



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, 2005



A Rural Fire Protection District, Aloha Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the fiscal year ended June 30, 2005

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

Prepared by the Finance Department of Tualatin Valley Fire & Rescue

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

Cover photo courtesy of Storm Smith, TVFR.

**TUALATIN VALLEY FIRE AND RESCUE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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INTRODUCTORY SECTION

November 4, 2005

**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, 2005. 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, basic financial statements for the entity as a whole, notes to the basic financial statements, required supplementary information and supplemental information.

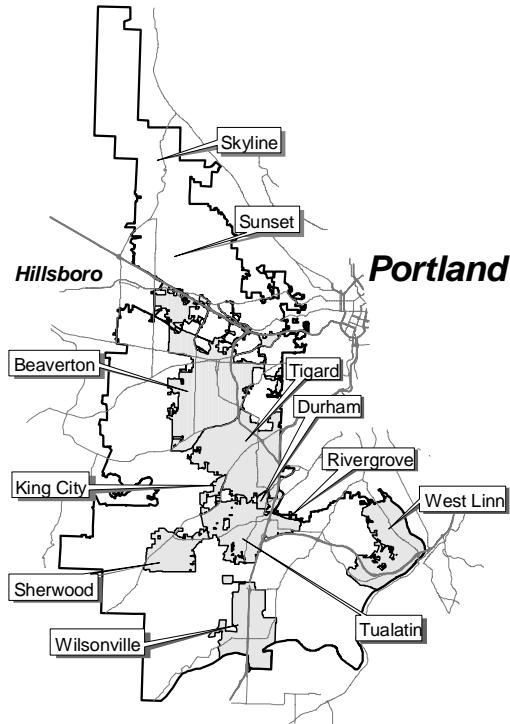
The *Statistical Section* includes selected financial and demographic information, generally presented on a multi-year basis.

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 entire 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 2005 were supplemented by 100 volunteer firefighters.

**TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL**

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

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

The District serves a population of approximately 418,000 people including the residents of West Linn. 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 27.6 billion dollars in 2003-04 to approximately 31.0 billion dollars in the 2004-05 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.

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

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

served as a Regional Hazardous Material Response provider for the State of Oregon with a service response area ranging from the City of Portland boundary on the East to the Pacific Ocean on the West and from the District's northern boundary in Multnomah County southerly to Marion County.

The District's fire prevention staff is dedicated to meeting all of the state mandates regarding fire investigations, commercial and retail occupancy inspections, and educating District citizens. To deal with emergencies, both fire and medical, the District staffs a team of professional firefighters and paramedics 24 hours a day with skills and equipment necessary to deal with a wide variety of emergencies. Over half of the District's professional firefighters are certified as advanced life support paramedics, while 100% of the remaining fire suppression personnel are 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 13.2% to almost \$43 billion while assessed value grew almost 12.6% for the property tax year 2005.

TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL

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

This area serves as the home to internationally recognized companies such as Nike, Mentor Graphics, In Focus and Tektronix. Top metropolitan area employers include Intel, Fred Meyer, Inc., Qwest Communications International, Inc., Portland General Electric, IBM, Kaiser Permanente, Providence Health System, U.S. Bank, Freightliner, 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 2005, the District's largest single focus was the renewal of the local option levy on November 2, 2004 which continues to provide a significant portion of our operational funding. This successful campaign was immediately followed by further planning and research into future funding models. Our other major focus was our self-audit and intensive preparation for our Commission for Fire Accreditation International (CFAI) reaccreditation process, which includes an on-site inspection team visit every five years, in order to reapply for accreditation. That visit was recently completed and we are awaiting the final results.

