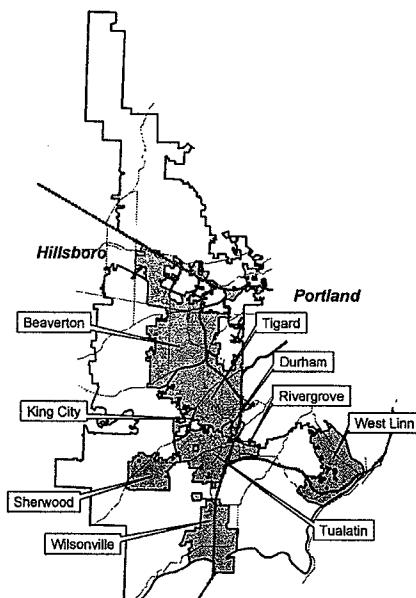
The District operates under Oregon Revised Statutes Chapter 478 as a separate municipal corporation and is managed by a Board of Directors comprised of a President and four Directors including a Vice-President and a Secretary-Treasurer. The Board hires a Fire Chief/Administrator to manage the day-to-day 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. District employees of approximately 406 in 2007 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 430,500 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 33.4 billion dollars in 2005-06 to approximately 35.1 billion dollars in the 2006-07 fiscal year. In addition, the District depends upon an additional local option levy of 25 cents a thousand to supplement the permanent levy rate. Our voters strongly supported the continuation of the 25 cent levy for an additional five

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years at the November 2004 election. This levy will provide funding for operations through June 30, 2010. The District currently intends to ask our voters to support a continuation of that levy again in November 2008.

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 issue two to three additional issues timed to meet construction commitments over the next few years.

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 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

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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 21.8% to over \$58 billion while assessed value grew 5.2% for the property tax year 2007.

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 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

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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 2007, 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 Fire Prevention division has worked intensively to restructure jobs, job duties and measurement bases of job performance. Successful collaboration between the District's union and management allowed the creation of new Fire Inspector positions. With multiple changes in place this fiscal year, the Fire Prevention division has increased the number of fire inspections by an estimated 53.5% in 2007 and achieved goals of inspecting high risk apartment units annually.

In addition, the District has recently begun a major restructuring of its strategic plan and goals as well as how those goals then filter throughout the organization in order to meet these organizational goals. We are working to implement many of these plan changes in our budget process for 2007-08 and to continue to refine it in the years ahead. Our primary focus in this area is to provide more accountability and measurement basis to be able to determine organization wide if we are achieving our key strategic goals, rather than just expending "effort".

Department Service Efforts and Accomplishments

During the fiscal year ended June 30, 2007, all divisions and departments of the District contributed toward the accomplishments of our 2007 strategic goals. These goals, as outlined in our prior Strategic Plan are:

- *Reduce number and severity of emergency incidents.*
- *Enhance preparedness for catastrophic and unforeseen events.*
- *Increase community understanding of, and participation in, a safety partnership with TVF&R.*
- *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.*
- *Promote craftsmanship, innovation, and excellence throughout the organization.*

Tualatin Valley Fire and Rescue

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- *Leverage use of existing resources for the greatest community good..*
- *Ensure ongoing financial stability and predictability.*

Efforts during the fiscal year ended June 30, 2007, as a result of these goals, included:

- Increased the number of primary fire inspections from approximately 2,900 in 2006 to an estimated 4,200 in calendar year 2007 and reinspections from approximately 1,900 in 2006 to 3,200 in 2007.
- Seismic reconstruction of Station 66 was started, and design and development of the new Gaarde road station also began in 2007 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 station land purchase negotiations and purchased two additional station sites.

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 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, 2006. This was the 19th consecutive year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an

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Letter of Transmittal

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, 2007. 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 19th 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.

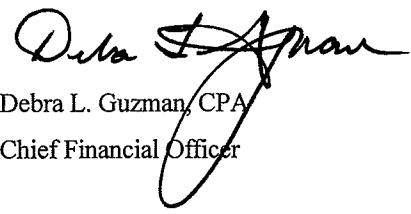
Respectfully submitted,

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

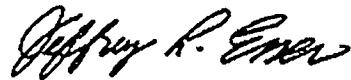
Presented to
Tualatin Valley
Fire and Rescue, A Rural Fire
Protection District, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President



Executive Director

Tualatin Valley Fire and Rescue
List of Elected and Appointed Officials

June 30, 2007

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, 2008
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

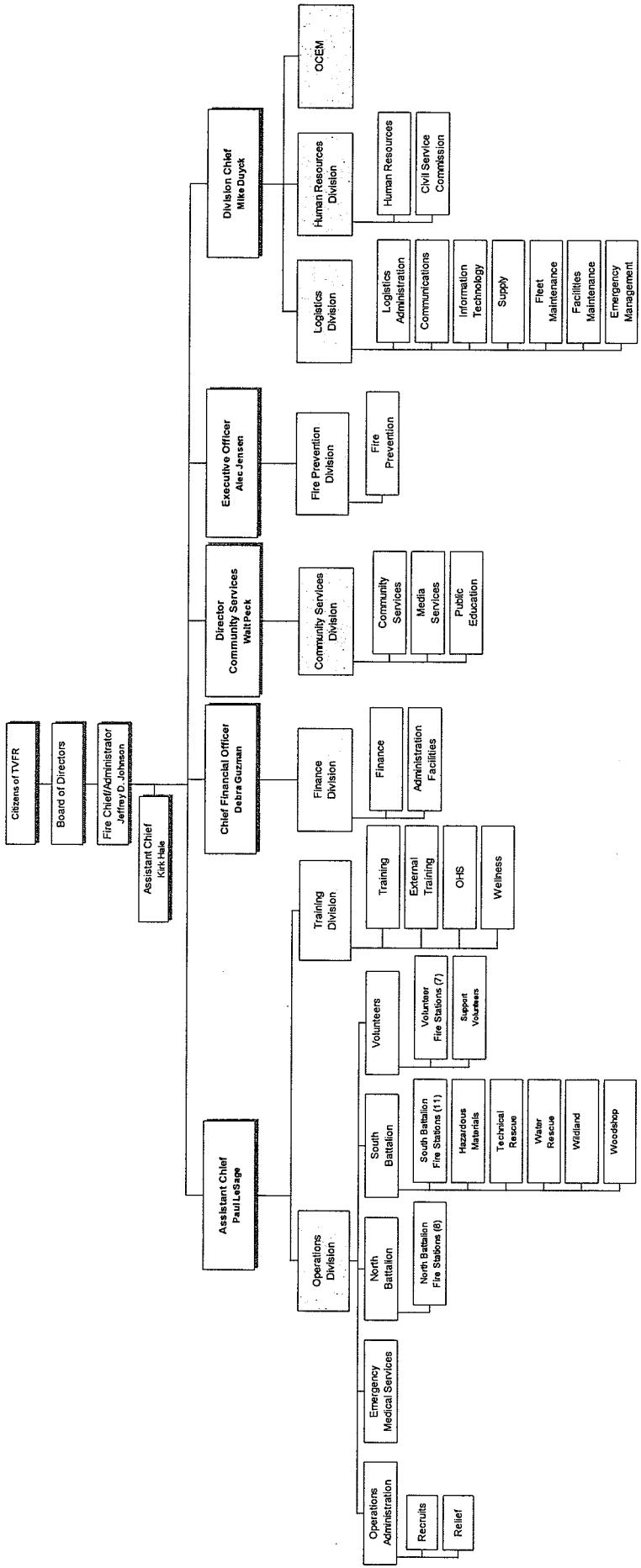
Administrative Offices
20665 SW Blanton Street
Aloha, OR 97007

Registered Agent
Jeffrey D. Johnson
Fire Chief/Administrator

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

Tualatin Valley Fire and Rescue
Organizational Chart

June 30, 2007



Financial Section

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INDEPENDENT AUDITOR'S REPORT

November 9, 2007

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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof 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.

Management's Discussion and Analysis on pages 13 through 22 and the Schedules of Funding Progress on page 54 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (continued)

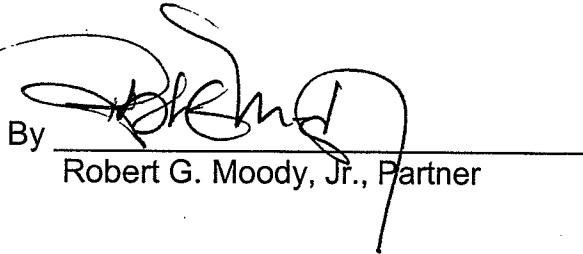
Board of Directors
Tualatin Valley Fire and Rescue
Aloha, Oregon
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 55 through 69 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, 2007

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, 2007. 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, 2007 by \$66,064,121. Of this amount, \$25,440,690 represents the District's investment in capital assets, net of related debt, \$1,273,796 is restricted for debt service, and the balance of \$39,349,635 will be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by a net \$6,295,577. Unrestricted net assets increased by \$8,685,728, net assets invested in capital assets decreased by \$2,498,200, and total restricted net assets restricted for debt service increased \$108,049.
- As of June 30, 2007, the District's governmental funds reported combined ending fund balances of \$58,863,868, an increase of \$25,066,875 in comparison with the prior year. On April 1, 2007, the District issued \$20,000,000 of general obligation bonds. Of this sale, \$16,363,796 remains in the fund balance of the Capital Projects fund and is reserved for capital projects. Reimbursements of prior station land purchases from the bond proceeds served to increase the unreserved fund balance in the Property and Building fund and continued building of 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, 2007, unreserved fund balance for the general fund was \$30,458,483, or 55.7 percent of total general fund expenditures. This fund balance percentage reflects the achievement of District policy of maintaining five months or 41.7 percent of budgeted operating expenditures as ending fund balance each year. This policy is in place because the majority of District revenue is

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

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.

- The District's total debt increased by \$18,670,979 during the current fiscal year. This increase was due to the issuance of \$20,000,000 of general obligation bonds offset in part by 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. This report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

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

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

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

The government-wide financial statements can be found on pages 23 and 24 of this report.

Fund financial statements

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus 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*.

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 29 and 30.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

The basic governmental fund financial statements can be found on pages 25 and 27 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 31-33 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 34 and 35 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 government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 36-53 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 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service fund are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55 through 69 of this report. The Schedule of Property Tax Transactions and Outstanding Balances can be found on page 70 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 \$66,064,121 at June 30, 2007.

