



A Rural Fire Protection District, Aloha Oregon

Proudly serving the
communities of:

BEAVERTON
DURHAM
KING CITY
RIVERGROVE
ROSEMONT
SHERWOOD
TIGARD
TUALATIN
WEST LINN
WILSONVILLE

And portions of:

WASHINGTON
CLACKAMAS
MULTNOMAH
counties.



COMPREHENSIVE ANNUAL FINANCIAL REPORT **for the fiscal year ended June 30, 2006**



Tualatin Valley Fire & Rescue

A Rural Fire Protection District, Aloha Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT for the fiscal year ended June 30, 2006

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

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Cover photo courtesy of Storm Smith, TVFR.

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TUALATIN VALLEY FIRE AND RESCUE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION

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November 22, 2006

**Board President Larry Goff 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, 2006. 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.

This Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Audit Comments and Disclosures.

The *Introductory Section* includes this Letter of Transmittal, a list of principal officials, the District's organizational chart as well as budget committee members.

The *Financial Section* includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements for the entity as a whole, notes to the basic financial statements, required supplementary information and supplemental information. MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

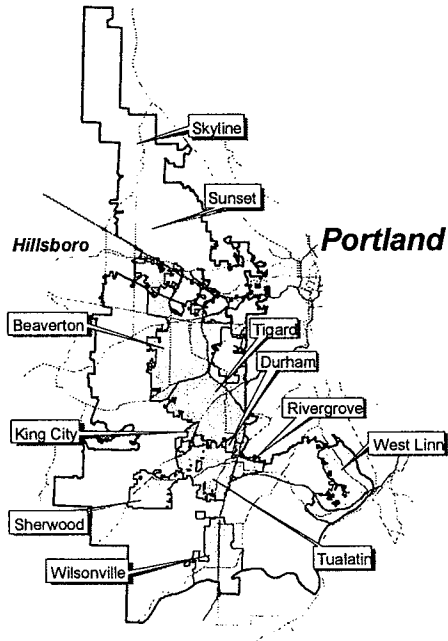
The *Statistical Section* includes selected financial and demographic information, generally presented on a multi-year basis.

The *Audit Comments and Disclosures Section* contains related comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations.

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

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.

The Reporting Entity and Its Services



The District operates under Oregon Revised Statutes (ORS) 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 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, 14 squad units, six water tenders and several other pieces of equipment, including six volunteer company engines. These apparatus are complemented by additional training and reserve apparatus, which are utilized for training, maintenance and other uses. District employees of approximately 400 in 2006 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.

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

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

The District serves a population of an estimated 424,000 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 31.0 billion dollars in 2004-05 to approximately 33.4 billion dollars in the 2005-06 fiscal year. In addition, the District depends upon an additional local option levy of 25 cents a thousand to supplement our permanent levy rate. This was first levied in 2001-02 as part of a four year levy request. We were again strongly supported by our voters at the November 2004 election, to continue the 25 cent levy for an additional five years. This levy will provide funding through June 30, 2010. Capital funding for the next several years will 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 will provide 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 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.

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

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 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. While the recent economic slowdown, especially in the areas of high-tech businesses, has affected recent growth, economic and regional population forecasts continue to project the area's continued growth and development. Assessed valuation of existing property is limited to three percent increases a year and growth in the District's assessed valuation is largely expected to come from continued development within its service boundaries. The true cash value, or market value, of the District grew 11.2% to almost \$48 billion while assessed value grew 7.7% for the property tax year 2006.

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,

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

Inc., Portland General Electric, IBM, Kaiser Permanente, Providence Health System, U.S. Bank, Freightliner, Tektronix Inc., Nike Inc., 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 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 2006, the District's largest single focus was the passage of the District's general obligation bond request for \$77.5 million dollars at the November 7, 2006 election. The District has significant capital needs through out the District and securing the ability to sell general obligation bonds and levy taxes above our permanent rate to repay the bonds will provide long term financial stability for these stations and apparatus needs. The District continues to study and plan for the future different election year and funding models. We must plan for providing additional firefighters in growing areas as well as the support staff needed to support the emergency responders. We are projecting the level of additional staffing we can accommodate utilizing growth in property tax revenue provided from the permanent levy as well as the local option levy, which by law, can not extend past five years. We anticipate that at some point in time, we will need to ask our voters for a rate increase to the local option levy, but are trying to determine the timing of that potential request.

In addition, the District has recently begun a major restructuring of its strategic plan and goals as well as how those goals then filter through out 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, 2006, all divisions and departments of the fire department contributed toward the accomplishments of our 2006 strategic goals. These goals, as outlined in our prior Strategic Plan are:

- *Ensure health and safety of all members.*
- *Reduce number and severity of emergency incidents.*
- *Seek efficiencies through cooperative initiatives.*
- *Pursue maximum institutional financial stability and predictability.*
- *Enhance preparedness for catastrophic events.*

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

- *Develop and enhance a diverse workforce that reflects the community we serve and that honors and respects our individual and group difference.*
- *Promote craftsmanship throughout the organization.*
- *Increase community understanding of TVF&R's mission and the community's role in the safety partnership.*
- *Build strategic, mission-oriented community understanding, which leads to involvement. Maintain a positive work environment through collaborative labor/management relations with both bargaining and non-bargaining unit employees..*
- *Maintain CFAI accreditation and industry credentials.*

Efforts during the fiscal year ended June 30, 2006, as a result of these goals, included:

- Continuing deployment of mobile data terminals into response apparatus with additional response maps and preplans provided to response personnel.
- Education of our citizens regarding the needs for additional capital funding.
- Monitoring of a newly implemented Peak Activity Unit program in the attempt to improve response times performance and increase total units in the field.
- Update a revised Standards of Coverage for Emergency Response operations.
- Continued station land purchase negotiations and closed two sales.

Cash Management

The District invests available cash primarily in the Oregon State Treasury's Local Government Investment Pool 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.

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

Other Information

Independent Audit

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 in this report.

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, 2005. This was the 18th consecutive year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both 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.

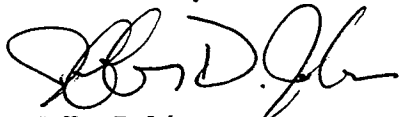
In addition, the District also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the budget year ended June 30, 2006. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. This was the 18th 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.

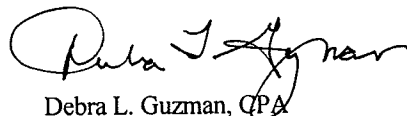
Respectfully submitted,

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, 2005

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.



A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

TUALATIN VALLEY FIRE & RESCUE
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2006

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, 2007
Brian J. Clopton	June 30, 2007
Larry D. Goff	June 30, 2009

Budget Committee

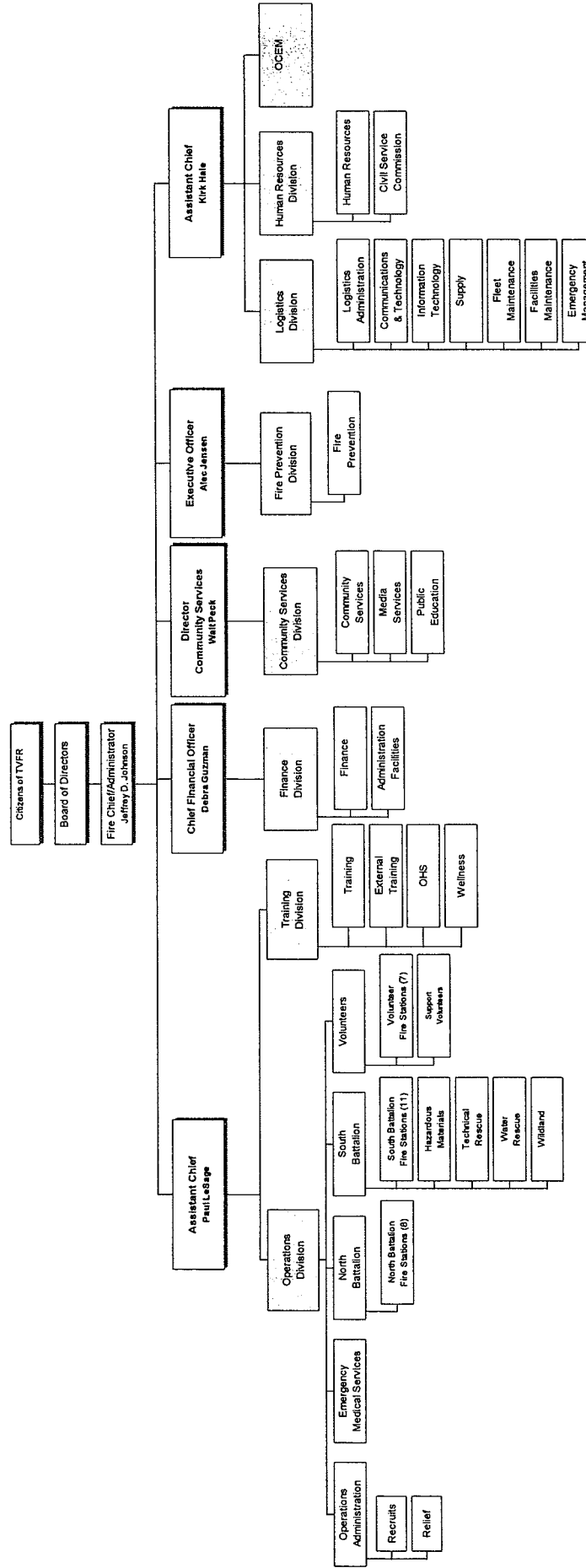
	Term Expires
Leland H. Ascher	June 30, 2008
Clark I. Balfour	June 30, 2009
Brian J. Clopton	June 30, 2007
Carol A. Gearin	June 30, 2007
Larry D. Goff	June 30, 2009
Christopher D. Harris	June 30, 2009
Daniel M. Lewis	June 30, 2009
Michael D. Smith	June 30, 2007
Jon R. Walsh	June 30, 2007
Robert C. Wyffels	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 & RESCUE
ORGANIZATIONAL CHART
 JUNE 30, 2006