Department Service Efforts and Accomplishments

During the fiscal year ended June 30, 2005, all divisions and departments of the fire department contributed toward the accomplishments of our strategic goals. These goals, as outlined in our Strategic Plan are:

- *Ensure health and safety of all members.*
- *Reduce number and severity of emergency incidents.*
- *Maximize utilization of existing resources.*
- *Seek efficiencies through cooperative initiatives.*

**TUALATIN VALLEY FIRE AND RESCUE
LETTER OF TRANSMITTAL**

- *Pursue maximum institutional financial stability and predictability.*
- *Enhance preparedness for catastrophic events.*
- *Develop and enhance a workforce that honors and respects individual and group diversity.*
- *Promote craftsmanship throughout the organization.*
- *Build strategic, mission-oriented community understanding, which leads to involvement.*
- *Maintain CFAI accreditation and industry credentials.*

Efforts during the fiscal year ended June 30, 2005, as a result of these goals, include:

- Deployment of mobile data terminals into response apparatus with response maps and preplans provided to response personnel.
- Continued development and implementation of the local option levy funded response aid program.
- Publish a revised Standards of Coverage for Emergency Response operations.
- Continued station land purchase negotiations.
- The seamless provision of service to the City of West Linn after its July 1, 2004 annexation to the District.

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, 2004. This was the 17th 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, 2005. 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 17th 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, 2004

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.



Nancy L. Zieller

President

Jeffrey R. Emen

Executive Director

TUALATIN VALLEY FIRE & RESCUE
LIST OF ELECTED AND APPOINTED OFFICIALS
JULY 1, 2005

Board of Directors

	Term Expires
Larry Goff, President	June 30, 2009
Robert C. Wyffels, Vice-President.....	June 30, 2009
Carol A. Gearin, Secretary-Treasurer.....	June 30, 2007
Clark I. Balfour	June 30, 2009
Brian J. Clopton	June 30, 2007

Budget Committee

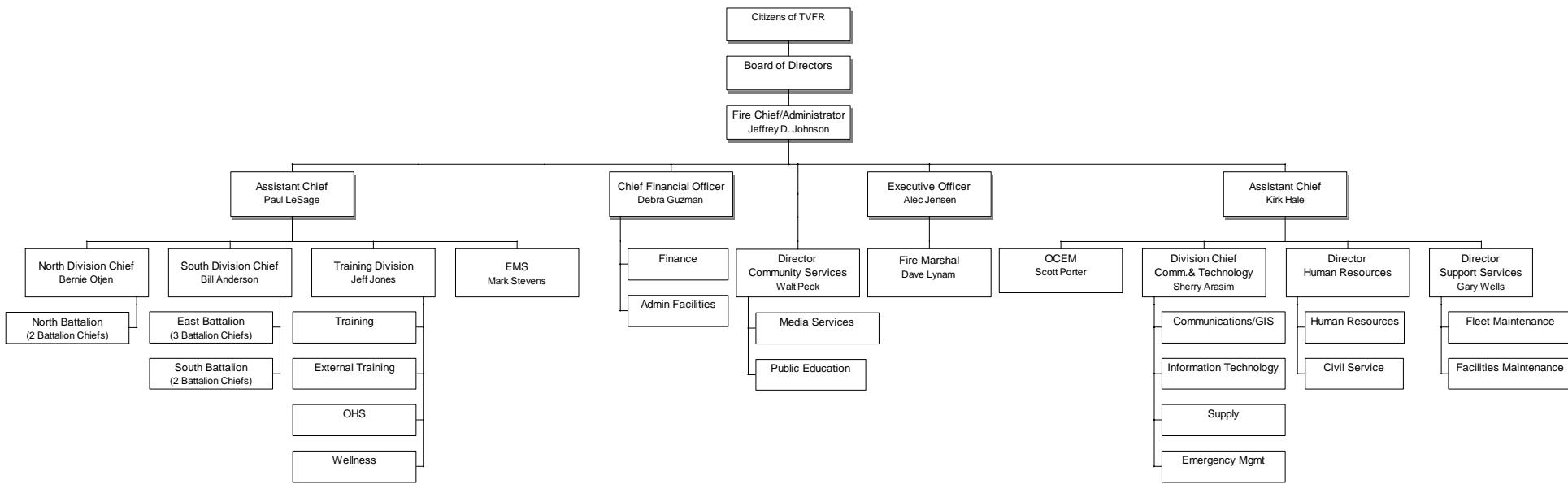
	Term Expires
Leland H. Ascher	June 30, 2005
Clark I. Balfour	June 30, 2009
Michael S. Berry	June 30, 2006
Brian J. Clopton	June 30, 2007
Carol A. Gearin	June 30, 2007
Larry D. Goff	June 30, 2009
Christopher D. Harris.....	June 30, 2006
Michael D. Smith.....	June 30, 2007
Jon R. Walsh	June 30, 2007
Robert 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, 2005