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

The largest portion of the District's net assets (38 percent) reflects its investment in capital assets (e.g. land, buildings and improvements, fire apparatus, and furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The remaining assets consist mainly of cash and cash equivalents, investments and property taxes receivable which are used to meet the District's ongoing obligations to its citizens.

Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2006
	2007	2006	
Current and other assets	\$ 65,139,390	\$ 38,969,590	\$ 26,169,800
Capital assets	31,856,422	32,047,439	(191,017)
Total assets	<u>96,995,812</u>	<u>71,017,029</u>	<u>25,978,783</u>
Current liabilities	8,152,163	7,139,936	1,012,227
Long-term debt	22,779,528	4,108,549	18,670,979
Total liabilities	<u>30,931,691</u>	<u>11,248,485</u>	<u>19,683,206</u>
Net assets:			
Invested in capital assets, net of related debt	25,440,690	27,938,890	(2,498,200)
Restricted for debt service	1,273,796	1,165,747	108,049
Unrestricted	<u>39,349,635</u>	<u>30,663,907</u>	<u>8,685,728</u>
Total net assets	<u>\$ 66,064,121</u>	<u>\$ 59,768,544</u>	<u>\$ 6,295,577</u>

The District's largest liability (74 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 \$6,295,577. Unrestricted net assets increased by \$8,685,728, net assets invested in capital assets decreased by \$2,498,200, and total restricted net assets restricted for debt service increased \$108,049. Net assets increased reflecting continued positive trends in property tax collections, interest revenue and planned expenditures less than forecasted revenue. The District will add firefighters in the 2007-08 and future fiscal years to a newly constructed fire station and add staffing to add response units to our growing population to meet response time goals. The District seeks to ensure the net assets of the District are sufficient to support operational costs in future years.

Governmental activities. Governmental activities increased the District's net assets in the current year by \$6,295,577. Property taxes increased, reflecting increased assessed valuation of the District. An increased total level of operating and capital grants and contributions were also received in fiscal year

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

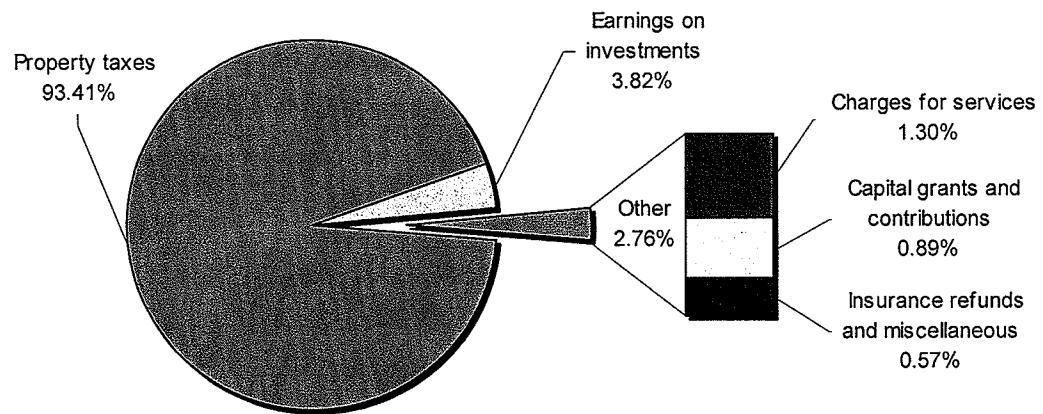
2007. Earnings on investments due to higher investment returns and higher investable assets also increased significantly. Expenditures for public safety increased reflecting personnel cost increases in wages and mandated retirement benefits. Expenditures were managed to ensure that net assets as of year end increased proportionately to the cost of annual operations.

Changes in Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2006
	2007	2006	
Revenues:			
Program revenues			
Charges for services	\$ 852,678	\$ 818,382	\$ 34,296
Operating grants and contributions		606,864	(606,864)
Capital grants and contributions	583,497	1,453,268	(869,771)
General revenues:			
Property taxes	61,211,437	58,118,393	3,093,044
Gain/(Loss) on sale of capital assets	20,567	42,130	(21,563)
Earnings on investments	2,504,630	1,645,622	859,008
Insurance refunds	273,161	450,318	(177,157)
Miscellaneous	81,298	192,871	(111,573)
Total revenues	<u>65,527,268</u>	<u>63,327,848</u>	<u>2,199,420</u>
Expenses:			
Public safety-fire protection	58,872,384	56,652,973	2,219,411
Interest on long-term debt	359,307	210,432	148,875
Total expenses	<u>59,231,691</u>	<u>56,863,405</u>	<u>2,368,286</u>
Change in net assets	6,295,577	6,464,443	(168,866)
Net assets - July 1	<u>59,768,544</u>	<u>53,304,101</u>	<u>6,464,443</u>
Net assets - June 30	<u>\$ 66,064,121</u>	<u>\$ 59,768,544</u>	<u>\$ 6,295,577</u>

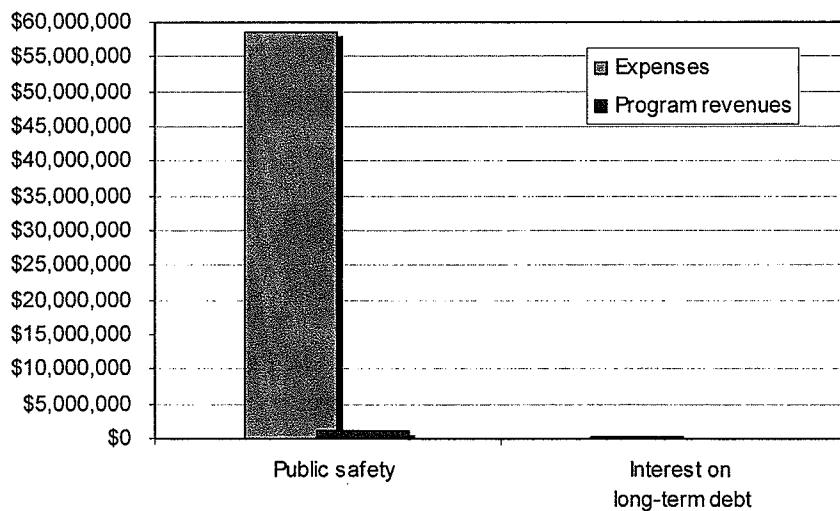
Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

Revenue Sources - Governmental Activities
Fiscal Year 2007



Expenses and Program Revenues - Governmental Activities
Fiscal Year 2007



Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

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, 2007, the District's governmental funds reported combined ending fund balances of \$58,863,868, an increase of \$25,066,875 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. The District issued \$20 million of bonds April 1, 2007, much of which remains unspent, which was the largest reason for the increase in ending fund balance. Additionally, the District has had positive financial results from a decrease in PERS contribution rates. Due to prior projected PERS rate increases, the District had deferred the addition of personnel until this risk factor was settled. In 2007-08, the District intends to enter into a period of adding firefighters to operate additional fire stations and response apparatus.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2007 unreserved fund balance of the general fund was \$30,458,483, while total fund balance reached \$30,694,798. 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 53 percent of total general fund expenditures and other financing.

The fund balance of the District's general fund increased by \$4,732,228 or approximately 18 percent during the current fiscal year. 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, 2007, the ending

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

fund balance of the Capital Projects Fund was \$16,363,796. This fund was reinstated to account for the proceeds of a \$20 million debt issuance to fund construction, land and apparatus purchases.

General Fund Budgetary Highlights

The Board approved two budget transfers to the adopted budget for June 30, 2007. The budget transfers authorized funding for additional personnel services in one department, vehicle maintenance parts and turnout laundry and service repairs that escalated far beyond the planned budget appropriations, one emergency response vehicle anticipated to be received in the prior fiscal year but not received until the 2006-07 fiscal year, and medical services manikin capable of interaction with the District's Philips cardiac monitors to assist with the Philips consortium study.

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, 2007, the District had invested \$31,856,422 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation)	Governmental Activities		Increase (Decrease) from Fiscal 2006
	2007	2006	
Land	\$ 7,223,133	\$ 6,237,729	\$ 985,404
Buildings and improvements	9,571,516	10,161,508	(589,992)
Fire apparatus and other vehicles	12,391,334	13,061,190	(669,856)
Furniture, fixtures and equipment	1,658,159	2,323,801	(665,642)
Work in progress	1,012,280	263,211	749,069
Total	\$ 31,856,422	\$ 32,047,439	\$ (191,017)

During the year, the District's investment in capital assets decreased by \$191,017, reflecting the \$2,676,005 of assets added during the year were offset by \$2,717,229 of depreciation and \$1,188,277 of asset disposals.

Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 44 of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt of \$22,779,528, consisting of general obligation bonds, net of unamortized premiums and issuance costs. The District

Tualatin Valley Fire and Rescue
Management's Discussion and Analysis

For the Year Ended June 30, 2007

received an upgrade to 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. Thus, 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 pages 45 and 46 of this report.

Economic Factors and Next Year's Budget

The District anticipates increased property tax revenues in future years based upon projected assessed value increases. The District's service area is continuing to grow and develop and this should result in increased property tax revenue to support the costs of operating additional stations and response units. This revenue stream, however, 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 litigation has largely been settled and the PERS board has recently received updated system-wide actuarial data to ascertain the overall effect. The 2007-08 budget and future forecasts reflect current projections that employer rates are expected to continue to decrease based upon recent actuarial information.

The District's 25 cent local option levy allows the continued funding of 33 firefighters and associated support staff through June 30, 2010. We were also strongly supported by our voters at the November 7, 2006 election to approve the issuance of a series of general obligation bonds to fund \$77.5 million of station construction, command center projects, land purchases and emergency response apparatus. The first 20 million dollars was sold to meet the first phases of construction and apparatus purchases in 2007, and it is expected future sales will take place in the next three to five years as we time bond sales with the timelines of construction projects.