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

November 22, 2006

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, 2006, 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, 2006, 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 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 _____
Roger A. Korvola, 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, 2006

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, 2006. 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, 2006 by \$59,768,544. Of this amount, \$27,938,890 represents the District's investment in capital assets, net of related debt, \$1,165,747 is restricted for debt service and the balance of \$30,663,907 will be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$6,464,443, primarily due to increases in property tax revenue from assessed valuation growth within the District, increased investment earnings due to higher interest rates, higher insurance refunds, and increased grant and contribution revenue and less than anticipated retirement contributions for the employee retirement system.
- As of June 30, 2006, the District's governmental funds reported combined ending fund balances of \$33,796,993, an increase of \$1,986,472 in comparison with the prior year. The majority of this amount is unreserved. A change in the way the District accounts for compensated absences liability resulted in a prior period adjustment of \$1,022,150, increasing unreserved fund balance as of June 30, 2005, after restatement.
- At June 30, 2006, unreserved fund balance for the general fund was \$25,737,059, or 48.9 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 provided from property taxes which are not received until the end of the fifth month of each succeeding fiscal year.
- The District's total debt decreased by \$1,190,000 (25 percent) during the current fiscal year. This decrease was due to scheduled principal and interest payments on the District's outstanding bond issues.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

Overview of the Financial Statements

This discussion and analysis are 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.

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

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

legal requirements. All of the funds of the District can be divided into three categories: governmental funds, internal service funds, 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 more narrow 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 eight 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 Property and Building Fund, which are considered to be major funds. Data from the other six 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.

The basic governmental fund financial statements can be found on pages 25 and 27 of this report.

Internal service funds. 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.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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 funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 56 and 57 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 \$59,768,544 at June 30, 2006.

The largest portion of the District's net assets (47 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.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities		Increase (Decrease) from Fiscal 2005
Net Assets	2006	2005	
Current and other assets	\$ 38,969,590	\$ 37,338,900	\$ 1,630,690
Capital assets	32,047,439	28,752,204	3,295,235
Total assets	71,017,029	66,091,104	4,925,925
Current liabilities	7,139,936	7,498,186	(358,250)
Long-term debt	4,108,549	5,288,817	(1,180,268)
Total liabilities	11,248,485	12,787,003	(1,538,518)
Net assets:			
Invested in capital assets, net of related debt	27,938,890	23,463,387	4,475,503
Restricted for debt service	1,165,747	1,031,033	134,714
Unrestricted	30,663,907	28,809,681	1,854,226
Total net assets	\$ 59,768,544	\$ 53,304,101	\$ 6,464,443

The District's largest liability (37 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 \$6,464,443. Unrestricted net assets increased by \$1,854,226 due to less than anticipated pension system rate increases and management of expenses in order to achieve fund balance targets. Total net assets invested in capital assets net of related debt increased by \$4,475,503 primarily due to grants for capital assets and land purchases for future fire station sites.

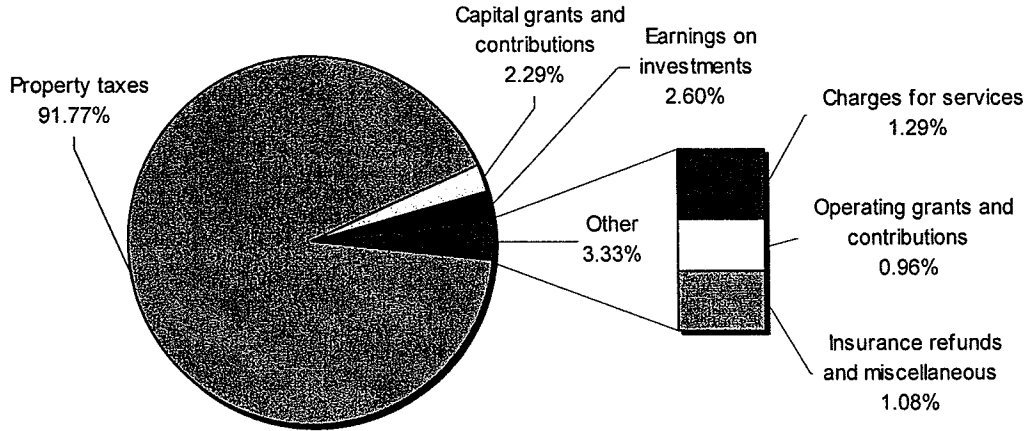
Governmental activities. Governmental activities increased the District's net assets in the current year by \$6,464,443. Property taxes increased, reflecting increased assessed valuation of the District. An increased total level of operating and capital grants and contributions were also received in fiscal year 2006. 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.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2006

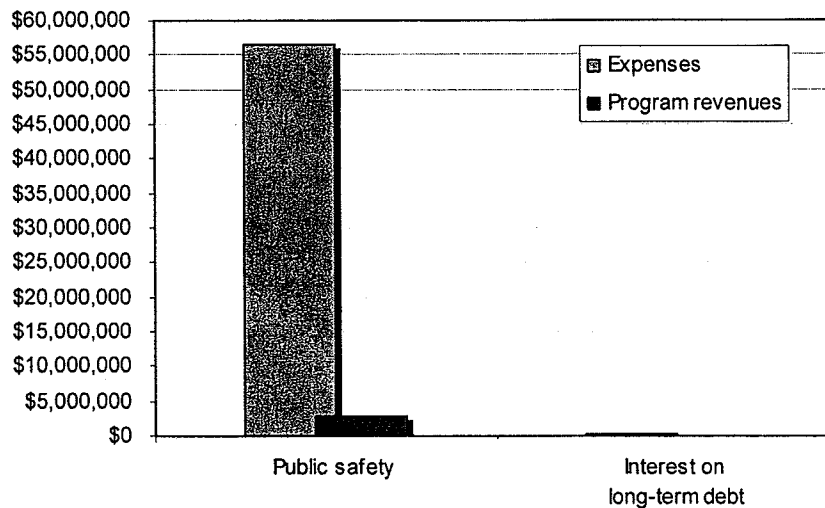
Changes in Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2005
	2006	2005	
Revenues:			
Program revenues			
Charges for services	\$ 818,382	\$ 704,506	\$ 113,876
Operating grants and contributions	606,864	1,794,138	(1,187,274)
Capital grants and contributions	1,453,268		1,453,268
General revenues:			
Property taxes	58,118,393	55,233,714	2,884,679
Gain/(Loss) on sale of capital assets	42,130	(77,030)	119,160
Earnings on investments	1,645,622	875,339	770,283
Insurance refunds	450,318	148,656	301,662
Miscellaneous	192,871	76,822	116,049
Total revenues	63,327,848	58,756,145	4,571,703
Expenses:			
Public safety-fire protection	56,652,973	53,100,610	3,552,363
Interest on long-term debt	210,432	280,733	(70,301)
Total expenses	56,863,405	53,381,343	3,482,062
Change in net assets	6,464,443	5,374,802	1,089,641
Net assets - July 1	53,304,101	47,929,299	5,374,802
Net assets - June 30	\$ 59,768,544	\$ 53,304,101	\$ 6,464,443

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

Revenue Sources - Governmental Activities
Fiscal Year 2006



Expenses and Program Revenues - Governmental Activities
Fiscal Year 2006



TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006, the District's governmental funds reported combined ending fund balances of \$33,796,993, an increase of \$1,986,472 in comparison with the prior year, as restated. The majority of this total amount (95 percent) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved for supplies inventory, debt service, and retiree medical insurance payments.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2006 unreserved fund balance of the general fund was \$25,737,059, while total fund balance reached \$25,962,570. 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 45 percent of total general fund expenditures and other financing uses and total fund balance also represents 46 percent of that same amount.

The fund balance of the District's general fund increased by \$2,517,398 or approximately 11 percent during the current fiscal year.

Property and Building Fund. The Property and Building Fund accounts for the accumulation of resources for building site acquisitions and construction costs for new and existing facilities. As of June 30, 2006, the ending fund balance of the Property and Building Fund was \$3,882,796, a decrease of \$341,585 during the current fiscal year. This decrease is due to construction and land purchases over the amount of transfers in from the General fund.

General Fund Budgetary Highlights

The Board approved two budget transfers to the adopted budget for June 30, 2006. The budget transfers authorized funding for the labor contract for the year beginning July 1, 2005 which had not been settled

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2006

during the budget process, repairs and several other areas. During the year, all General Fund expenditures were within budget.

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, 2006, the District had invested \$32,047,439 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation)	Governmental Activities		Increase (Decrease) from Fiscal 2005
	2006	2005	
Land	\$ 6,237,729	\$ 4,207,210	\$ 2,030,519
Buildings and improvements	10,161,508	10,754,489	(592,981)
Fire apparatus and other vehicles	13,061,190	11,192,227	1,868,963
Furniture, fixtures and equipment	2,323,801	1,952,284	371,517
Work in progress	263,211	645,994	(382,783)
Total	<u>\$ 32,047,439</u>	<u>\$ 28,752,204</u>	<u>\$ 3,295,235</u>

During the year, the District's investment in capital assets increased by \$3,295,235, reflecting significant capital asset investments. The major capital asset events for the year included the purchases of emergency response apparatus, including two aerial ladder trucks, one engine, and a specialized hazardous materials unit; fleet public safety vehicles; and firefighting equipment, including a new cache of cardiac monitors and mobile data computers.