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

November 4, 2005

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, 2005, 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, 2005, 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)

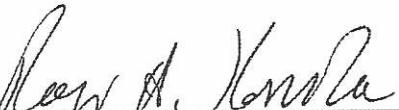
Board of Directors
Tualatin Valley Fire and Rescue
Aloha, Oregon
Page 2

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

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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, 2005. 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, 2005 by \$53,304,101. Of this amount, \$23,463,387 represents the District's investment in capital assets, net of related debt, \$1,031,033 is restricted for debt service and the balance of \$28,809,681 will be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$5,374,802, primarily due to increases in property tax revenue from growth within the District and the City of West Linn annexation, and expected delays in pension cost increases.
- As of June 30, 2005 the District's governmental funds reported combined ending fund balances of \$30,788,371, an increase of \$2,386,472 in comparison with the prior year. The majority of this amount is unreserved.
- At June 30, 2005, unreserved fund balance for the general fund was \$22,218,710, or 44.9 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 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 \$1,582,100 (23 percent) during the current fiscal year. This decrease was due to scheduled principal and interest payments on the District's outstanding bond issues and financing loan.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, internal service 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*.

**TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The basic internal service fund financial statements can be found on pages 31-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for internal service funds. The basic fiduciary fund financial statements can be found on pages 34 and 35 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 36-53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to its employees, 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 55 and 56 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 \$53,304,101 at June 30, 2005.

The largest portion of the District's net assets (44 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, 2005

Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2004
	2005	2004	
Current and other assets	\$ 37,338,900	\$ 35,013,388	\$ 2,325,512
Capital assets	28,752,204	26,348,129	2,404,075
Total assets	<u>66,091,104</u>	<u>61,361,517</u>	<u>4,729,587</u>
Current liabilities	7,498,186	6,578,220	919,966
Long-term debt	5,288,817	6,853,998	(1,565,181)
Total liabilities	<u>12,787,003</u>	<u>13,432,218</u>	<u>(645,215)</u>
Net assets:			
Invested in capital assets, net of related debt	23,463,387	19,494,131	3,969,256
Restricted for debt service	1,031,033	858,636	172,397
Unrestricted	<u>28,809,681</u>	<u>27,576,532</u>	<u>1,233,149</u>
Total net assets	<u><u>\$ 53,304,101</u></u>	<u><u>\$ 47,929,299</u></u>	<u><u>\$ 5,374,802</u></u>

The District's largest liability (41 percent) is for the repayment of general obligation bonds. The balance of a prior year financing loan was paid in full during the year ended June 30, 2005. Current liabilities of the District consist largely of accounts payable, salaries and benefits and compensated absences.

During the current fiscal year, the District's net assets increased by \$5,374,802. Unrestricted net assets increased by \$1,233,149 due to management of expenditures in order to achieve fund balance targets. Total capital assets increased by \$2,404,075 primarily due to continued investments in capital assets.