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
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 43,413,749
Investments	2,546,353
Receivables, net:	
Property taxes receivable	1,963,902
Accounts receivable	312,520
Supplies inventory	236,315
Restricted assets:	
Cash and cash equivalents	16,666,551
Capital assets, not being depreciated:	
Land and work in progress	8,235,413
Capital assets, net of accumulated depreciation:	
Buildings and improvements	9,571,516
Fire apparatus and other vehicles	12,391,334
Furniture, fixtures and equipment	<u>1,658,159</u>
Total assets	<u>96,995,812</u>
Liabilities	
Accounts payable	992,948
Accrued salaries and benefits payable	2,845,072
Accrued interest payable	264,546
Unearned revenue	8,351
Accrued compensated absences, due within one year	4,041,246
Bonds and notes payable, net of unamortized premium/discount:	
Due within one year	2,362,293
Due in more than one year	<u>20,417,235</u>
Total liabilities	<u>30,931,691</u>
Net Assets	
Invested in capital assets, net of related debt	25,440,690
Restricted for:	
Debt service	1,273,796
Unrestricted	<u>39,349,635</u>
Total net assets	<u>\$ 66,064,121</u>

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

Tualatin Valley Fire and Rescue
Statement of Activities
For the Year Ended June 30, 2007

	Governmental Activities
Expenses	
Public safety - fire protection	\$ 58,872,384
Interest on long-term debt	359,307
Total program expenses	<u>59,231,691</u>
Program Revenues	
Charges for services	852,678
Operating grants and contributions	<u>583,497</u>
Total program revenues	<u>1,436,175</u>
Net program expenses	<u>57,795,516</u>
General Revenues	
Property taxes	61,211,437
Investment earnings	2,504,630
Insurance refunds	273,161
Gain on sale of capital assets	20,567
Miscellaneous	<u>81,298</u>
Total general revenues	<u>64,091,093</u>
Change in net assets	6,295,577
Net assets, July 1, 2006	<u>59,768,544</u>
Net assets, June 30, 2007	<u>\$ 66,064,121</u>

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

Tualatin Valley Fire and Rescue
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 30,903,662	\$16,666,551	\$ 11,813,951	\$ 59,384,164
Investments	2,546,353			2,546,353
Receivables:				
Property taxes receivable	1,913,655		50,247	1,963,902
Accounts receivable	161,531		150,594	312,125
Due from other funds	44,393			44,393
Supplies inventory	236,315			236,315
Total assets	<u>\$ 35,805,909</u>	<u>\$16,666,551</u>	<u>\$ 12,014,792</u>	<u>\$ 64,487,252</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 629,013	\$ 302,755	\$ 61,180	\$ 992,948
Accrued salaries and benefits payable	2,845,072			2,845,072
Due to other funds			44,393	44,393
Unearned revenue	1,637,026		103,945	1,740,971
Total liabilities	<u>5,111,111</u>	<u>302,755</u>	<u>209,518</u>	<u>5,623,384</u>
Fund balances:				
Reserved for supplies inventory	236,315			236,315
Reserved for retiree medical insurance			231,045	231,045
Reserved for debt service			1,273,796	1,273,796
Reserved for capital projects		16,363,796		16,363,796
Unreserved, reported in:				
General fund	30,458,483			30,458,483
Special revenue funds			4,451,489	4,451,489
Capital projects funds			5,848,944	5,848,944
Total fund balances	<u>30,694,798</u>	<u>16,363,796</u>	<u>11,805,274</u>	<u>58,863,868</u>
Total liabilities and fund balances	<u>\$ 35,805,909</u>	<u>\$16,666,551</u>	<u>\$ 12,014,792</u>	<u>\$ 64,487,252</u>

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

Tualatin Valley Fire and Rescue
Reconciliation of Governmental Funds - Balance Sheet to Statement of Net Assets
For the Year Ended June 30, 2007

Total fund balances	\$ 58,863,868
Capital assets are not financial resources and therefore are not reported in the governmental funds:	
Cost	\$ 57,764,246
Accumulated depreciation	<u>(25,907,824)</u> 31,856,422
The portion of the taxes receivable collected after year-end that is not available soon enough to pay for the current year's operations, is not reported as revenue in the governmental funds.	
	1,671,075
The portion of the accounts receivable collected after year-end and not available soon enough to pay for the current year's operations, is not reported as revenue in the governmental funds.	61,545
The internal service fund for insurance is used by management for managing the costs of insurance claims and risk management. These assets and liabilities are included in the Statement of Net Assets.	696,531
The amount of compensated absences liability that will not be paid from resources of the current year's operations is not reported as a fund liability of the governmental funds.	(4,041,246)
Debt service payments not payable in the current year, as well as the unamortized portion of bond and loan issuance costs are not reported as governmental fund liabilities. This consists of bonds payable, net of unamortized issuance costs.	(22,779,528)
Accrued interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	<u>(264,546)</u>
Total net assets	<u>\$ 66,064,121</u>

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

Tualatin Valley Fire and Rescue
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 59,491,470		\$ 1,515,726	\$ 61,007,196
Interest	1,880,410	\$ 171,219	418,307	2,469,936
Charges for services	821,745		26,400	848,145
Insurance refunds	239,646			239,646
Grants and donations	6,480		223,919	230,399
Miscellaneous	73,987			73,987
Total revenues	<u>62,513,738</u>	<u>171,219</u>	<u>2,184,352</u>	<u>64,869,309</u>
Expenditures				
Current				
Public safety	55,182,077	59,497	246,214	55,487,788
Debt service:				
Principal			1,280,000	1,280,000
Interest			170,200	170,200
Capital outlay		2,023,995	1,002,123	3,026,118
Total expenditures	<u>55,182,077</u>	<u>2,083,492</u>	<u>2,698,537</u>	<u>59,964,106</u>
Excess (deficiency) of revenues	<u>7,331,661</u>	<u>(1,912,273)</u>	<u>(514,185)</u>	<u>4,905,203</u>
Other Financing Sources (Uses)				
Proceeds from debt issuance		18,276,069	1,723,931	20,000,000
Proceeds from sales of surplus property	4,824		156,848	161,672
Transfers in			2,604,257	2,604,257
Transfers out	(2,604,257)			(2,604,257)
Total other financing sources (uses)	<u>(2,599,433)</u>	<u>18,276,069</u>	<u>4,485,036</u>	<u>20,161,672</u>
Net change in fund balances	<u>4,732,228</u>	<u>16,363,796</u>	<u>3,970,851</u>	<u>25,066,875</u>
Fund balances - July 1, 2006	<u>25,962,570</u>		<u>7,834,423</u>	<u>33,796,993</u>
Fund balances - June 30, 2007	<u>\$ 30,694,798</u>	<u>\$ 16,363,796</u>	<u>\$ 11,805,274</u>	<u>\$ 58,863,868</u>

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

Tualatin Valley Fire and Rescue
**Reconciliation of Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Governmental Funds - to Statement of Activities**
 For the Year Ended June 30, 2007

Net change in fund balances \$ 25,066,875

The change in net assets in the Statement of Activities is different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions (\$2,676,005) is less than depreciation expense (\$2,717,229). (41,224)

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sales are reported as a financial resource. Thus the change in net assets differs from the change in fund balance by the cost of capital assets sold. (149,793)

Payment of bond and loan long-term debt principal payments are recorded as expenditures in the governmental funds but reduce the liability in the Statement of Net Assets. 1,280,000

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, property taxes are recognized as revenue when levied. 204,241

Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. 20,533

Amortization of bond issuance costs. (10,476)

Accrued interest payable on bonds through June 30, 2007 (178,631)

Bonds payable, net of unamortized issuance costs (19,940,503)

Compensated absences are recognized as an expenditure in the governmental funds when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when incurred. 29,490

The internal service fund for insurance is used by management for managing the costs of insurance claims and risk management. The increase in net assets is included in the Statement of Activities. 15,065

Change in net assets \$ 6,295,577

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, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes:				
Current year's levy	\$ 56,843,196	\$ 56,843,196	\$ 58,538,966	\$ 1,695,770
Prior years' levies	1,252,234	1,252,234	925,881	(326,353)
Taxes in lieu of property taxes	13,888	13,888	26,623	12,735
Interest on unsegregated property taxes	26,706	26,706	85,037	58,331
Interest on taxes	5,884	5,884	19,518	13,634
Interest on investments	896,807	896,807	1,775,855	879,048
Contracted services	232,323	232,323	391,130	158,807
Special service charges	150,260	150,260	171,899	21,639
Maintenance services	127,700	127,700	144,901	17,201
Rental income	79,150	79,150	107,080	27,930
Plan review fees			6,735	6,735
Insurance refunds	95,000	95,000	239,646	144,646
Grants and donations			6,480	6,480
Miscellaneous	39,000	39,000	73,987	34,987
Total revenues	<u>59,762,148</u>	<u>59,762,148</u>	<u>62,513,738</u>	<u>2,751,590</u>
Expenditures				
Current				
Public Safety:				
Non-organizational:				
Materials and services	<u>8,961</u>	<u>8,961</u>		<u>8,961</u>
Administration Division:				
Personal services	750,653	750,653	683,411	67,242
Materials and services	<u>408,206</u>	<u>408,206</u>	<u>327,831</u>	<u>80,375</u>
Total Administration Division	<u>1,158,859</u>	<u>1,158,859</u>	<u>1,011,242</u>	<u>147,617</u>
Emergency Operations Division:				
Personal services	43,036,096	43,062,096	40,402,903	2,659,193
Materials and services	<u>2,382,757</u>	<u>2,401,757</u>	<u>1,924,785</u>	<u>476,972</u>
Total Emergency Operations Division	<u>45,418,853</u>	<u>45,463,853</u>	<u>42,327,688</u>	<u>3,136,165</u>
Finance Division:				
Personal services	797,102	797,102	702,032	95,070
Materials and services	<u>769,575</u>	<u>769,575</u>	<u>673,957</u>	<u>95,618</u>
Total Finance Division	<u>1,566,677</u>	<u>1,566,677</u>	<u>1,375,989</u>	<u>190,688</u>
Community Services Division:				
Personal services	842,912	842,912	800,456	42,456
Materials and services	<u>269,720</u>	<u>269,720</u>	<u>193,602</u>	<u>76,118</u>
Total Community Services Division	<u>1,112,632</u>	<u>1,112,632</u>	<u>994,058</u>	<u>118,574</u>

(Continued)