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 \$4,108,549, consisting of general obligation bonds, net of unamortized premiums. The District maintains an "Aa2" rating from Moody's Investors Service and an "AA-" from Standard & Poor's. 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 \$593 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.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

Economic Factors and Next Year's Budget

The District's service area appears to be coming out of the recent economic slowdown, which had especially impacted the high tech service arena. While the District has conservatively forecasted its long term assessed value growth rates for financial forecasting and future budget purposes, we anticipate continuing to increase property tax revenues in future years based upon projected assessed value increases.

The state's pension system for its public employees, PERS, has been under significant legislative and public scrutiny as the costs of the benefits had become higher than acceptable and 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 have served to slow down the rate of increase in mandatory pension contribution rates for employers for now, but the majority of the 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 2006-07 budget and future forecasts reflect these significant factors.

The District's 25 cent local option levy was strongly supported at the November 2004 election. This support 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 future 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. Accordingly, the next years budget will show the first of a series of bond issuances to fund apparatus purchases and station construction projects slated for the next two years.

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, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 26,789,763
Investments	9,700,669
Receivables, net:	
Property taxes receivable	1,755,476
Accounts receivable	498,171
Supplies inventory	225,511
Capital assets, not being depreciated:	
Land and work in progress	6,500,940
Capital assets, net of accumulated depreciation:	
Buildings and improvements	10,161,508
Fire apparatus and other vehicles	13,061,190
Furniture, fixtures and equipment	2,323,801
Total assets	<u>71,017,029</u>
LIABILITIES	
Accounts payable	595,804
Accrued salaries and benefits payable	2,373,514
Accrued interest payable	85,915
Accrued compensated absences	4,077,828
Unearned revenue	6,875
Bonds and notes payable, net of unamortized premium/discount:	
Due within one year	1,270,268
Due in more than one year	2,838,281
Total liabilities	<u>11,248,485</u>
NET ASSETS	
Invested in capital assets, net of related debt	27,938,890
Restricted for:	
Debt service	1,165,747
Unrestricted	30,663,907
Total net assets	<u>\$ 59,768,544</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, 2006

	Governmental Activities
EXPENSES	
Public safety - fire protection	\$ 56,652,973
Interest on long-term debt	210,432
Total program expenses	<u>56,863,405</u>
PROGRAM REVENUES	
Charges for services	818,382
Operating grants and contributions	606,864
Capital grants and contributions	1,453,268
Total program revenues	<u>2,878,514</u>
Net program expenses	<u>53,984,891</u>
GENERAL REVENUES	
Property taxes	58,118,393
Investment earnings	1,645,622
Insurance refunds	450,318
Gain on sale of capital assets	42,130
Miscellaneous	192,871
Total general revenues	<u>60,449,334</u>
Change in net assets	6,464,443
Net assets, July 1, 2005	<u>53,304,101</u>
Net assets, June 30, 2006	<u><u>\$ 59,768,544</u></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, 2006

	General Fund	Property and Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,287,367	\$ 3,884,295	\$ 3,936,636	\$ 26,108,298
Investments	9,700,669			9,700,669
Receivables:				
Property taxes receivable	1,708,917		46,559	1,755,476
Accounts receivable	316,415	9	181,747	498,171
Due from other funds	60,270			60,270
Supplies inventory	225,511			225,511
Total assets	<u>\$ 30,299,149</u>	<u>\$ 3,884,304</u>	<u>\$ 4,164,942</u>	<u>\$ 38,348,395</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 522,875	\$ 1,508	\$ 71,421	\$ 595,804
Accrued salaries and benefits payable	2,373,514			2,373,514
Accrued compensated absences	7,091			7,091
Due to other funds			60,270	60,270
Unearned revenue	1,433,099		81,624	1,514,723
Total liabilities	<u>4,336,579</u>	<u>1,508</u>	<u>213,315</u>	<u>4,551,402</u>
Fund balances:				
Reserved for supplies inventory	225,511			225,511
Reserved for retiree medical insurance			262,871	262,871
Reserved for debt service			1,165,747	1,165,747
Unreserved, reported in:				
General fund	25,737,059			25,737,059
Special revenue funds			2,523,009	2,523,009
Capital projects fund		3,882,796		3,882,796
Total fund balances	<u>25,962,570</u>	<u>3,882,796</u>	<u>3,951,627</u>	<u>33,796,993</u>
Total liabilities and fund balances	<u>\$ 30,299,149</u>	<u>\$ 3,884,304</u>	<u>\$ 4,164,942</u>	<u>\$ 38,348,395</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, 2006

Total fund balances		\$ 33,796,993
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 56,276,518	
Accumulated depreciation	<u>(24,229,079)</u>	32,047,439
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.		1,466,833
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.		41,014
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.		681,466
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.		(4,070,737)
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.		(4,108,549)
Accrued interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		<u>(85,915)</u>
Total net assets		<u><u>\$ 59,768,544</u></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, 2006

	General Fund	Property and Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 56,624,113		\$ 1,515,560	\$ 58,139,673
Interest	1,238,814	\$ 215,721	159,673	1,614,208
Charges for services	728,058	103,056		831,114
Insurance refunds	383,678			383,678
Grants and donations	77,912		528,952	606,864
Miscellaneous	181,377			181,377
Total revenues	<u>59,233,952</u>	<u>318,777</u>	<u>2,204,185</u>	<u>61,756,914</u>
EXPENDITURES				
Current				
Public safety	52,625,701		454,352	53,080,053
Debt service:				
Principal			1,190,000	1,190,000
Interest			225,450	225,450
Capital outlay		2,226,931	3,221,237	5,448,168
Total expenditures	<u>52,625,701</u>	<u>2,226,931</u>	<u>5,091,039</u>	<u>59,943,671</u>
Excess (deficiency) of revenues	<u>6,608,251</u>	<u>(1,908,154)</u>	<u>(2,886,854)</u>	<u>1,813,243</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of surplus property			173,229	173,229
Transfers in		1,566,569	2,524,284	4,090,853
Transfers out	(4,090,853)			(4,090,853)
Total other financing sources (uses)	<u>(4,090,853)</u>	<u>1,566,569</u>	<u>2,697,513</u>	<u>173,229</u>
Net change in fund balances	<u>2,517,398</u>	<u>(341,585)</u>	<u>(189,341)</u>	<u>1,986,472</u>
Fund balances - July 1, 2005, as previously reported	22,423,022	4,224,381	4,140,968	30,788,371
Restatement	<u>1,022,150</u>			<u>1,022,150</u>
Fund balances - July 1, 2005, as restated	23,445,172	4,224,381	4,140,968	31,810,521
Fund balances - June 30, 2006	<u>\$ 25,962,570</u>	<u>\$ 3,882,796</u>	<u>\$ 3,951,627</u>	<u>\$ 33,796,993</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 TO STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances	\$ 1,986,472
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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 (\$6,163,391) exceeds depreciation expense (\$2,709,553). 3,453,838

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. (158,604)

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. 1,190,000

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. (21,280)

Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. 26,267

Amortization of bond issuance costs. (9,732)

Accrued interest payable on bonds through June 30, 2006. 24,750

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. (30,818)

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. 3,550

Change in net assets	<u>\$ 6,464,443</u>
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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, 2006

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Property taxes:				
Current year's levy	\$ 54,037,785	\$ 54,037,785	\$ 55,585,747	\$ 1,547,962
Prior years' levies	1,409,809	1,409,809	1,030,301	(379,508)
Taxes in lieu of property taxes	16,236	16,236	8,065	(8,171)
Interest on unsegregated property taxes	18,137	18,137	56,844	38,707
Interest on taxes	6,135	6,135	12,090	5,955
Interest on investments	441,803	441,803	1,169,880	728,077
Contracted services	127,395	127,395	285,073	157,678
Special service charges	150,540	150,540	204,916	54,376
Maintenance services	169,050	169,050	137,777	(31,273)
Rental income	75,700	75,700	95,227	19,527
Plan review fees			5,065	5,065
Insurance refunds	95,000	95,000	383,678	288,678
Grants and donations			77,912	77,912
Miscellaneous	20,000	20,000	181,377	161,377
Total revenues	<u>56,567,590</u>	<u>56,567,590</u>	<u>59,233,952</u>	<u>2,666,362</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	546,646	548,531	493,430	55,101
Materials and services	<u>279,606</u>	<u>279,606</u>	<u>191,864</u>	<u>87,742</u>
Total Administration Division	<u>826,252</u>	<u>828,137</u>	<u>685,294</u>	<u>142,843</u>
Emergency Operations Division:				
Personal services	39,214,800	40,033,416	38,390,456	1,642,960
Materials and services	<u>2,258,996</u>	<u>2,271,060</u>	<u>1,916,453</u>	<u>354,607</u>
Total Emergency Operations Division	<u>41,473,796</u>	<u>42,304,476</u>	<u>40,306,909</u>	<u>1,997,567</u>
Finance Division:				
Personal services	761,688	764,542	698,973	65,569
Materials and services	<u>747,675</u>	<u>747,675</u>	<u>634,990</u>	<u>112,685</u>
Total Finance Division	<u>1,509,363</u>	<u>1,512,217</u>	<u>1,333,963</u>	<u>178,254</u>
Community Services Division:				
Personal services	3,360,531	3,435,262	3,155,318	279,944
Materials and services	<u>556,405</u>	<u>556,405</u>	<u>413,286</u>	<u>143,119</u>
Total Community Services Division	<u>3,916,936</u>	<u>3,991,667</u>	<u>3,568,604</u>	<u>423,063</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, 2006**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES, Continued				
Support Resources Division:				
Personal services	4,596,321	4,613,786	4,074,962	538,824
Materials and services	3,807,385	3,866,462	3,382,888	483,574
Total Support Resources Division	8,403,706	8,480,248	7,457,850	1,022,398
 Total Public Safety	 56,139,014	 57,125,706	 53,352,620	 3,773,086
 Debt service:				
Principal	472,100	472,100		
Interest	11,331	11,331		11,331
Operating contingency	4,046,190	3,059,498		3,059,498
Total expenditures	60,668,635	60,668,635	53,352,620	6,843,915
Excess (deficiency) of revenues over (under) expenditures	(4,101,045)	(4,101,045)	5,881,332	9,510,277
 OTHER FINANCING USES				
Transfers out	(4,160,723)	(4,160,723)	(4,150,853)	9,870
Total other financing uses	(4,160,723)	(4,160,723)	(4,150,853)	9,870
Net change in fund balances	(8,261,768)	(8,261,768)	1,730,479	9,992,247
Fund balances - July 1, 2005, as previously reported	19,646,713	19,646,713	19,810,704	163,991
Restatement			1,022,150	1,022,150
Fund balances - July 1, 2005, as restated	19,646,713	19,646,713	20,832,854	1,186,141
Fund balances - June 30, 2006	\$ 11,384,945	\$ 11,384,945	\$ 22,563,333	\$ 11,178,388