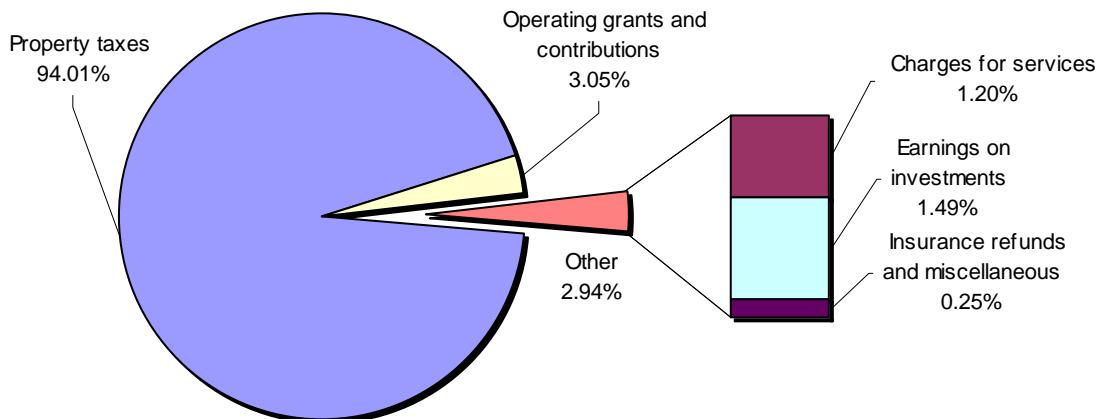
Governmental activities. Governmental activities increased the District's net assets in the current year by \$5,374,802. Property taxes increased, reflecting increased assessed valuation and the City of West Linn annexation. Charges for services decreased reflecting the cessation of the City of West Linn fire protection contract due to annexation by the District of the City effective July 1, 2004. An increased level of operating grants and contributions were also received in fiscal year 2005. 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 operations.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

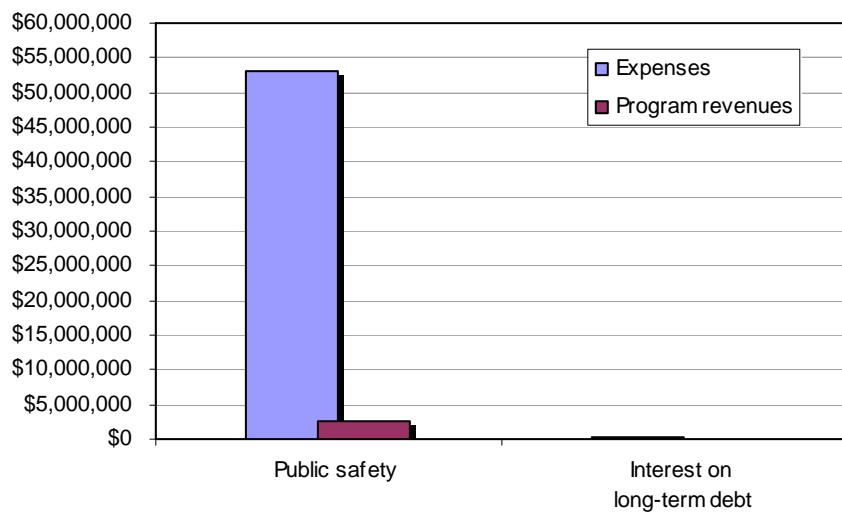
Changes in Net Assets	Governmental Activities		Increase (Decrease) from Fiscal 2004
	2005	2004	
Revenues:			
Program revenues			
Charges for services	\$ 704,506	\$ 3,767,913	\$ (3,063,407)
Operating grants and contributions	1,794,138	197,112	1,597,026
General revenues:			
Property taxes	55,233,714	48,961,590	6,272,124
(Loss)/Gain on sale of capital assets	(77,030)	204,634	(281,664)
Earnings on investments	875,339	484,643	390,696
Insurance refunds	148,656	119,642	29,014
Miscellaneous	76,822	32,790	44,032
Total revenues	<u>58,756,145</u>	<u>53,768,324</u>	<u>4,987,821</u>
Expenses:			
Public safety-fire protection	53,100,610	50,656,606	2,444,004
Interest on long-term debt	280,733	342,004	(61,271)
Total expenses	<u>53,381,343</u>	<u>50,998,610</u>	<u>2,382,733</u>
Change in net assets	5,374,802	2,769,714	2,605,088
Net assets - July 1	47,929,299	45,159,585	2,769,714
Net assets - June 30	<u>\$ 53,304,101</u>	<u>\$ 47,929,299</u>	<u>\$ 5,374,802</u>