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

**Tualatin Valley Fire and Rescue
General Fund**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures, Continued				
Fire Prevention Division:				
Personal services	2,826,331	2,826,331	2,529,662	296,669
Materials and services	292,051	292,051	228,368	63,683
Total Fire Prevention Division	3,118,382	3,118,382	2,758,030	360,352
Support Resources Division:				
Personal services	4,628,312	4,628,312	4,090,939	537,373
Materials and services	4,047,578	4,116,157	3,491,346	624,811
Total Support Resources Division	8,675,890	8,744,469	7,582,285	1,162,184
Total Public Safety	61,060,254	61,173,833	56,049,292	5,124,541
Debt service:				
Principal	472,100	472,100	472,100	472,100
Interest	11,331	11,331	11,331	11,331
Operating contingency	3,705,778	3,592,199	3,592,199	3,592,199
Total expenditures	65,249,463	65,249,463	56,049,292	9,200,171
Excess (deficiency) of revenues over (under) expenditures	(5,487,315)	(5,487,315)	6,464,446	11,951,761
Other Financing Sources (Uses)				
Proceeds from sales of surplus property			4,824	4,824
Transfers out	(2,872,009)	(2,872,009)	(2,664,257)	207,752
Total other financing sources (uses)	(2,872,009)	(2,872,009)	(2,659,433)	212,576
Net change in fund balances	(8,359,324)	(8,359,324)	3,805,013	12,164,337
Fund balances - July 1, 2006	19,902,987	19,902,987	22,563,333	2,660,346
Fund balances - June 30, 2007	\$ 11,543,663	\$ 11,543,663	\$ 26,368,346	\$ 14,824,683

**Reconciliation of Budgetary Revenues and
Expenditures to GAAP Revenues and Expenditures**

Net change in fund balance - budgetary basis	\$ 3,805,013
Funding of retirement contribution pending litigation, not GAAP expenditures/expense	<u>927,215</u>
Net change in fund balance - GAAP basis	<u>\$ 4,732,228</u>

Continued from page 29

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, 2007

	Governmental Activities - Internal Service Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 696,136
Accounts receivable	395
Total assets	<u>696,531</u>
Net Assets	
Unrestricted	<u>696,531</u>
Total net assets	<u>\$ 696,531</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, 2007

	Governmental Activities - Internal Service Fund
Operating Revenue	
Insurance refunds	\$ 33,515
Total operating revenues	<u>33,515</u>
Operating Expense	
Insurance claims	53,144
Total operating expenses	<u>53,144</u>
Operating loss	<u>(19,629)</u>
Nonoperating Revenue	
Interest income	34,694
Total nonoperating revenue	<u>34,694</u>
Change in net assets	15,065
Total net assets, July 1, 2006	681,466
Total net assets, June 30, 2007	<u>\$ 696,531</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, 2007

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Received from insurance reimbursements	\$ 33,120
Paid for insurance claims	<u>(53,144)</u>
Net cash used in operating activities	<u><u>(20,024)</u></u>
Cash Flows From Investing Activities	
Interest received on investments	34,694
Net cash provided by investing activities	<u>34,694</u>
Net increase in cash and cash equivalents	14,670
Cash and cash equivalents, July 1, 2006	<u>681,466</u>
Cash and cash equivalents, June 30, 2007	<u><u>\$ 696,136</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (19,629)
Increase in accounts receivable	<u>(395)</u>
Net cash used in operating activities	<u><u>\$ (20,024)</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, 2007

	Governmental Activities - Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 481,871
Investments:	<u>1,805,397</u>
Total assets	<u>2,287,268</u>
Net Assets	
Held in trust for pension benefits	<u>\$ 2,287,268</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, 2007

	Governmental Activities - Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	
Interest	27,935
Dividends	132,195
Net increase in the fair value of investments	<u>163,890</u>
Net investment earnings	<u>324,020</u>
Total additions	<u>384,020</u>
Deductions	
Benefits	332,394
Administration expenses	535
Total deductions	<u>332,929</u>
Change in net assets	51,091
Total net assets, July 1, 2006	<u>2,236,177</u>
Total net assets, June 30, 2007	<u>\$ 2,287,268</u>

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

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Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

I. Summary of significant accounting policies

A. Reporting entity

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

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

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

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

B. Government-wide and fund financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary *governmental activities* of the District. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are financed primarily through property taxes, 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, 2007

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

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

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

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

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

The governmental fund financial statements use a flow of *current financial resources measurement focus*. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net 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.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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

The District reports the following major governmental funds:

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

- 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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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 statements.

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

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

2. Investments

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

3. Receivables

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

4. Supplies inventory

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements
June 30, 2007

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

6. Long-term debt

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

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

7. Liabilities for compensated absences

Accumulated accrued compensated absences for vacation and personal leave benefits are accrued when incurred in the government-wide financial statements. 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.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

8. Fund equity

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

II. Stewardship, compliance, and accountability

A. Budgetary information

The District budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting, except for the Insurance, Pension Trust, and Volunteer LOSAP Funds, which are budgeted on the accrual basis of accounting. On a budgetary basis, due to pending litigation expected at the time of budget of development to increase employee retirement contribution rates, the District budgeted a higher rate than the basis depicted in governmental fund financial statements.

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 two budget transfer resolutions during the year ended June 30, 2007. Appropriations lapse at year-end.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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, 2007 was \$45,919,616, and the total bank balance was \$46,095,121. Of these deposits, \$100,000 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 outstanding certificates of participation issued by the pool manager.

At June 30, 2007, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 1,050
Cash with county assessor	223,928
Deposits with financial institutions	45,919,616
State of Oregon Local Government Investment Pool	14,417,577
Investments:	
U.S. Government securities	2,546,353
Open-ended mutual funds	1,805,397
	<hr/> <u>\$ 64,913,921</u>

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents:		
Unrestricted	\$ 43,413,749	\$ 481,871
Restricted	16,666,551	
Investments	2,546,353	1,805,397
Total cash, cash equivalents and investments	<hr/> <u>\$ 62,626,653</u>	<hr/> <u>\$ 2,287,268</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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, 2007, the District does not have investments exposed to custodial credit risk.

3. Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates, the District's governmental funds investment policies limit maturities to 18 months. Generally short-term investment funds will be invested for periods less than 12 months. Identified budgeted fund balance carryovers in those funds may be available for investment periods up to 18 months. Long-term investments have the same maturity as the short-term, however investments with a maturity of 12 months or more shall be limited to U.S. Agency or U.S. Treasury securities. Actual maturities of investments other than pension funds invested in open-ended mutual funds at June 30, 2007 are as follows:

Maturity	<u>Operating Investments</u>
Less than 30 days	0%
Less than 12 months	61%
Less than 18 months	39%

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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. U.S. Government securities/investments are categorized below.

U.S. Government Securities		
	Net Book Value	Market Value
AAA	\$ 2,546,353	\$ 2,543,255
	<u>\$ 2,546,353</u>	<u>\$ 2,543,255</u>

B. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance			Balance
	June 30, 2006	Increases	Decreases	June 30, 2007
Governmental activities:				
Non-depreciable capital assets				
Land	\$ 6,237,729	\$ 985,404		\$ 7,223,133
Construction in progress	<u>263,211</u>	<u>878,108</u>	<u>\$ (129,039)</u>	<u>1,012,280</u>
Total capital assets, not being depreciated	<u>6,500,940</u>	<u>1,863,512</u>	<u>(129,039)</u>	<u>8,235,413</u>
Depreciable capital assets				
Buildings and improvements	22,258,807	134,458		22,393,265
Fire apparatus and other vehicles	21,471,837	680,185	(628,807)	21,523,215
Furniture, fixtures and equipment	<u>6,044,934</u>	<u>126,889</u>	<u>(559,470)</u>	<u>5,612,353</u>
Total depreciable capital assets	<u>49,775,578</u>	<u>941,532</u>	<u>(1,188,277)</u>	<u>49,528,833</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,097,299)	(724,450)		(12,821,749)
Fire apparatus and other vehicles	(8,410,647)	(1,291,760)	570,526	(9,131,881)
Furniture, fixtures and equipment	<u>(3,721,133)</u>	<u>(701,019)</u>	<u>467,958</u>	<u>(3,954,194)</u>
Total accumulated depreciation	<u>(24,229,079)</u>	<u>(2,717,229)</u>	<u>1,038,484</u>	<u>(25,907,824)</u>
Total capital assets being depreciated, net	<u>25,546,499</u>	<u>(1,775,697)</u>	<u>(149,793)</u>	<u>23,621,009</u>
Total capital assets, net of depreciation	<u>\$ 32,047,439</u>	<u>\$ 87,815</u>	<u>\$ (278,832)</u>	<u>\$ 31,856,422</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

C. Interfund receivables, payables, and transfers

An interfund receivable of \$44,393 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, 2007, the District made transfers totaling \$2,604,257 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 Statements 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, 2007, was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due in One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 4,130,000	\$ 20,000,000	\$ (1,280,000)	\$ 22,850,000	\$ 2,375,000
Unamortized premiums and issuance costs	(21,451)	(59,497)	10,476	(70,472)	(12,707)
Total long-term liabilities	<u>\$ 4,108,549</u>	<u>\$ 19,940,503</u>	<u>\$ (1,269,524)</u>	<u>\$ 22,779,528</u>	<u>\$ 2,362,293</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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

Year of Maturity	General Obligation Bonds Series 2007		General Obligation Bonds Series 2000		General Obligation Bonds Series 2007	
	4.0% to 5.0% dated 4/01/07		4.5% to 5.0% dated 6/15/00		4.0% dated 1/15/99	
	Principal	Interest	Principal	Interest	Principal	Interest
2007-08	\$ 1,000,000	\$ 821,042	\$ 740,000	\$ 58,250	\$ 635,000	\$ 52,600
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				
2012-17	5,000,000	2,660,000				
2017-22	5,000,000	1,660,000				
2022-27	5,000,000	635,250				
Total	\$ 20,000,000	\$ 8,661,792	\$ 1,535,000	\$ 78,125	\$ 1,315,000	\$ 79,800

Compensated absences

Compensated absences activity for the year ended June 30, 2007, was as follows:

	Balance			Balance	Current
	June 30, 2006	Additions	Reductions	June 30, 2007	Portion
Governmental activities:					
Compensated absences	\$ 4,077,828	\$ 4,649,535	\$ (4,686,117)	\$ 4,041,246	\$ 4,041,246

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, 2007, is recorded on the balance sheet. However, there was no pending amount as of June 30, 2007. The entire balance, generally utilized within one year, is reported on the Statement of Net Assets. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

IV. Other Information

A. Risk management

The District is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District, through its general fund,

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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 2004, 2005, 2006 and 2007 remain open. The District's maximum liability for premiums related to these three open claim years is approximately \$1,150,777, 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, 2007, the District had approximately \$988,000 of outstanding contract commitments for a station construction contract.