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

Net change in fund balance - budgetary basis	\$ 1,730,479
Funding of retirement contribution pending litigation, not GAAP expenditures/expense	<u>786,919</u>
Net change in fund balance - GAAP basis	<u>\$ 2,517,398</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, 2006

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 681,466
Total assets	<u>681,466</u>
NET ASSETS	
Unrestricted	681,466
Total net assets	<u><u>\$ 681,466</u></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, 2006

	Governmental Activities - Internal Service Fund
OPERATING REVENUE	
Insurance refunds	\$ 66,640
Total operating revenues	<u>66,640</u>
OPERATING EXPENSE	
Insurance claims	94,504
Total operating expenses	<u>94,504</u>
Operating loss	<u>(27,864)</u>
NONOPERATING REVENUE	
Interest income	31,414
Total nonoperating revenue	<u>31,414</u>
Change in net assets	3,550
Total net assets, July 1, 2005	677,916
Total net assets, June 30, 2006	<u>\$ 681,466</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, 2006

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from insurance reimbursements	\$ 66,640
Paid for insurance claims	<u>(94,504)</u>
Net cash used in operating activities	<u>(27,864)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>31,414</u>
Net cash provided by investing activities	<u>31,414</u>
Net increase in cash and cash equivalents	3,550
Cash and cash equivalents, July 1, 2005	<u>677,916</u>
Cash and cash equivalents, June 30, 2006	<u><u>\$ 681,466</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	<u>\$ (27,864)</u>
Net cash used in operating activities	<u><u>\$ (27,864)</u></u>

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

TUALATIN VALLEY FIRE AND RESUCE
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Governmental Activities - Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 457,065
Investments:	
Certificate of Deposit	67,137
Corporate Notes	80,742
Mutual Fund	1,629,042
Total investments	<u>1,776,921</u>
Interest receivable	<u>2,192</u>
Total assets	<u>2,236,178</u>
 NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 2,236,178</u></u>

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

TUALATIN VALLEY FIRE AND RESCUE
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities - Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	
Interest	32,353
Dividends	95,671
Net increase in the fair value of investments	<u>45,707</u>
Net investment earnings	<u>173,731</u>
Total additions	<u>233,731</u>
 DEDUCTIONS	
Benefits	325,534
Administration expenses	<u>466</u>
Total deductions	<u>326,000</u>
 Change in net assets	(92,269)
 Total net assets, July 1, 2004	<u>2,328,447</u>
Total net assets, June 30, 2005	<u><u>\$ 2,236,178</u></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, 2006

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, 2006

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 and capital 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 current assets. The governmental fund types are maintained using the *modified accrual basis of accounting* whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for: (1) interfund transactions for services, which are recorded on the accrual basis, (2) interest expense on long-term debt, which is recorded as due, (3) insurance premiums benefiting more than one fiscal year are recorded when paid, and (4) 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, 2006

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

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund, either legally or by Board direction. The principal revenue source is property taxes. Primary expenditures are for public safety.
- The *Property and Building Fund*; a capital projects fund type, accounts for the accumulation of resources for building site acquisitions and construction costs for new and existing facilities. The principal resources are transfers from the General Fund, interest income, and sale of surplus property.

Additionally, the District reports the following fund types:

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

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

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006

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	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, 2006

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 to increase employee retirement contribution rates, the District budgeted a higher rate than the basis depicted in governmental 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, 2006. Appropriations lapse at year-end.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006 was \$15,838,297, and the total bank balance was \$16,076,449. Of these deposits, \$179,500 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, 2006, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	\$ 1,250
Cash with county assessor	254,427
Deposits with financial institutions	15,771,160
State of Oregon Local Government Investment Pool	11,219,991
Investments:	
Certificate of Deposit	67,137
U.S. Government securities	9,104,314
Commercial paper	596,355
Open-ended mutual funds	1,629,042
Corporate notes	80,742
	<u>\$ 38,724,418</u>

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

	Governmental Activities	Fiduciary Funds
Cash and cash equivalents	\$ 26,789,763	\$ 457,065
Investments	9,700,669	1,776,921
Total cash, cash equivalents and investments	<u>\$ 36,490,432</u>	<u>\$ 2,233,986</u>

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006, the District does not have investments exposed to custodial credit risk.

3. Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates, the District's governmental funds investment policies limit maturities to 18 months. Generally short-term investment funds will be invested for periods less than 12 months. Identified budgeted fund balance carryovers in those funds may be available for investment periods up to 18 months. Long-term investments have the same maturity as the short-term, however investments with a maturity of 12 months or more shall be limited to U.S. Agency or U.S. Treasury securities. Actual investment maturities of investments other than open-ended mutual funds at June 30, 2006 are as follows:

Maturity	<u>Operating Investments</u>	<u>Pension Investments</u>
Less than 30 days	12%	0%
Less than 12 months	82%	50%
Less than 18 months	6%	50%

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, 2006

fiduciary and trust investment guidelines and which allow investment in mutual funds in addition to the above investment types.

The State of Oregon Local Government Investment Pool and money market account are unrated. Other investments held at June 30, 2006 are categorized by rating as follows:

Corporate Paper and Notes		
	Net Book Value	Market Value
Aa2	\$ 264,845	\$ 263,860
Aa3	412,252	411,256
	<u>\$ 677,097</u>	<u>\$ 675,116</u>

B. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
Governmental activities:				
Non-depreciable capital assets				
Land	\$ 4,207,210	\$ 2,030,519		\$ 6,237,729
Construction in progress	645,994	231,560	\$ (614,343)	263,211
Total capital assets, not being depreciated	<u>4,853,204</u>	<u>2,262,079</u>	<u>(614,343)</u>	<u>6,500,940</u>
Depreciable capital assets				
Buildings and improvements	22,133,276	125,531		22,258,807
Fire apparatus and other vehicles	19,347,581	3,293,841	(1,169,585)	21,471,837
Furniture, fixtures and equipment	5,208,644	1,096,284	(259,994)	6,044,934
Total depreciable capital assets	<u>46,689,501</u>	<u>4,515,656</u>	<u>(1,429,579)</u>	<u>49,775,578</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,378,787)	(718,512)		(12,097,299)
Fire apparatus and other vehicles	(8,155,354)	(1,269,482)	1,014,189	(8,410,647)
Furniture, fixtures and equipment	(3,256,360)	(721,559)	256,786	(3,721,133)
Total accumulated depreciation	<u>(22,790,501)</u>	<u>(2,709,553)</u>	<u>1,270,975</u>	<u>(24,229,079)</u>
Total capital assets being depreciated, net	<u>23,899,000</u>	<u>1,806,103</u>	<u>(158,604)</u>	<u>25,546,499</u>
Total capital assets, net of depreciation	<u>\$ 28,752,204</u>	<u>\$ 4,068,182</u>	<u>\$ (772,947)</u>	<u>\$ 32,047,439</u>

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

C. Interfund receivables, payables, and transfers

An interfund receivable of \$60,270 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, 2006, the District made transfers totaling \$4,090,853 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 has outstanding bonds payable from a \$5,000,000 issuance of eight-year general obligation bonds dated June 15, 2000 with interest rates ranging from 4.5% to 5.0% and a \$5,000,000 issue of 10-year general obligation bonds dated January 15, 1999 with a 4% interest rate. Both of these bond issues were for purposes of funding seismic improvements, station construction projects, and to purchase fire apparatus.