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Revenue Sources - Governmental Activities
Fiscal Year 2005



Expenses and Program Revenues - Governmental Activities
Fiscal Year 2005



TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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, 2005, the District's governmental funds reported combined ending fund balances of \$30,788,371, an increase of \$2,386,472 in comparison with the prior year. 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, 2005 unreserved fund balance of the general fund was \$22,218,710, while total fund balance reached \$22,423,022. 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 42 percent of total general fund expenditures and other financing uses and total fund balance also represents 42 percent of that same amount.

The fund balance of the District's general fund increased by \$2,031,907 or approximately 10.0 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, 2005, the ending fund balance of the Property and Building Fund was \$4,224,381, an increase of \$1,568,307 during the current fiscal year. This increase is due to transfers intended to be utilized for future station seismic reconstructions and station land purchases.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

General Fund Budgetary Highlights

The Board approved one budget transfer to the adopted budget for June 30, 2005. The budget transfer authorized funding for higher workers compensation costs, temporary personnel funding in two departments to replace lost work hours of support staff due to disabilities of two employees, higher election costs than anticipated, 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, 2005, the District had invested \$28,752,204 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation)	Governmental Activities		Increase (Decrease) from Fiscal 2004
	2005	2004	
Land	\$ 4,207,210	\$ 3,720,152	\$ 487,058
Buildings and improvements	10,754,489	11,421,745	(667,256)
Fire apparatus and other vehicles	11,192,227	8,945,977	2,246,250
Furniture, fixtures and equipment	1,952,284	1,579,308	372,976
Work in progress	645,994	680,947	(34,953)
Total	\$ 28,752,204	\$ 26,348,129	\$ 2,404,075

During the year, the District's investment in capital assets increased by \$2,404,075, 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.

TUALATIN VALLEY FIRE AND RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Long-term debt. At the end of the current fiscal year, the District had total bonded debt of \$5,288,817, 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 \$532 million. Additional information on the District's long-term debt can be found in note III.D.1 on pages 45 and 46 of this report.

Economic Factors and Next Year's Budget

The District'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 still anticipate continuing to increase property tax revenues in future years based upon continued 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 settled and the PERS board is obtaining updated actuarial data to ascertain the overall effect. The 2005-06 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.

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

TUALATIN VALLEY FIRE AND RESCUE
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 25,962,014
Investments	8,869,090
Receivables, net:	
Property taxes receivable	1,829,053
Accounts receivable	474,431
Supplies inventory	204,312
Capital assets, not being depreciated:	
Land and work in progress	4,853,204
Capital assets, net of accumulated depreciation:	
Buildings and improvements	10,754,489
Fire apparatus and other vehicles	11,192,227
Furniture, fixtures and equipment	1,952,284
Total assets	<u>66,091,104</u>
LIABILITIES	
Accounts payable	1,024,744
Accrued salaries and benefits payable	2,316,585
Accrued interest payable	110,664
Accrued compensated absences	4,039,919
Unearned revenue	6,274
Bonds and notes payable, net of unamortized premium/discount:	
Due within one year	1,180,268
Due in more than one year	4,108,549
Total liabilities	<u>12,787,003</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,463,387
Restricted for:	
Debt service	1,031,033
Unrestricted	28,809,681
Total net assets	<u>\$ 53,304,101</u>

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

TUALATIN VALLEY FIRE AND RESCUE

STATEMENT OF ACTIVITIES

JUNE 30, 2005

	Governmental Activities
EXPENSES	
Public safety - fire protection	\$ 53,100,610
Interest on long-term debt	280,733
Loss on sale of capital assets	77,030
Total program expenses	<u>53,458,373</u>
PROGRAM REVENUES	
Charges for services	704,506
Operating grants and contributions	<u>1,794,138</u>
Total program revenues	<u>2,498,644</u>
Net program expenses	<u>50,959,729</u>
GENERAL REVENUES	
Property taxes	55,233,714
Investment earnings	875,339
Insurance refunds	148,656
Miscellaneous	76,822
Total general revenues	<u>56,334,531</u>
Change in net assets	5,374,802
Net assets, July 1, 2004	<u>47,929,299</u>
Net assets, June 30, 2005	<u>\$ 53,304,101</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, 2005