C. Related party transactions

For 2007 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, 2007, the District paid \$1,141,639 to WCCA for dispatch fees and \$15,058 for equipment maintenance charges. WCCA paid \$51,548 to the District for accounting services, \$5,040 for contracted medical director services and for building maintenance services for the year ended June 30, 2007. The District also managed a grant on behalf of WCCA and passed through federal awards in the amount of \$142,415. The District ended its contract with WCCA effective June 30, 2007 and transitioned all WCCA accounting services to WCCA subsequent to year end.

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,

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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 2007 was \$434,731 of which \$326,265 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 2007, the District incurred expenditures of \$85,965 in payments to former bargaining unit employees and \$42,797 in payments to former non-bargaining employees. The benefit is financed on a pay-as-you-go basis and currently includes payments to 90 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 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.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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. For 2007, the District's annual pension cost of approximately \$6,314,000 was equal to the District's required and actual contributions. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The employer rate adopted by the PERS board based on the December 31, 2003 actuarial valuation for the District for fiscal year 2006-07 was 14.4% for Tier One and Tier Two employees. For OPSRP employees, the District remitted contributions based on employee class. The OPSRP contribution rates were 5.55% for general service employees and 9.16% 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, 2003, valuation included (a) 8.0% investment rate of return, (b) projected salary increases of 4.00% with additional increases for promotion and longevity that vary by age and service, (c) post-retirement cost of living increases of 2% per year, and (d) certain demographic assumptions. The underlying long-term assumed rate of inflation is 3.00% 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, 2003 valuation is amortized on a level percentage of covered payroll on a closed fixed term method basis over a 24-year period through December 31, 2027.

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

Three-Year Trend Information for PERS and OPSRP

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 6,314,000	100%	-
2006	6,146,000	100	-
2005	4,755,000	100	-

2. Single-Employer Defined Benefit Pension Plan

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

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

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

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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

Condensed Statement of Net Assets, June 30, 2007:

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 182,337
Investments	<u>1,312,704</u>
Total assets	<u>1,495,041</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 1,495,041</u>

Changes in Net Assets for the year ended June 30, 2007:

	Pension Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 15,040
Dividends	<u>120,345</u>
Net increase in the fair value of investments	<u>98,712</u>
Net investment earnings	<u>234,097</u>
Total additions	<u>234,097</u>
DEDUCTIONS	
Benefits	321,354
Administration expenses	<u>535</u>
Total deductions	<u>321,889</u>
Change in net assets	(87,792)
Total net assets, July 1, 2006	1,582,833
Total net assets, June 30, 2007	<u>\$ 1,495,041</u>

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

3. Volunteer Length of Service Award Plan

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

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

Significant actuarial assumptions used in the June 30, 1999 valuation included (a) rate of return of 8% assuming an underlying inflation rate of 4%, (b) volunteer turnover rates ranging from .1722 to .0792 depending upon age of the volunteer, and (c) mortality based upon 1983 Group Annuity Mortality tables. The actuarial cost method is the aggregate cost method, and assets are actuarially valued at market value. Under the aggregate cost method, the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants for the group as a whole (not as a sum of individual allocations), in such a way that annual costs are expected to remain level. This method does not identify or separately amortize the unfunded actuarial accrued liability. The actuarially determined annual required contribution in fiscal year 2007 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
2007	\$21,689	276%	-
2006	21,689	276	-
2005	21,689	276	-

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

Tualatin Valley Fire and Rescue
Notes to the Basic Financial Statements

June 30, 2007

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

Condensed Statement of Net Assets, June 30, 2007:

	<u>Volunteer</u> <u>LOSAP Fund</u>
ASSETS	
Cash and cash equivalents	\$ 299,534
Investments	<u>492,693</u>
Total assets	<u><u>792,227</u></u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 792,227</u></u>

Condensed Statement of Changes in Net Assets, for the year ended June 30, 2007:

	<u>Volunteer</u> <u>LOSAP Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	
Interest	12,895
Dividends	11,850
Net increase in the fair value of investments	<u>65,178</u>
Net investment earnings	<u><u>89,923</u></u>
Total additions	<u><u>149,923</u></u>
DEDUCTIONS	
Benefits	<u>11,040</u>
Total deductions	<u><u>11,040</u></u>
Change in net assets	138,883
Total net assets, July 1, 2006	653,344
Total net assets, June 30, 2007	<u><u>\$ 792,227</u></u>

G. Subsequent event

On October 23, 2007, the District and the Union completed negotiations and ratified a new contract for the period beginning July 1, 2007 through June 30, 2009.

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
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
1995	2,942,996	2,874,084	68,912	102	N/A	N/A

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ Actuarial Accrued Liability

⁽³⁾ Funded/(Unfunded) 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
1999	\$ 411,627	\$ 504,004	\$ (92,377)	82%	N/A	N/A

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ Actuarial Accrued Liability

⁽³⁾ Funded/(Unfunded) Actuarial Accrued Liability

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Supplemental Information

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Tualatin Valley Fire and Rescue
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest		\$ 171,219	\$ 171,219
Total revenues		<u>171,219</u>	<u>171,219</u>
Expenditures			
Public safety - materials and services	\$ 150,000	59,497	90,503
Capital outlay	3,560,000	2,023,995	1,536,005
Operating contingency	1,290,000		1,290,000
Total expenditures	<u>5,000,000</u>	<u>2,083,492</u>	<u>2,916,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000,000)</u>	<u>(1,912,273)</u>	<u>3,087,727</u>
Other Financing Sources			
Proceeds from debt issuance	5,000,000	18,276,069	13,276,069
Total other financing sources	<u>5,000,000</u>	<u>18,276,069</u>	<u>13,276,069</u>
Net change in fund balances		16,363,796	16,363,796
Fund balances - July 1, 2006			
Fund balances - June 30, 2007	<u>\$</u>	<u>\$ 16,363,796</u>	<u>\$ 16,363,796</u>

Tualatin Valley Fire and Rescue
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Fund Type					Capital Projects Fund Type		
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Fund	Debt Service Fund	Property and Building Fund	Total Other Governmental Funds
Assets								
Cash and cash equivalents	\$ 433,051	\$ 3,954,636		\$ 79,831	\$ 231,045	\$ 1,266,444	\$ 5,848,944	\$ 11,813,951
Receivables:								
Property taxes receivable								
Accounts receivable	\$ 61,050	\$ 37,822	\$ 51,722	\$ 79,831	\$ 231,045	\$ 50,247		50,247
Total assets	<u>\$ 494,101</u>	<u>\$ 3,992,458</u>	<u>\$ 51,722</u>	<u>\$ 79,831</u>	<u>\$ 231,045</u>	<u>\$ 1,316,691</u>	<u>\$ 5,848,944</u>	<u>\$ 12,014,792</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable								
Due to other funds	\$ 61,050	\$ 53,851	\$ 7,329	\$ 44,393		\$ 42,895		\$ 61,180
Unearned revenue	<u>\$ 61,050</u>	<u>\$ 53,851</u>	<u>\$ 7,329</u>	<u>\$ 44,393</u>		<u>\$ 42,895</u>		<u>\$ 61,180</u>
Total liabilities								
Fund balances:								
Reserved for retiree medical insurance								
Reserved, reported in:								
Debt service fund								
Unreserved, reported in:								
Special revenue funds	433,051	3,938,607		\$ 79,831				4,451,489
Capital projects fund	<u>433,051</u>	<u>3,938,607</u>		<u>\$ 79,831</u>	<u>\$ 231,045</u>	<u>1,273,796</u>		<u>5,848,944</u>
Total fund balances	<u>\$ 494,101</u>	<u>\$ 3,992,458</u>	<u>\$ 51,722</u>	<u>\$ 79,831</u>	<u>\$ 231,045</u>	<u>\$ 1,273,796</u>		<u>11,805,274</u>
Total liabilities and fund balances								

Tualatin Valley Fire and Rescue
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<i>Special Revenue Fund Type</i>				<i>Capital Projects Fund Type</i>			
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Fund	Debt Service Fund	Property and Building Fund	Total Other Governmental Funds
Revenues								
Taxes	\$ 22,122		\$ 126,718			\$ 11,127	\$ 1,515,726	\$ 1,515,726
Interest						42,523		418,307
Charges for services								26,400
Grants and donations								223,919
Total revenues	<u>22,122</u>	<u>126,718</u>		<u>\$ 2223,919</u>	<u>2223,919</u>	<u>11,127</u>	<u>1,558,249</u>	<u>242,217</u>
Expenditures								
Current								246,214
Public safety								
Debt service:								
Principal								1,280,000
Interest								170,200
Capital outlay								1,002,123
Total expenditures	<u>147,617</u>	<u>712,091</u>		<u>35,948</u>	<u>2223,919</u>	<u>142,415</u>	<u>1,450,200</u>	<u>2,698,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,495)</u>	<u>(585,373)</u>		<u>(35,948)</u>		<u>(117,635)</u>	<u>108,049</u>	<u>242,217</u>
Other Financing Sources								
Transfers in								2,604,257
Proceeds from debt issuance								
Sale of surplus property								1,723,931
Total other financing sources	<u>84,139</u>	<u>72,709</u>		<u>35,948</u>		<u>85,809</u>		<u>156,848</u>
Net change in fund balances	<u>84,139</u>	<u>2,555,209</u>		<u>35,948</u>		<u>(31,826)</u>	<u>108,049</u>	<u>1,723,931</u>
Fund balances - July 1, 2006	<u>(41,356)</u>	<u>1,969,836</u>				<u>(79,831)</u>	<u>1,165,747</u>	<u>4,485,036</u>
Fund balances - June 30, 2007	<u>474,407</u>	<u>1,968,771</u>				<u>\$ 79,831</u>	<u>\$ 1,273,796</u>	<u>3,970,851</u>
	<u>\$ 433,051</u>	<u>\$ 3,938,607</u>				<u>\$ 79,831</u>	<u>\$ 5,848,944</u>	<u>7,834,423</u>
								<u>\$ 11,805,274</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, 2007