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due in One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 5,320,000		\$ (1,190,000)	\$ 4,130,000	\$ 1,280,000
Unamortized premiums and issuance costs	(31,183)		16,919	(14,264)	(9,732)
Total long-term liabilities	<u>\$ 5,288,817</u>		<u>\$ (1,173,081)</u>	<u>\$ 4,115,736</u>	<u>\$ 1,270,268</u>

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

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

Year of Maturity	General Obligation Bonds Series 2000 4.5% to 5.0% dated 6/15/00		General Obligation Bonds Series 1999 4.0% dated 1/15/99	
	Principal	Interest	Principal	Interest
2006-2007	\$ 690,000	\$ 94,000	\$ 590,000	\$ 76,200
2007-2008	740,000	58,250	635,000	52,600
2008-2009	795,000	19,875	680,000	27,200
Total	<u>\$ 2,225,000</u>	<u>\$ 172,125</u>	<u>\$ 1,905,000</u>	<u>\$ 156,000</u>

2. *Compensated absences*

Compensated absences activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Governmental activities:					
Compensated absences	<u>\$ 4,039,919</u>	<u>\$ 4,754,685</u>	<u>\$ (4,716,776)</u>	<u>\$ 4,077,828</u>	<u>\$ 7,091</u>

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

IV. Other Information

A. Risk management

The District is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District, through its general fund, purchases commercial insurance. Deductibles are generally at \$5,000 or less and natural disasters have a deductible of \$100,000. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

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

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

more of the open claim years. Claim years for fiscal 2004, 2005 and 2006 remain open. The District's maximum liability for premiums related to these three open claim years is approximately \$709,000, which represents the difference between the maximum possible premium less the net paid premium. If the claims experience for any of these open claim years is favorable, the District could receive a refund of a portion of the premiums paid.

B. Commitments and contingencies

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

C. Related party transactions

The District provides accounting and bookkeeping services for Washington County Consolidated Communications Agency (WCCCA), an ORS 190 entity, which is an intergovernmental entity created by agreement of local governments. WCCCA functions as a 9-1-1 dispatch agency. The District is a participating member of the agreement. During the year ended June 30, 2006, the District paid \$1,086,514 to WCCCA for dispatch fees and \$10,282 for equipment maintenance charges. WCCCA paid \$48,950 to the District for accounting services, \$5,040 for contracted medical director services and \$620 for vehicle and building maintenance services for the year ended June 30, 2006. The District also managed a grant on behalf of WCCCA and passed through federal awards in the amount of \$129,827.

D. Deferred compensation plan

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(g). The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Under terms of the bargaining agreement, participating employees who meet length of service requirements receive a District matching contribution in an amount ranging from 1% to 2.5% of base wages. The District makes a similar match for non-bargaining employees. The District's contribution during fiscal year 2006 was \$323,964 of which \$243,416 was made for the bargaining unit employees.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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 2006, the District incurred expenditures of \$98,270 in payments to former bargaining unit employees and \$45,482 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.

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.

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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 2006, the District's annual pension cost of approximately \$6,146,000 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 2005-06 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 8.04% for general service employees and 11.65% for police and fire employees from July 1, 2005 through February 28, 2006. On March 1, 2006, the OPSRP employer rate was changed to 5.55% and 9.16% respectively due to a change in the method of amortizing the UAL of the PERS 238 system. These OPSRP rates were adopted by the PERS board based on actuarial information regarding projected costs of the new plan. The PERS Board adopted new rates based on the December 31, 2005 actuarial valuation for the fiscal year beginning July 1, 2007 and this will result in District employer PERS rates of 12.96% for PERS ORS 238 employees, and 9.13% and 12.40% for general service employees and police and fire OPSRP employees respectively, in addition to the required 6% IAP contribution.

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 a 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.

Three-Year Trend Information for PERS and OPSRP

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 6,146,000	100%	-
2005	4,755,000	100	-
2004	4,662,000	100	-

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

2. *Single-Employer Defined Benefit Pension Plan*

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

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

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

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

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2006

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, 2006:

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 219,385
Investments	1,361,256
Interest receivable	2,192
Total assets	<u>1,582,833</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 1,582,833</u>

Changes in Net Assets for the year ended June 30, 2006:

	Pension Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 22,541
Dividends	86,751
Net increase in the fair value of investments	21,885
Net investment earnings	<u>131,177</u>
Total additions	<u>131,177</u>
DEDUCTIONS	
Benefits	313,733
Administration expenses	466
Total deductions	<u>314,199</u>
Change in net assets	(183,022)
Total net assets, July 1, 2005	<u>1,765,855</u>
Total net assets, June 30, 2006	<u>\$ 1,582,833</u>

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

3. *Volunteer Length of Service Award Plan*

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

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

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

The plan does not issue stand-alone financial reports.

Trend Information

Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$21,689	276%	-
2005	21,689	276	-
2004	21,689	161	-

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

TUALATIN VALLEY FIRE AND RESCUE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

Condensed Statement of Net Assets, June 30, 2006:

	<u>Volunteer LOSAP Fund</u>
ASSETS	
Cash and cash equivalents	\$ 237,680
Investments	415,664
Total assets	<u>653,344</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 653,344</u>

Condensed Statement of Changes in Net Assets, for the year ended June 30, 2006:

	<u>Volunteer LOSAP Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	
Interest	9,812
Dividends	8,919
Net increase in the fair value of investments	<u>23,822</u>
Net investment earnings	<u>42,553</u>
Total additions	<u>102,553</u>
DEDUCTIONS	
Benefits	<u>11,801</u>
Total deductions	<u>11,801</u>
Change in net assets	90,752
Total net assets, July 1, 2005	<u>562,592</u>
Total net assets, June 30, 2006	<u>\$ 653,344</u>

G. Subsequent event

On November 7, 2006, the District's voters approved Measure 34-133, which authorizes the District to be able to issue general obligation bonds up to \$77.5 million dollars to fund capital construction, land purchases and emergency response apparatus purchases. The District anticipates the sale of these bonds will take place in a series of bond issues in order to coincide with funding requirements.

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
PROPERTY AND BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 99,177	\$ 215,721	\$ 116,544
Charges for services		103,056	103,056
Total revenues	<u>99,177</u>	<u>318,777</u>	<u>219,600</u>
EXPENDITURES			
Capital outlay	5,247,454	2,226,931	3,020,523
Operating contingency	385,398		385,398
Total expenditures	<u>5,632,852</u>	<u>2,226,931</u>	<u>3,405,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,533,675)</u>	<u>(1,908,154)</u>	<u>3,625,521</u>
OTHER FINANCING SOURCES			
Transfers in	<u>1,566,569</u>	<u>1,566,569</u>	
Total other financing sources	<u>1,566,569</u>	<u>1,566,569</u>	
Net change in fund balances	<u>(3,967,106)</u>	<u>(341,585)</u>	<u>3,625,521</u>
Fund balances - July 1, 2005	<u>3,967,106</u>	<u>4,224,381</u>	<u>257,275</u>
Fund balances - June 30, 2006	<u>\$ -</u>	<u>\$ 3,882,796</u>	<u>\$ 3,882,796</u>

TUALATIN VALLEY FIRE AND RESCUE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Fund Type						
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Stipend Fund	Debt Service Fund	Total Other Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 474,407	\$ 1,996,131	\$ 17,177	\$ 26,260	\$ 264,401	\$ 1,158,260	\$ 3,936,636
Receivables:							
Property taxes receivable	42,552	4,951	48,371	85,873		46,559	46,559
Accounts receivable	516,959	2,001,082	65,548	112,133	264,401	1,204,819	181,747
Total assets							\$ 4,164,942
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 32,311	\$ 5,278	\$ 32,302	\$ 1,530		\$ 71,421
Due to other funds			60,270				60,270
Unearned revenue	42,552					\$ 39,072	81,624
Total liabilities							213,315
	42,552	32,311	65,548	32,302	1,530	39,072	
Fund balances:							
Reserved for retiree medical insurance					262,871		262,871
Unreserved, reported in:							
Special revenue funds	474,407	1,968,771		79,831			2,523,009
Reserved, reported in:							
Debt service fund						1,165,747	1,165,747
Total fund balances	474,407	1,968,771		79,831	262,871	1,165,747	3,951,627
Total liabilities and fund balances	\$ 516,959	\$ 2,001,082	\$ 65,548	\$ 112,133	\$ 264,401	\$ 1,204,819	\$ 4,164,942

TUALATIN VALLEY FIRE AND RESCUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Fund Type						
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Stipend Fund	Debt Service Fund	Total Other Governmental Funds
REVENUES							
Taxes							
Interest	\$ 23,312	\$ 89,188		\$ 528,952	\$ 12,569	\$ 1,515,560	\$ 1,515,560
Grants and donations						34,604	159,673
Total revenues	<u>23,312</u>	<u>89,188</u>		<u>528,952</u>	<u>12,569</u>	<u>1,550,164</u>	<u>2,204,185</u>
EXPENDITURES							
Current							
Public safety			\$ 34,630	275,971	143,751		454,352
Debt service:							
Principal						1,190,000	1,190,000
Interest						225,450	225,450
Capital outlay	1,371,351	1,506,698		343,188			3,221,237
Total expenditures	<u>1,371,351</u>	<u>1,506,698</u>	<u>34,630</u>	<u>619,159</u>	<u>143,751</u>	<u>1,415,450</u>	<u>5,091,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,348,039)</u>	<u>(1,417,510)</u>	<u>(34,630)</u>	<u>(90,207)</u>	<u>(131,182)</u>	<u>134,714</u>	<u>(2,886,854)</u>
OTHER FINANCING SOURCES (USES)							
Sale of surplus property	102,000	71,229					173,229
Transfers in	1,026,561	1,276,561	34,630	100,723	85,809		2,524,284
Total other financing sources (uses)	<u>1,128,561</u>	<u>1,347,790</u>	<u>34,630</u>	<u>100,723</u>	<u>85,809</u>		<u>2,697,513</u>
Net change in fund balances	<u>(219,478)</u>	<u>(69,720)</u>		<u>10,516</u>	<u>(45,373)</u>	<u>134,714</u>	<u>(189,341)</u>
Fund balances - July 1, 2005	693,885	2,038,491		69,315	308,244	1,031,033	4,140,968
Fund balances - June 30, 2006	<u>\$ 474,407</u>	<u>\$ 1,968,771</u>	<u>\$ -</u>	<u>\$ 79,831</u>	<u>\$ 262,871</u>	<u>\$ 1,165,747</u>	<u>\$ 3,951,627</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, 2006

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Interest	\$ 17,197	\$ 17,197	\$ 23,312	\$ 6,115
Total revenues	<u>17,197</u>	<u>17,197</u>	<u>23,312</u>	<u>6,115</u>
EXPENDITURES				
Capital outlay	1,355,000	1,491,630	1,371,351	120,279
Operating contingency	<u>281,902</u>	<u>145,272</u>		<u>145,272</u>
Total expenditures	<u>1,636,902</u>	<u>1,636,902</u>	<u>1,371,351</u>	<u>265,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,619,705)</u>	<u>(1,619,705)</u>	<u>(1,348,039)</u>	<u>271,666</u>
OTHER FINANCING SOURCES				
Sales of surplus property			102,000	102,000
Transfers in	<u>1,026,561</u>	<u>1,026,561</u>	<u>1,026,561</u>	
Total other financing sources	<u>1,026,561</u>	<u>1,026,561</u>	<u>1,128,561</u>	<u>102,000</u>
Net change in fund balances	<u>(593,144)</u>	<u>(593,144)</u>	<u>(219,478)</u>	<u>373,666</u>
Fund balances - July 1, 2005	<u>657,901</u>	<u>657,901</u>	<u>693,885</u>	<u>35,984</u>
Fund balances - June 30, 2006	<u>\$ 64,757</u>	<u>\$ 64,757</u>	<u>\$ 474,407</u>	<u>\$ 409,650</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, 2006

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Interest	\$ 34,075	\$ 34,075	\$ 89,188	\$ 55,113
Total revenues	34,075	34,075	89,188	55,113
EXPENDITURES				
Capital outlay	2,155,369	2,229,905	1,506,698	723,207
Operating contingency	399,159	324,623		324,623
Total expenditures	2,554,528	2,554,528	1,506,698	1,047,830
Excess (deficiency) of revenues over (under) expenditures	(2,520,453)	(2,520,453)	(1,417,510)	1,102,943
OTHER FINANCING SOURCES				
Sale of surplus property	15,000	15,000	71,229	56,229
Transfers in	1,276,561	1,276,561	1,276,561	
Total other financing sources	1,291,561	1,291,561	1,347,790	56,229
Net change in fund balances	(1,228,892)	(1,228,892)	(69,720)	1,159,172
Fund balances - July 1, 2005	1,685,842	1,685,842	2,038,491	352,649
Fund balances - June 30, 2006	\$ 456,950	\$ 456,950	\$ 1,968,771	\$ 1,511,821

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, 2006

	<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	\$ 37,982	\$ 30,109	\$ 7,873
Materials and services	6,518	4,521	1,997
Total public safety	<u>44,500</u>	<u>34,630</u>	<u>9,870</u>
OTHER FINANCING SOURCES			
Transfers in	44,500	34,630	(9,870)
Total other financing sources	<u>44,500</u>	<u>34,630</u>	<u>(9,870)</u>
Net change in fund balances			
Fund balances - July 1, 2005			
Fund balances - June 30, 2006	<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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Grants and donations	\$ 793,975	\$ 528,952	\$ (265,023)
Total revenues	<u>793,975</u>	<u>528,952</u>	<u>(265,023)</u>
EXPENDITURES			
Public safety - materials and services	279,410	275,971	3,439
Capital outlay	615,288	343,188	272,100
Total expenditures	<u>894,698</u>	<u>619,159</u>	<u>275,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,723)</u>	<u>(90,207)</u>	<u>10,516</u>
OTHER FINANCING SOURCES			
Transfers in	<u>100,723</u>	<u>100,723</u>	
Total other financing sources	<u>100,723</u>	<u>100,723</u>	
Net change in fund balances		10,516	10,516
Fund balances - July 1, 2005		69,315	69,315
Fund balances - June 30, 2006	<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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 4,800	\$ 12,569	\$ 7,769
Total revenues	4,800	12,569	7,769
EXPENDITURES			
Current			
Public safety - personal services	172,768	143,751	29,017
Total expenditures	172,768	143,751	29,017
Excess (deficiency) of revenues over (under) expenditures	(167,968)	(131,182)	36,786
OTHER FINANCING SOURCES			
Transfers in	85,809	85,809	
Total other financing sources	85,809	85,809	
Net change in fund balances	(82,159)	(45,373)	36,786
Fund balances - July 1, 2005	292,994	308,244	15,250
Fund balances - June 30, 2006	\$ 210,835	\$ 262,871	\$ 52,036

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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 1,462,782	\$ 1,515,560	\$ 52,778
Interest	9,160	34,604	25,444
Total revenues	<u>1,471,942</u>	<u>1,550,164</u>	<u>78,222</u>
EXPENDITURES			
Debt service:			
Principal	1,190,000	1,190,000	
Interest	225,450	225,450	
Total expenditures	<u>1,415,450</u>	<u>1,415,450</u>	
Excess of revenues over expenditures and net change in fund balances	56,492	134,714	78,222
Fund balances - July 1, 2005	727,233	1,031,033	303,800
Fund balances - June 30, 2006	<u>\$ 783,725</u>	<u>\$ 1,165,747</u>	<u>\$ 382,022</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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 11,895	\$ 31,414	\$ 19,519
Insurance refunds	28,000	66,640	38,640
Total revenues	<u>39,895</u>	<u>98,054</u>	<u>58,159</u>
EXPENDITURES			
Materials and services	690,684	94,504	596,180
Total expenditures	<u>690,684</u>	<u>94,504</u>	<u>596,180</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(650,789)	3,550	654,339
Fund balances - July 1, 2005	650,789	677,916	27,127
Fund balances - June 30, 2006	<u>\$ -</u>	<u>\$ 681,466</u>	<u>\$ 681,466</u>

TUALATIN VALLEY FIRE AND RESCUE
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 219,385	\$ 237,680	\$ 457,065
Investments	1,361,256	415,664	1,776,920
Interest receivable	2,192		2,192
Total assets	<u>1,582,833</u>	<u>653,344</u>	<u>2,236,177</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 1,582,833</u>	<u>\$ 653,344</u>	<u>\$ 2,236,177</u>

TUALATIN VALLEY FIRE AND RESCUE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	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	\$ 22,541	9,812	32,353
Dividends	86,751	8,919	95,670
Net increase in the fair value of investments	21,885	23,822	45,707
Net investment earnings	<u>131,177</u>	<u>42,553</u>	<u>173,730</u>
Total additions	<u>131,177</u>	<u>102,553</u>	<u>233,730</u>
DEDUCTIONS			
Benefits	313,733	11,801	325,534
Administration expenses	466		466
Total deductions	<u>314,199</u>	<u>11,801</u>	<u>326,000</u>
Change in net assets	(183,022)	90,752	(92,270)
Total net assets, July 1, 2005	1,765,855	562,592	2,328,447
Total net assets, June 30, 2006	<u>\$ 1,582,833</u>	<u>\$ 653,344</u>	<u>\$ 2,236,177</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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 69,199	\$ 131,177	\$ 61,978
Total revenues	<u>69,199</u>	<u>131,177</u>	<u>61,978</u>
EXPENDITURES			
Personnel services	364,025	313,733	50,292
Materials and services	4,500	466	4,034
Total expenditures	<u>368,525</u>	<u>314,199</u>	<u>54,326</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(299,326)	(183,022)	116,304
Fund balances - July 1, 2005	1,767,145	1,765,855	(1,290)
Fund balances - June 30, 2006	<u>\$ 1,467,819</u>	<u>\$ 1,582,833</u>	<u>\$ 115,014</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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 23,411	\$ 42,553	\$ 19,142
Total revenues	23,411	42,553	19,142
EXPENDITURES			
Personnel services	535,977	11,801	524,176
Total expenditures	535,977	11,801	524,176
Excess (deficiency) of revenues over (under) expenditures	(512,566)	30,752	543,318
OTHER FINANCING SOURCES			
Transfers in	60,000	60,000	
Total other financing sources	60,000	60,000	
Net change in fund balances	(452,566)	90,752	543,318
Fund balances - July 1, 2005	544,460	562,592	18,132
Fund balances - June 30, 2006	\$ 91,894	\$ 653,344	\$ 561,450

TUALATIN VALLEY FIRE AND RESCUE
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Tax Year	Taxes Uncollected June 30, 2005	Add Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest Received	(Deduct) Cancellations and Adjustments	(Deduct) Collections	Taxes Uncollected June 30, 2006
2005-2006		\$59,783,920	(\$1,505,464)	\$23,164	(\$253,603)	(\$56,844,054)	\$1,203,963
2004-2005	\$1,269,336		2,171	58,250	(42,851)	(971,449)	315,457
2003-2004	329,182		244	31,387	(16,349)	(205,558)	138,906
2002-2003	160,250		245	27,249	(10,181)	(118,867)	58,696
2001-2002	62,112		185	14,880	(9,411)	(50,791)	16,975
2001 and prior	34,171		56	(3,658)	(16,118)	7,028	21,479
Total prior	1,855,051		2,901	128,108	(94,910)	(1,339,637)	551,513
	<u>\$1,855,051</u>	<u>\$59,783,920</u>	<u>(\$1,502,563)</u>	<u>\$151,272</u>	<u>(\$348,513)</u>	<u>(\$58,183,691)</u>	<u>\$1,755,476</u>

	General Fund	Debt Service Fund	Total
Reconciliation to tax revenues on combined financial statements:			
Property tax collections above	\$56,666,385	\$1,517,306	\$58,183,691
Property taxes susceptible to accrual at June 30, 2006	281,157	7,486	288,643
Property taxes susceptible to accrual at June 30, 2005	(331,494)	(9,447)	(340,941)
Taxes in lieu of property taxes	8,065	215	8,280
Tax revenues	<u>\$56,624,113</u>	<u>\$1,515,560</u>	<u>\$58,139,673</u>