				Variance with Final Budget - Positive (Negative)	
	Budget Amounts		Actual Amounts		
	Original	Final			
Revenues					
Interest	\$ 5,850	\$ 5,850	\$ 22,122	\$ 16,272	
Total revenues	<u>5,850</u>	<u>5,850</u>	<u>22,122</u>	<u>16,272</u>	
Expenditures					
Capital outlay		147,617	147,617		
Operating contingency	170,850	<u>23,233</u>		23,233	
Total expenditures	<u>170,850</u>	<u>170,850</u>	<u>147,617</u>	<u>23,233</u>	
Excess (deficiency) of revenues over (under) expenditures	(165,000)	(165,000)	(125,495)	39,505	
Other Financing Sources					
Sales of surplus property			84,139	84,139	
Total other financing sources			<u>84,139</u>	<u>84,139</u>	
Net change in fund balances	(165,000)	(165,000)	(41,356)	123,644	
Fund balances - July 1, 2006	165,000	<u>165,000</u>	<u>474,407</u>	<u>309,407</u>	
Fund balances - June 30, 2007	<u>\$</u>	<u>\$</u>	<u>\$ 433,051</u>	<u>\$ 433,051</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, 2007

				Variance with Final Budget - Positive (Negative)	
	Budget Amounts		Actual Amounts		
	Original	Final			
Revenues					
Interest	\$ 34,100	\$ 34,100	\$ 126,718	\$ 92,618	
Total revenues	<u>34,100</u>	<u>34,100</u>	<u>126,718</u>	<u>92,618</u>	
Expenditures					
Capital outlay	2,034,421	2,044,341	712,091	1,332,250	
Operating contingency	437,729	427,809		427,809	
Total expenditures	<u>2,472,150</u>	<u>2,472,150</u>	<u>712,091</u>	<u>1,760,059</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(2,438,050)</u>	<u>(2,438,050)</u>	<u>(585,373)</u>	<u>1,852,677</u>	
Other Financing Sources					
Sale of surplus property			72,709	72,709	
Transfers in	2,482,500	2,482,500	2,482,500		
Total other financing sources	<u>2,482,500</u>	<u>2,482,500</u>	<u>2,555,209</u>	<u>72,709</u>	
Net change in fund balances	44,450	44,450	1,969,836	1,925,386	
Fund balances - July 1, 2006	912,500	912,500	1,968,771	1,056,271	
Fund balances - June 30, 2007	<u>\$ 956,950</u>	<u>\$ 956,950</u>	<u>\$ 3,938,607</u>	<u>\$ 2,981,657</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, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Expenditures			
Current			
Public safety:			
Personal services	\$ 36,536	\$ 31,484	\$ 5,052
Materials and services	7,164	4,464	2,700
Total public safety	<u>43,700</u>	<u>35,948</u>	<u>7,752</u>
Other Financing Sources			
Transfers in	<u>43,700</u>	<u>35,948</u>	<u>(7,752)</u>
Total other financing sources	<u>43,700</u>	<u>35,948</u>	<u>(7,752)</u>
Net change in fund balances			
Fund balances - July 1, 2006			
Fund balances - June 30, 2007	<u><u>\$</u></u>	<u><u>\$</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Grants and donations	\$ 1,253,935	\$ 223,919	\$ (1,030,016)
Total revenues	<u>1,253,935</u>	<u>223,919</u>	<u>(1,030,016)</u>
Expenditures			
Public safety:			
Personal services	8,400	8,388	12
Materials and services	142,935	73,116	69,819
Capital outlay	1,549,810	142,415	1,407,395
Total expenditures	<u>1,701,145</u>	<u>223,919</u>	<u>1,477,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(447,210)</u>		447,210
Other Financing Sources			
Transfers in	200,000		(200,000)
Sale of surplus property	247,210		(247,210)
Total other financing sources	<u>447,210</u>		<u>(447,210)</u>
Net change in fund balances			
Fund balances - July 1, 2006		79,831	79,831
Fund balances - June 30, 2007	<u>\$</u>	<u>\$ 79,831</u>	<u>\$ 79,831</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 6,901	\$ 11,127	\$ 4,226
Total revenues	<u>6,901</u>	<u>11,127</u>	<u>4,226</u>
Expenditures			
Current			
Public safety - personal services	152,740	128,762	23,978
Total expenditures	<u>152,740</u>	<u>128,762</u>	<u>23,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,839)</u>	<u>(117,635)</u>	<u>28,204</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)	(31,826)	28,204
Fund balances - July 1, 2006	260,890	262,871	1,981
Fund balances - June 30, 2007	<u>\$ 200,860</u>	<u>\$ 231,045</u>	<u>\$ 30,185</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 1,463,298	\$ 1,515,726	\$ 52,428
Interest	14,737	42,523	27,786
Total revenues	<u>1,478,035</u>	<u>1,558,249</u>	<u>80,214</u>
Expenditures			
Debt service:			
Principal	1,280,000	1,280,000	
Interest	170,200	170,200	
Total expenditures	<u>1,450,200</u>	<u>1,450,200</u>	<u> </u>
Excess of revenues over expenditures and net change in fund balances	27,835	108,049	80,214
Fund balances - July 1, 2006	776,840	1,165,747	388,907
Fund balances - June 30, 2007	<u>\$ 804,675</u>	<u>\$ 1,273,796</u>	<u>\$ 469,121</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 123,572	\$ 215,817	\$ 92,245
Charges for services	26,400	26,400	26,400
Total revenues	<u>123,572</u>	<u>242,217</u>	<u>118,645</u>
Expenditures			
Capital outlay	2,457,500		2,457,500
Operating contingency	755,371		755,371
Total expenditures	<u>3,212,871</u>	<u>242,217</u>	<u>3,331,516</u>
Other Financing Sources			
Proceeds from debt issuance		1,723,931	1,723,931
Total other financing sources	<u>1,723,931</u>	<u>1,723,931</u>	<u>1,723,931</u>
Net change in fund balances		1,966,148	5,055,447
Fund balances - July 1, 2006	(3,089,299)	3,882,796	793,497
Fund balances - June 30, 2007	<u>\$ 3,089,299</u>	<u>\$ 5,848,944</u>	<u>\$ 5,848,944</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest	\$ 14,420	\$ 34,694	\$ 20,274
Insurance refunds	<u>28,000</u>	<u>33,515</u>	<u>5,515</u>
Total revenues	<u>42,420</u>	<u>68,209</u>	<u>25,789</u>
Expenditures			
Materials and services	695,640	53,144	642,496
Total expenditures	<u>695,640</u>	<u>53,144</u>	<u>642,496</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(653,220)	15,065	668,285
Fund balances - July 1, 2006	<u>653,220</u>	<u>681,466</u>	<u>28,246</u>
Fund balances - June 30, 2007	<u><u>\$</u></u>	<u><u>\$</u></u> 696,531	<u><u>\$</u></u> 696,531

Tualatin Valley Fire and Rescue
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2007

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 182,337	\$ 299,534	\$ 481,871
Investments	1,312,704	492,693	1,805,397
Total assets	<u>1,495,041</u>	<u>792,227</u>	<u>2,287,268</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 1,495,041</u>	<u>\$ 792,227</u>	<u>\$ 2,287,268</u>

Tualatin Valley Fire and Rescue
Combining Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	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:			
Interest	\$ 15,040	12,895	27,935
Dividends	120,345	11,850	132,195
Net increase in the fair value of investments	<u>98,712</u>	<u>65,178</u>	<u>163,890</u>
Net investment earnings	234,097	89,923	324,020
Total additions	<u>234,097</u>	<u>149,923</u>	<u>384,020</u>
Deductions			
Benefits	321,354	11,040	332,394
Administration expenses	<u>535</u>		<u>535</u>
Total deductions	<u>321,889</u>	<u>11,040</u>	<u>332,929</u>
Change in net assets	(87,792)	138,883	51,091
Total net assets, July 1, 2006	1,582,833	653,344	2,236,177
Total net assets, June 30, 2007	<u>\$ 1,495,041</u>	<u>\$ 792,227</u>	<u>\$ 2,287,268</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment earnings	\$ 41,075	\$ 234,097	\$ 193,022
Total revenues	<u>41,075</u>	<u>234,097</u>	<u>193,022</u>
Expenditures			
Personnel services	361,025	321,354	39,671
Materials and services	5,000	535	4,465
Total expenditures	<u>366,025</u>	<u>321,889</u>	<u>44,136</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(324,950)	(87,792)	237,158
Fund balances - July 1, 2006	1,610,210	1,582,833	(27,377)
Fund balances - June 30, 2007	<u>\$ 1,285,260</u>	<u>\$ 1,495,041</u>	<u>\$ 209,781</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment earnings	\$ 23,640	\$ 89,923	\$ 66,283
Total revenues	<u>23,640</u>	<u>89,923</u>	<u>66,283</u>
Expenditures			
Personnel services	592,870	11,040	581,830
Total expenditures	<u>592,870</u>	<u>11,040</u>	<u>581,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(569,230)</u>	<u>78,883</u>	<u>648,113</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)	138,883	648,113
Fund balances - July 1, 2006	611,120	653,344	42,224
Fund balances - June 30, 2007	<u>\$ 101,890</u>	<u>\$ 792,227</u>	<u>\$ 690,337</u>

Tualatin Valley Fire and Rescue
Schedule of Property Tax Transactions and Outstanding Balances
For the Year Ended June 30, 2007