	Property Taxes		Taxes in Lieu of Property Taxes	Total	Taxes Uncollected June 30, 2006
	Current Levy	Prior Years			
DISTRIBUTED AS FOLLOWS:					
General Fund	\$55,585,747	\$1,030,301	\$8,065	\$56,624,113	\$1,708,917
Debt Service Fund	1,485,980	29,365	215	1,515,560	46,559
	<u>\$57,071,727</u>	<u>\$1,059,666</u>	<u>\$8,280</u>	<u>\$58,139,673</u>	<u>\$1,755,476</u>

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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	70
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	74
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	78
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	81
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	83
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
Sources	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	

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TUALATIN VALLEY FIRE AND RESCUE
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
GOVERNMENTAL ACTIVITIES:				
Invested in capital assets, net of related debt	\$ 18,050,203	\$ 19,494,131	\$ 23,463,387	\$ 27,938,890
Restricted	993,589	858,636	1,031,033	1,165,747
Unrestricted	26,115,793	27,576,532	28,809,681	30,663,646
Total primary government net assets	<u>\$ 45,159,585</u>	<u>\$ 47,929,299</u>	<u>\$ 53,304,101</u>	<u>\$ 59,768,283</u>

TUALATIN VALLEY FIRE AND RESCUE

CHANGES IN NET ASSETS**LAST FOUR FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
EXPENSES				
Governmental activities:				
Public safety - fire protection	\$ 47,918,975	\$ 50,656,606	\$ 53,100,610	\$ 56,652,973
Interest on long-term debt	426,663	342,004	280,733	210,432
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>
PROGRAM REVENUES				
Governmental activities:				
Charges for services ⁽¹⁾	5,403,408	3,767,913	704,506	818,382
Operating grants and contributions	65,000	197,112	1,794,138	606,864
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>
NET (EXPENSE)/REVENUE				
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>
GENERAL REVENUES AND OTHER				
CHANGES IN NET ASSETS				
Property taxes	47,122,028	48,961,590	55,233,714	58,118,393
Investment earnings	549,532	484,643	875,339	1,645,622
Gain on sale of capital assets	193,753	204,634		42,130
Insurance refunds	234,107	119,642	148,656	450,318
Miscellaneous	199,856	32,790	76,822	192,871
Total primary government	<u>48,299,276</u>	<u>49,803,299</u>	<u>56,334,531</u>	<u>60,449,334</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>

⁽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 FOUR FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
GENERAL FUND				
Reserved	\$ 198,660	\$ 177,847	\$ 204,312	\$ 225,511
Unreserved	20,516,145	20,213,268	22,218,710 ⁽¹⁾	25,737,059
Total general fund	<u>\$ 20,714,805</u>	<u>\$ 20,391,115</u>	<u>\$ 22,423,022</u>	<u>\$ 25,962,570</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 1,261,284	\$ 1,235,280	\$ 1,339,277	\$ 1,428,618
Unreserved, reported in				
Special revenue funds	3,870,283	4,119,430	2,801,691	2,523,009
Capital projects fund	1,820,528	2,656,074	4,224,381	3,882,796
Total all other governmental funds	<u>\$ 6,952,095</u>	<u>\$ 8,010,784</u>	<u>\$ 8,365,349</u>	<u>\$ 7,834,423</u>

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

TUALATIN VALLEY FIRE AND RESCUE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006
REVENUES				
Taxes	\$ 47,084,315	\$ 48,939,210	\$ 55,433,542	\$ 58,139,673
Interest	539,707	476,100	860,920	1,614,208
Charges for services	5,416,815	3,767,482	702,918	831,114
Insurance refunds	68,090	92,129	142,632	383,678
Grants and donations		197,112	1,256,727	606,864
Miscellaneous	284,765	82,602	70,635	181,377
Total revenues	<u>53,393,692</u>	<u>53,554,635</u>	<u>58,467,374</u>	<u>61,756,914</u>
EXPENDITURES				
Current				
Public safety	44,450,102	48,012,106	49,622,079	53,080,053
Capital outlay	2,805,918	3,331,000	4,622,077	5,448,168
Debt service:				
Principal	2,835,000	1,520,000	1,582,100	1,190,000
Interest	435,185	345,908	287,532	225,450
Total expenditures	<u>50,526,205</u>	<u>53,209,014</u>	<u>56,113,788</u>	<u>59,943,671</u>
Excess (deficiency) of revenues	<u>2,867,487</u>	<u>345,621</u>	<u>2,353,586</u>	<u>1,813,243</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of surplus property	443,350	389,378	32,886	173,229
Transfers in	4,576,464	3,488,460	4,002,535	4,090,853
Transfers out	(4,611,464)	(3,488,460)	(4,002,535)	(4,090,853)
Issuance of financing loan	1,437,100			
Total other financing sources (uses)	<u>1,845,450</u>	<u>389,378</u>	<u>32,886</u>	<u>173,229</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>
 Debt service as a percentage of noncapital expenditures	 6.85%	 3.74%	 3.63%	 2.60%

TUALATIN VALLEY FIRE AND RESCUE
ASSESSED AND MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property*			Personal Property			Mobile Home Property			Utility Property			Total			Total Assessed To Total Market Value	Total Direct Tax Rate
	Assessed Value	Market Value		Assessed Value	Market Value		Assessed Value	Market Value		Assessed Value	Market Value		Assessed Value	Market Value			
2006	\$31,203,991,728	\$45,563,141,842		\$1,175,706,594	\$1,184,110,910		\$70,563,327	\$74,439,919		\$927,989,770	\$929,254,187		\$33,378,251,419	\$47,750,946,858		69.90 %	\$1.82
2005	28,848,716,198	40,772,439,891		1,165,078,033	1,183,135,033		74,672,926	79,567,132		901,881,166	916,813,830		30,990,348,323	42,951,955,886		72.15	1.83
2004	25,418,465,223	35,783,324,752		1,155,357,494	1,177,160,244		75,064,755	79,974,937		884,130,333	900,479,073		27,533,017,805	37,940,939,006		72.57	1.83
2003	24,306,004,535	33,235,850,673		1,263,151,114	1,282,255,419		81,158,866	86,366,432		886,779,584	903,045,300		26,537,094,099	35,507,517,824		74.74	1.82
2002	22,965,955,204	32,416,457,824		1,168,446,682	1,178,099,901		199,152,229	210,352,253		840,421,507	849,098,635		25,173,975,622	34,654,008,613		72.64	1.83
2001	21,601,875,201	29,409,944,697		1,182,778,771	1,201,425,179		95,555,476	116,241,390		711,629,007	833,056,257		23,591,838,454	31,560,667,523		74.75	1.59
2000 ⁽¹⁾	20,211,306,315	27,081,664,480		1,160,962,103	1,216,050,650		91,949,693	124,963,516		650,168,888	710,658,588		22,114,386,999	29,133,337,234		75.91	1.56
1999	19,247,561,936	24,807,891,061		1,094,067,817	1,145,392,645		88,256,670	115,199,869		600,845,807	664,744,982		21,030,732,230	26,733,228,557		78.67	1.52
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
1997	21,058,361,091	21,308,012,657		839,352,076	850,079,178		104,683,730	106,094,753		512,634,454	519,092,097		22,515,031,351	22,783,278,685		98.82	1.52

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

* Includes Multnomah County Assessed Valuation in its entirety.

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Range of property tax rates for direct and overlapping governments per \$1,000 of assessed value	\$11.96 to \$21.35	\$12.09 to \$20.09	\$11.51 to \$21.65	\$12.01 to \$18.86	\$11.93 to \$18.69	\$10.66 to \$17.82	\$10.83 to \$17.35	\$10.26 to \$17.00	\$10.50 to \$17.16	\$14.74 to \$22.73
Tualatin Valley Fire and Rescue	\$1.82	\$1.83	\$1.83	\$1.82	\$1.83	\$1.59	\$1.56	\$1.52	\$1.54	\$1.52
Washington County	2.84	2.87	2.90	2.91	2.96	2.53	2.54	2.56	2.84	2.76
Washington County School District No. 1J	6.58	6.60	6.67	6.79	7.18	5.94	6.14	5.59	5.77	11.68
Washington County School District No. 1-I	4.77	7.18	7.12	7.22	6.97	7.00	6.35	6.31	6.67	13.37
Beaverton School District 48J	7.98	6.60	8.01	6.56	6.36	6.12	6.19	6.17	6.16	11.41
West Linn School District #101	7.90	9.18	9.28	9.15	8.97	9.02	6.81	8.22	6.76	11.17
Newberg School District #46	8.17	8.21	8.82	6.65	6.86	6.72	6.89	7.04	7.08	11.23
Tigard School District 23J	6.98	7.79	7.88	7.16	7.03	7.24	6.31	6.64	6.59	12.85
School - Tigard/Tualatin Bond	1.01	1.80	1.13							
City of Beaverton	4.01	4.10	3.97	3.61	3.31	3.79				
City of Tigard	2.72	2.70	2.68	2.90	2.57	2.60	2.60	3.10	3.12	2.54
City of Durham	1.86	1.94	1.96	1.84	1.83	1.88	1.47	0.49	0.49	0.47
City of King City	1.94	1.53	1.93	1.94	1.97	1.99	2.02	1.52	1.52	1.37
Metzger Water - Combined	0.18	0.19	0.22	0.23	0.23	0.25	0.21	0.27	0.27	0.23
Portland Community College	0.50	0.51	0.51	0.49	0.55	0.37	0.35	0.35	0.36	0.73
Port of Portland	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.09
Tualatin Hills Park and Recreation District	1.45	1.46	1.46	1.46	1.47	1.49	1.56	1.52	1.53	1.37
Enhanced Sheriffs	1.12	1.14	1.17	1.03	1.05	1.08	1.05	1.03	0.64	0.64
Clackamas Education Service District	0.37	0.36	0.37	0.37	0.37	0.37	0.36	0.36	0.36	0.71
Multnomah Education Service District	0.46	0.46	0.46	0.46	0.45	0.46	0.45	0.45	0.45	1.09
Northwest Regional Education Service District	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.30
Clackamas County	2.40	2.82	2.40	2.83	2.97	2.97				
Clackamas Community College	0.54	0.54	0.54	0.54	0.86	0.56				
Clackamas County School District 3J (West Linn/Wilsonville)	9.23	9.18	6.37	6.37	6.97	6.37	6.81	8.22	4.87	8.41
Clackamas County School District No. 7J (Lake Oswego)	7.32	7.11	6.90	6.90	7.02	6.08	5.51	5.61	5.66	10.73
Clackamas County School District No. 86 (Canby)	7.11	6.54	4.58	4.58	7.91	4.58	5.41	6.80	10.01	10.77
Washington County School District No. 88	6.94	7.30	7.33	7.36	7.44	7.51	7.79	6.06	6.14	9.60
City of Sherwood	3.89	4.19	4.20	4.38	4.71	4.39	4.39	4.73	4.84	2.87
City of Tualatin	2.14	2.01	2.01	2.10	2.75	2.90	3.16	2.99	3.38	2.60
City of Wilsonville	2.37	2.42	2.36	2.52	2.93	2.67	2.68	2.69	2.62	2.05
City of Wilsonville - Urban Renewal	0.73	2.65	0.73	1.42	0.68	0.73	0.96	0.75	0.78	2.15
City of West Linn	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)