Tax Year	Taxes Uncollected June 30, 2006	Add Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest Received	(Deduct) Cancellations and Adjustments	(Deduct) Collections	Taxes Uncollected June 30, 2007
2006-07	<u>\$62,860,513</u>		<u>(\$1,586,237)</u>	<u>\$20,401</u>	<u>(\$120,176)</u>	<u>(\$59,799,046)</u>	<u>\$1,375,455</u>
2005-06	<u>\$1,203,963</u>		<u>486</u>	<u>48,946</u>	<u>(42,678)</u>	<u>(879,232)</u>	<u>331,485</u>
2004-05	<u>315,457</u>		<u>410</u>	<u>23,745</u>	<u>(22,949)</u>	<u>(156,876)</u>	<u>159,787</u>
2003-04	<u>138,906</u>		<u>592</u>	<u>22,179</u>	<u>(28,448)</u>	<u>(82,616)</u>	<u>50,613</u>
2002-03	<u>58,696</u>		<u>56</u>	<u>11,171</u>	<u>(6,519)</u>	<u>(44,366)</u>	<u>19,038</u>
2002 and prior	<u>38,454</u>		<u>238</u>	<u>4,083</u>	<u>(2,119)</u>	<u>(13,132)</u>	<u>27,524</u>
Total prior	<u>1,755,476</u>		<u>1,782</u>	<u>110,124</u>	<u>(102,713)</u>	<u>(1,176,222)</u>	<u>588,447</u>
	<u><u>\$1,755,476</u></u>	<u><u>\$62,860,513</u></u>	<u><u>(\$1,584,455)</u></u>	<u><u>\$130,525</u></u>	<u><u>(\$222,889)</u></u>	<u><u>(\$60,975,268)</u></u>	<u><u>\$1,963,902</u></u>

	General Fund	Debt Service Fund	Total
Reconciliation to tax revenues on combined financial statements:			
Property tax collections above	<u>\$59,459,156</u>	<u>\$1,516,112</u>	<u>\$60,975,268</u>
Property taxes susceptible to accrual at June 30, 2007	<u>286,383</u>	<u>6,445</u>	<u>292,828</u>
Property taxes susceptible to accrual at June 30, 2006	<u>(280,692)</u>	<u>(7,486)</u>	<u>(288,178)</u>
Taxes in lieu of property taxes	<u>26,623</u>	<u>655</u>	<u>27,278</u>
Tax revenues	<u><u>\$59,491,470</u></u>	<u><u>\$1,515,726</u></u>	<u><u>\$61,007,196</u></u>

	Property Taxes		Taxes in Lieu of Property Taxes	Total	Taxes Uncollected June 30, 2007
	Current Levy	Prior Years			
DISTRIBUTED AS FOLLOWS:					
General Fund	<u>\$58,538,966</u>	<u>\$925,881</u>	<u>\$26,623</u>	<u>\$59,491,470</u>	<u>\$1,913,655</u>
Debt Service Fund	<u>1,489,661</u>	<u>25,410</u>	<u>655</u>	<u>1,515,726</u>	<u>50,247</u>
	<u><u>\$60,028,627</u></u>	<u><u>\$951,291</u></u>	<u><u>\$27,278</u></u>	<u><u>\$61,007,196</u></u>	<u><u>\$1,963,902</u></u>

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.	71
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	75
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.	79
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.	82
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.	84
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 Five Fiscal Years
 (accrual basis of accounting)

Governmental Activities:	Fiscal Year				
	2003	2004	2005	2006	2007
Invested in capital assets, net of related debt	\$ 18,050,203	\$ 19,494,131	\$ 23,463,387	\$ 27,938,890	\$ 25,440,690
Restricted	993,589	858,636	1,031,033	1,165,747	1,273,796
Unrestricted	26,115,793	27,576,532	28,809,681	30,663,907	39,349,635
Total primary government net assets	\$ 45,159,585	\$ 47,929,299	\$ 53,304,101	\$ 59,768,544	\$ 66,064,121

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

					Fiscal Year	
	2003	2004	2005	2006	2007	
Expenses						
Governmental activities:						
Public safety - fire protection	\$ 47,918,975	\$ 50,656,606	\$ 53,100,610	\$ 56,652,973	\$ 58,872,384	
Interest on long-term debt	426,663	342,004	280,733	210,432	359,307	
Loss on sale of capital assets			77,030			
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>	
Program Revenues						
Governmental activities:						
Charges for services ⁽¹⁾	5,403,408	3,767,913	704,506	818,382	852,678	
Operating grants and contributions	65,000	197,112	1,794,138	606,864	583,497	
Capital grants and contributions				1,453,268		
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>	
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>	
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	
Investment earnings	549,532	484,643	875,339	1,645,622	2,504,630	
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	
Miscellaneous	199,856	32,790	76,822	192,871	81,298	
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>	
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>	

⁽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 Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 198,660	\$ 177,847	\$ 204,312	\$ 225,511	\$ 236,315
Unreserved	<u>20,516,145</u>	<u>20,213,268</u>	<u>22,218,710</u> ⁽¹⁾	<u>25,737,059</u>	<u>30,458,483</u>
Total general fund	<u><u>\$20,714,805</u></u>	<u><u>\$20,391,115</u></u>	<u><u>\$22,423,022</u></u>	<u><u>\$25,962,570</u></u>	<u><u>\$30,694,798</u></u> ⁽²⁾
All Other Governmental Funds					
Reserved	\$ 1,261,284	\$ 1,235,280	\$ 1,339,277	\$ 1,428,618	\$ 17,868,637 ⁽²⁾
Unreserved, reported in					
Special revenue funds	3,870,283	4,119,430	2,801,691	2,523,009	4,451,489
Capital projects fund	1,820,528	2,656,074	4,224,381	3,882,796	5,848,944
Total all other governmental funds	<u><u>\$ 6,952,095</u></u>	<u><u>\$ 8,010,784</u></u>	<u><u>\$ 8,365,349</u></u>	<u><u>\$ 7,834,423</u></u>	<u><u>\$ 28,169,070</u></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 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
Revenues					
Taxes	\$ 47,084,315	\$ 48,939,210	\$ 55,433,542	\$ 58,139,673	\$ 61,007,196
Interest	539,707	476,100	860,920	1,614,208	2,469,936
Charges for services	5,416,815	3,767,482	702,918	831,114	848,145
Insurance refunds	68,090	92,129	142,632	383,678	239,646
Grants and donations		197,112	1,256,727	606,864	230,399
Miscellaneous	284,765	82,602	70,635	181,377	73,987
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>
Expenditures					
Current					
Public safety	44,450,102	48,012,106	49,622,079	53,080,053	55,487,788
Capital outlay	2,805,918	3,331,000	4,622,077	5,448,168	3,026,118
Debt service:					
Principal	2,835,000	1,520,000	1,582,100	1,190,000	1,280,000
Interest	435,185	345,908	287,532	225,450	170,200
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>
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>
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
Transfers in	4,576,464	3,488,460	4,002,535	4,090,853	2,604,257
Transfers out	(4,611,464)	(3,488,460)	(4,002,535)	(4,090,853)	(2,664,257)
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>
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>
Debt service as a percentage of noncapital expenditures	6.85%	3.74%	3.63%	2.60%	2.55%

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		Total Direct Tax	
	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Total	Market Value	Total	Market Value
2007	\$32,870,751,582	\$55,887,171,646	\$1,209,328,395	\$1,215,420,705	\$66,468,302	\$71,311,755	\$969,636,390	\$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	927,939,770	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 ⁽ⁱ⁾	20,211,306,315	27,081,664,480	1,160,962,103	1,216,050,650	91,949,693	124,963,516	650,168,388	710,658,588	22,114,386,999	29,133,337,234	75.91	1.56
1999	19,247,561,936	24,807,891,061	1,094,067,817	1,145,392,645	88,256,670	115,199,869	600,845,837	664,744,982	21,030,732,230	26,733,228,557	78.67	1.52
1998	17,984,712,814	23,328,024,543	1,077,812,899	1,171,545,790	82,715,842	108,024,064	518,155,158	612,617,084	19,663,396,713	25,220,211,482	77.97	1.54

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

* Includes Multnomah County Assessed Valuation in its entirety.
⁽ⁱ⁾ Assessed value does not include urban renewal. Prior years include urban renewal and have not be restated.

Note: In May 1997, Oregon voters approved Measure 50 that revised the property tax system state-wide effective July 1, 1997. For property tax purposes, the measure changed a property's assessed valuation from real market value to a value for tax purposes. For fiscal year 1997-98, a property's assessed value for tax purposes was set to equal the property's market value as of July 1, 1995 less 10%. In addition, the maximum assessed value of a property was limited to a maximum of 3% growth per year.

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
	\$11.21	\$11.96	\$12.09	\$11.51	\$12.01	\$11.93	\$10.66	\$10.83	\$10.26	\$10.50
	to									
	\$20.11	\$21.35	\$20.09	\$21.65	\$18.86	\$18.69	\$17.82	\$17.35	\$17.00	\$17.16
Tualatin Valley Fire and Rescue	\$1.82	\$1.82	\$1.83	\$1.83	\$1.82	\$1.83	\$1.83	\$1.59	\$1.52	\$1.54
Washington County	2.45	2.84	2.87	2.90	2.91	2.96	2.53	2.54	2.56	2.84
Washington County School District No. 1J	6.52	6.58	6.60	6.67	6.79	7.18	5.94	6.14	5.59	5.77
Washington County School District No. 1-1	5.28	4.77	7.18	7.12	7.22	6.97	7.00	6.35	6.31	6.67
Beaverton School District 48J	6.29	7.98	6.60	8.01	6.56	6.36	6.12	6.19	6.17	6.16
West Linn School District #101	9.31	7.90	9.18	9.28	9.15	8.97	9.02	6.81	8.22	6.76
Newberg School District #46	8.27	8.17	8.21	8.82	6.65	6.86	6.72	6.89	7.04	7.08
Tigard School District 23J	6.90	6.98	7.79	7.88	7.16	7.03	7.24	6.31	6.64	6.59
School - Tigard/Tualatin Bond	0.90	1.01	1.80	1.13						
City of Beaverton	4.21	4.01	4.10	3.97	3.61	3.31	3.79			
City of Tigard	2.73	2.72	2.70	2.68	2.90	2.57	2.60			
City of Durham	1.83	1.86	1.94	1.96	1.84	1.83	1.88			
City of King City	1.94	1.94	1.53	1.93	1.94	1.97	1.99			
Metzger Water - Combined	0.19	0.18	0.19	0.22	0.23	0.23	0.25			
Portland Community College	0.49	0.50	0.51	0.51	0.49	0.55	0.37	0.35	0.35	0.36
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	1.44	1.45	1.46	1.46	1.46	1.47	1.49	1.56	1.52	1.53
Enhanced Sheriffs	1.11	1.12	1.14	1.17	1.03	1.05	1.08	1.05	1.03	1.04
Clackamas Education Service District	0.37	0.37	0.36	0.37	0.37	0.37	0.37	0.36	0.36	0.36
Multnomah Education Service District	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.45	0.45	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	2.87	2.40	2.82	2.40	2.83	2.97	2.97			
Clackamas Community College	2.40	0.54	0.54	0.54	0.54	0.86	0.56			
Clackamas County School District 3J (West Linn/Wilsonville)	6.37	9.23	9.18	6.37	6.37	6.97	6.37	6.81	8.22	4.87
Clackamas County School District No. 7J (Lake Oswego)	7.04	7.32	7.11	6.90	6.90	7.02	6.08	5.51	5.61	5.66
Clackamas County School District No. 86 (Canby)	4.58	7.11	6.54	4.58	4.58	7.91	4.58	5.41	6.80	10.01
Washington County School District No. 88	7.07	6.94	7.30	7.33	7.36	7.44	7.51	7.79	6.06	6.14
City of Sherwood	3.78	3.89	4.19	4.20	4.38	4.71	4.39	4.39	4.73	4.84
City of Tualatin	2.13	2.14	2.01	2.10	2.75	2.90	3.16	2.99	3.38	
City of Wilsonville	2.32	2.37	2.42	2.36	2.52	2.93	2.67	2.68	2.69	2.62
City of Wilsonville - Urban Renewal	0.69	0.73	2.65	0.73	1.42	0.68	0.73	0.96	0.75	0.78
City of West Linn	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)