	2006			1997		
	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation
Private enterprises:						
Nike Inc	1	\$331,195	0.96 %	5	\$124,246	0.55 %
Intel Corporation	2	291,710	0.84	1	378,135	1.68
Pacific Realty & Associates	5	167,764	0.48	4	132,466	0.59
Tektronix, Inc.	7	128,076	0.37	3	163,956	0.73
Novellus Systems, Inc.	8	124,255	0.36	-	-	-
Maxim Integrated Products	9	110,835	0.32	9	63,606	0.28
Washington Square	10	85,486	0.25	10	49,763	0.22
Knickerbocker Properties, Inc	-	-	-	8	86,441	0.38
Public utilities:						
Verizon Northwest Inc.	3	252,570	0.73	-	-	-
Portland General Electric	4	192,371	0.55	6	109,617	0.49
Northwest Natural Gas	6	158,539	0.46	7	101,630	0.45
General Telephone of NW	-	-	-	2	181,251	0.81
All other taxpayers		32,827,312	94.68		21,123,913	93.82
Total		<u>\$34,670,113</u>	<u>100.00 %</u>		<u>\$22,515,024</u>	<u>100.00 %</u>

Source: Washington County Department of Assessment and Taxation.

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

TUALATIN VALLEY FIRE AND RESCUE
PROPERTY TAX LEVIES AND COLLECIONS
 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
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
1997	34,427,434	32,583,593	94.64	747,893	33,331,486	96.82

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 ⁽¹⁾	Assessed Value (in thousands) ⁽¹⁾	Gross Bonded Debt ⁽²⁾	Debt Service Monies Available ⁽²⁾	Net General Bonded Debt ⁽²⁾	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
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
1997	310,601	22,515,031	4,140,000	472,220	3,667,780	0.02	11.81

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, 2006

Jurisdiction	Net Direct Debt Outstanding ⁽¹⁾	Percentage Applicable to District	Amount Applicable to District
Clackamas School No. 3J (West Linn/Wilsonville)	\$134,972,238	100.00 %	\$134,972,238
Clackamas County School District No.7J (Lake Oswego)	4,481,985	5.66	253,591
Clackamas County School District No. 86 (Canby)	11,067,992	15.73	1,740,929
Clackamas Community College	11,327,391	24.74	2,802,748
City of West Linn	9,590,000	100.00	9,590,000
City of Wilsonville	530,000	100.00	530,000
Columbia County SD 1J (Scappoose)	4,455	0.29	13
Multnomah County	741,260	1.10	8,139
Metro Service District	33,026,192	29.01	9,581,063
Tri-Metropolitan Transport District	21,542,580	27.83	5,994,352
Portland Community College	23,703,669	32.08	7,603,544
Washington County	35,553,074	73.16	26,011,340
Tualatin Hills Park & Recreation District	14,993,481	97.93	14,683,506
Washington County School No. 23J (Tigard-Tualatin)	113,577,755	99.88	113,445,664
Washington County District No. 48J (Beaverton)	256,496,247	95.92	246,041,716
Washington County School District No. 88J (Sherwood)	38,980,176	99.24	38,682,640
Washington County School District No. 1J (Hillsboro)	19,571,472	15.54	3,042,072
Washington County School District No. 1J (Reedville Bond)	1,175,202	60.42	710,077
City of Beaverton	2,929,968	100.00	2,929,936
City of Durham	1,872,071	99.84	1,869,147
City of Sherwood	8,989,443	99.92	8,981,802
City of Tigard	11,571,974	100.00	11,571,743
City of Tualatin	8,319,617	100.00	8,319,234
Yamhill County School District No. 29J (Newberg)	3,129,822	4.81	150,404
Total			<u>\$649,515,898</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, 2006

Legal Debt Margin Calculation for Fiscal Year 2006

True cash value of District property	\$47,750,946,858
Debt limit under ORS 478.410(2) - (1.25% of the true cash value)	596,886,836
Amount of debt applicable to debt limit:	
Gross bonded debt outstanding	\$4,130,000
Assets in Debt Service Fund available for debt service	(1,165,747)
Total amount of debt applicable to debt limit	2,964,253
Legal debt margin	<u>\$593,922,583</u>

Total net debt applicable to the limit as a percentage of debt limit 0.50%

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit										
\$	284,790,984	\$ 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
Total net debt applicable to limit	3,667,780	3,021,000	7,617,286	11,735,983	10,205,266	8,848,879	7,585,069	6,035,093	4,288,967	2,964,253
Legal debt margin	\$ 281,123,204	\$ 312,231,644	\$ 326,548,071	\$ 352,430,732	\$ 384,303,078	\$ 424,326,229	\$ 436,258,904	\$ 468,226,645	\$ 532,610,482	\$ 593,922,583

Total net debt applicable to the limit as a percentage of debt limit	1.29%	0.96%	2.28%	3.22%	2.59%	2.04%	1.71%	1.27%	0.80%	0.50%
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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)
2006	424,000	N/A	N/A	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
1997	310,601	27,309	8,482,203	43,170	3.8

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

N/A Information unavailable at time of printing.

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	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fire and Rescue Service	236	217	243	263	287	310	294	300	302	296
Fire Prevention and Training	39	30	40	41	31	32	33	43	42	40
Administrative and Support	40	59	55	52	53	60	60	60	59	65
Total	315	306	338	356	371	402	387	403	403	401

TUALATIN VALLEY FIRE AND RESCUE
OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 est.
Public Safety										
Fire Prevention Inspections	11,361	11,533	8,704	5,251	6,144	7,150	9,071	4,813	4,452	4,505
Emergency Medical Service Calls	13,195	14,585	15,661	13,669	14,115	14,558	13,598	13,485	14,636	15,127
Fire Responses	1,075	1,094	1,245	1,357	1,376	1,327	1,223	1,126	1,110	1,369
Other Responses - including hazardous materials, mutual aid, public service	1,900	2,271	2,738	3,447	3,605	3,614	3,279	3,318	2,728	3,128
Miscellaneous - including false alarms, good intent	3,160	3,725	4,840	9,761	11,170	11,765	12,313	12,298	11,871	12,769

TUALATIN VALLEY FIRE AND RESCUE
CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Number of Stations	20	18	22	24	24	24	22	22	22	22
Equipment:										
Engines	33	27	36	38	40	41	41	36	36	36
Ladder trucks	4	2	4	5	5	5	5	3	4	4
Brush rigs	12	11	13	13	11	11	11	8	8	8
Rescue units	-	-	-	-	-	-	-	-	-	8
Tenders	4	4	6	6	7	7	7	7	6	8
Hazmat squad	2	7	2	2	2	2	2	1	1	3
Squad/Support units	9	2	7	7	12	12	12	11	13	3
Technical rescue	2	2	2	2	1	1	1	1	1	-
Heavy squad	-	1	1	1	-	-	-	-	-	-
Muster vehicles	-	-	-	-	5	5	5	4	4	3

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

November 22, 2006

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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2006. 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 material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

ACCOUNTING RECORDS

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

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

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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, 2006.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2006, 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 for the year ended June 30, 2006, and the preparation and adoption of its budget for the year ending June 30, 2007.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2006. 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, 2006.

PUBLIC CONTRACTS

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

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

Page 3

PROGRAMS FUNDED FROM OUTSIDE SOURCES

In a separate report dated November 22, 2006, 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

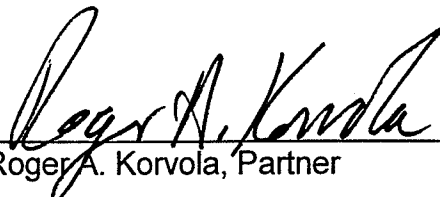
Compliance with the following is not applicable to the District:

- 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 
Roger A. Korvola, Partner

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