	2007			1998		
	Rank	Percentage of Total Taxable Assessed Valuation		Rank	Taxable Assessed Value ⁽¹⁾	
		Taxable Assessed Value ⁽¹⁾	0.94 %		\$184,168	Percentage of Total Taxable Assessed Valuation
Private enterprises:						
Nike Inc	1	\$329,863	0.94 %	3	\$184,168	0.79 %
Intel Corporation	3	208,957	0.60	1	820,901	3.51
Pacific Reality & Associates	5	174,395	0.50	6	148,738	0.64
Tektronix, Inc.	7	135,402	0.39	5	154,442	0.66
Maxim Integrated Products	8	123,832	0.35	-	-	-
Novellus Systems, Inc.	9	105,428	0.30	-	-	-
Washington Square	10	104,186	0.30	-	-	-
Integrated Device/Sumitomo Bank	-	-	-	8	103,008	0.44
Fred Meyer, Inc	-	-	-	9	79,866	0.34
Spieker Properties, LP	-	-	-	10	68,056	0.29
Public utilities:						
Verizon Northwest Inc.	2	255,781	0.73	2	226,526	1.06
Portland General Electric	4	192,266	0.55	4	184,062	0.79
Northwest Natural Gas	6	163,123	0.46	7	122,857	0.52
All other taxpayers		33,323,011	94.89		21,312,482	91.06
Total		<u><u>\$35,116,244</u></u>	<u><u>100.00 %</u></u>		<u><u>\$23,405,106</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
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
1998	30,441,705	28,890,186	94.90	896,869	29,787,055	97.85

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	Population (a)	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 to Assessed Value	Net General Bonded Debt Per Capita
2007	430,500	\$ 35,116,244	\$ 22,850,000	\$ 1,273,796	\$ 21,576,204	0.06	\$50.12
2006	424,000	33,378,251	4,130,000	1,165,747	2,964,253	0.01	6.99
2005	418,000	30,990,348	5,320,000	1,031,033	4,288,967	0.01	10.26
2004	417,646	27,533,018	6,902,100	867,007	6,035,093	0.02	14.45
2003	411,500	26,537,095	8,422,100	837,031	7,585,069	0.03	18.43
2002	407,400	25,173,975	9,820,000	971,121	8,848,879	0.04	21.72
2001	399,021	23,591,838	11,135,000	929,734	10,205,266	0.04	25.58
2000	394,680	22,114,387	11,940,000	204,017	11,735,983	0.05	29.74
1999	370,680	21,030,732	7,695,000	77,714	7,617,286	0.04	20.55
1998	315,906	19,663,397	3,375,000	354,000	3,021,000	0.02	9.56

Notes:
 (a) Population numbers shown are estimates made as of July 1 of the fiscal year indicated.

Sources:
 (1) Washington, Clackamas, and Multnomah County Assessment and Taxation Departments.
 (2) District financial statements, current and prior years.

Tualatin Valley Fire and Rescue
Computation of Overlapping Net Direct Debt
June 30, 2007

Jurisdiction	Net Direct Debt Outstanding ⁽¹⁾	Percentage Applicable to District	Amount Applicable to District
Clackamas School No. 3J (West Linn/Wilsonville)	\$125,412,238	100.00 %	\$125,412,238
Clackamas County	9,285,543	18.57	1,724,771
Clackamas County School District No.7J (Lake Oswego)	4,366,585	5.59	244,293
Clackamas County School District No. 86 (Canby)	10,414,828	15.46	1,609,924
Clackamas Community College	10,476,677	24.47	2,563,905
City of West Linn	9,130,000	100.00	9,130,000
City of Wilsonville	230,000	100.00	230,000
Columbia County SD 1J (Scappoose)	2,622	0.24	6
Multnomah County	670,280	1.09	7,299
Metro Service District	68,974,307	30.44	20,995,572
Tri-Metropolitan Transport District	20,202,927	29.32	5,923,922
Portland Community College	21,372,675	33.69	7,201,501
Washington County	31,413,068	73.81	23,185,640
Tualatin Hills Park & Recreation District	16,252,885	98.00	15,927,421
Washington County School No. 23J (Tigard-Tualatin)	105,891,068	99.88	105,767,281
Washington County District No. 48J (Beaverton)	382,887,882	96.23	368,460,667
Washington County School District No. 88J (Sherwood)	133,282,296	99.27	132,310,135
Washington County School District No. 1J (Hillsboro)	42,484,875	15.09	6,410,288
Washington County School District No. 1J (Reedville Bond)	916,207	57.99	531,288
City of Beaverton	1,994,982	100.00	1,994,964
City of Durham	1,784,879	99.99	1,784,758
City of Sherwood	8,344,299	99.99	8,343,598
City of Tigard	11,066,181	100.00	11,065,993
City of Tualatin	12,109,467	100.00	12,108,934
Yamhill County School District No. 29J (Newberg)	2,840,765	4.71	<u>133,664</u>
Total			<u>\$863,068,063</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, 2007

Legal Debt Margin Calculation for Fiscal Year 2007

True cash value of District property	\$58,151,193,403
Debt limit under ORS 478.410(2) - (1.25% of the true cash value)	726,889,918
Amount of debt applicable to debt limit:	
Gross bonded debt outstanding	\$22,850,000
Assets in Debt Service Fund available for debt service	<u>(1,273,796)</u>
Total amount of debt applicable to debt limit	<u>21,576,204</u>
Legal debt margin	<u>\$705,313,714</u>
Total net debt applicable to the limit as a percentage of debt limit	2.97%

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 315,252,644	\$ 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
Total net debt applicable to limit	<u>3,021,000</u>	<u>7,617,286</u>	<u>11,735,983</u>	<u>10,205,266</u>	<u>8,848,879</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>
Legal debt margin	<u>\$ 312,231,644</u>	<u>\$ 326,548,071</u>	<u>\$ 352,430,732</u>	<u>\$ 384,303,078</u>	<u>\$ 424,326,229</u>	<u>\$ 436,228,904</u>	<u>\$ 468,226,645</u>	<u>\$ 532,610,482</u>	<u>\$ 593,922,583</u>	<u>\$ 705,313,714</u>
Total net debt applicable to the limit as a percentage of debt limit	0.96%	2.28%	3.22%	2.59%	2.04%	1.71%	1.27%	0.80%	0.50%	2.97%

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)
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
1998	315,906	28,490	9,000,162	43,604	3.8

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fire and Rescue Service	217	243	263	287	310	294	300	302	298	301
Fire Prevention and Training	30	40	41	31	32	33	43	42	40	41
Administrative and Support	59	55	52	53	60	60	60	59	65	64
Total	306	338	356	371	402	387	403	403	403	406

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 est.
Public Safety										
Fire Prevention Inspections	11,533	8,704	5,251	6,144	7,150	9,071	4,813	4,452	4,818	7,650
Emergency Medical Service Calls	14,585	15,661	13,669	14,115	14,558	13,598	13,485	14,636	15,165	15,698
Fire Responses	1,094	1,245	1,357	1,376	1,327	1,223	1,126	1,110	1,355	969
Other Responses - including hazardous materials, mutual aid, public service	2,271	2,738	3,447	3,605	3,614	3,279	3,318	2,728	3,193	3,056
Miscellaneous - including false alarms, good intent	3,725	4,840	9,761	11,170	11,765	12,313	12,298	11,871	12,695	12,718

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Number of Stations	18	22	24	24	24	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>	27	36	38	40	41	41	36	36	36	36
<i>Ladder trucks</i>	2	4	5	5	5	5	5	5	3	4
<i>Brush rigs</i>	11	13	13	11	11	11	8	8	8	8
<i>Tenders</i>	4	6	6	7	7	7	7	7	6	6
<i>Hazmat squad</i>	7	2	2	2	2	2	1	1	1	1
<i>Squad/Support units</i>	2	7	7	12	12	12	11	11	13	13
<i>Technical rescue</i>	2	2	2	1	1	1	1	1	1	1
<i>Heavy squad</i>	1	1	1	—	—	—	—	—	—	—
<i>Muster vehicles</i>	—	—	—	5	5	5	4	4	4	4

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

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**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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4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

November 9, 2007

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, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of federal program 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 material noncompliance with a type of compliance requirement for federal program will not be prevented or detected by an entity's internal control.

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

Page 2

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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, 2007.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2007, 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, 2007, and the preparation and adoption of its budget for the year ending June 30, 2008, except that a supplemental budget was not prepared as required for a transfer from general operating contingency in the Apparatus Fund. The transfer was an amount that exceeded 15% of the total appropriations for the fund.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2007. 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, 2007.

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

Page 3

PUBLIC CONTRACTS

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

PROGRAMS FUNDED FROM OUTSIDE SOURCES

In a separate report dated November 9, 2007, we have reported on the Schedule of Expenditures of Federal Awards. We have also reported on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards* and compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

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.

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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