	General Fund	Property and Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,940,178	\$ 4,245,179	\$ 4,098,741	\$ 25,284,098
Investments	8,869,090			8,869,090
Receivables:				
Property taxes receivable	1,778,940		50,113	1,829,053
Accounts receivable	241,841		232,590	474,431
Due from other funds	36,744			36,744
Supplies inventory	204,312			204,312
Total assets	<u>\$ 28,071,105</u>	<u>\$ 4,245,179</u>	<u>\$ 4,381,444</u>	<u>\$ 36,697,728</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 842,759	\$ 20,798	\$ 161,187	\$ 1,024,744
Accrued salaries and benefits payable	2,314,707		1,878	2,316,585
Accrued compensated absences	1,022,150			1,022,150
Due to other funds			36,744	36,744
Deferred revenue	1,468,467		40,667	1,509,134
Total liabilities	<u>5,648,083</u>	<u>20,798</u>	<u>240,476</u>	<u>5,909,357</u>
Fund balances:				
Reserved for supplies inventory	204,312			204,312
Reserved for retiree medical insurance			308,244	308,244
Reserved for debt service			1,031,033	1,031,033
Unreserved, reported in:				
General fund	22,218,710			22,218,710
Special revenue funds			2,801,691	2,801,691
Capital projects fund	4,224,381			4,224,381
Total fund balances	<u>22,423,022</u>	<u>4,224,381</u>	<u>4,140,968</u>	<u>30,788,371</u>
Total liabilities and fund balances	<u>\$ 28,071,105</u>	<u>\$ 4,245,179</u>	<u>\$ 4,381,444</u>	<u>\$ 36,697,728</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, 2005

Total fund balances	\$ 30,788,371
 Capital assets are not financial resources and therefore are not reported in the governmental funds:	
Cost	\$ 51,542,705
Accumulated depreciation	<u>(22,790,501)</u>
	28,752,204
 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.	
	1,488,113
 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.	
	14,747
 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.	
	677,916
 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.	
	(3,017,769)
 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.	
	(5,288,817)
 Accrued interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	
	<u>(110,664)</u>
Total net assets	<u><u>\$ 53,304,101</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, 2005

	General Fund	Property and Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 53,897,852		\$ 1,535,690	\$ 55,433,542
Interest	693,100	\$ 78,406	89,414	860,920
Charges for services	604,925	97,993		702,918
Insurance refunds	142,632			142,632
Grants and donations	99,540		1,157,187	1,256,727
Miscellaneous	70,635			70,635
Total revenues	<u>55,508,684</u>	<u>176,399</u>	<u>2,782,291</u>	<u>58,467,374</u>
EXPENDITURES				
Current				
Public safety	48,991,010		631,069	49,622,079
Debt service:				
Principal	472,100		1,110,000	1,582,100
Interest	11,132		276,400	287,532
Capital outlay		120,092	4,501,985	4,622,077
Total expenditures	<u>49,474,242</u>	<u>120,092</u>	<u>6,519,454</u>	<u>56,113,788</u>
Excess (deficiency) of revenues	<u>6,034,442</u>	<u>56,307</u>	<u>(3,737,163)</u>	<u>2,353,586</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of surplus property			32,886	32,886
Transfers in		1,512,000	2,490,535	4,002,535
Transfers out	(4,002,535)			(4,002,535)
Total other financing sources (uses)	<u>(4,002,535)</u>	<u>1,512,000</u>	<u>2,523,421</u>	<u>32,886</u>
Net change in fund balances	2,031,907	1,568,307	(1,213,742)	2,386,472
Fund balances - July 1, 2004	20,391,115	2,656,074	5,354,710	28,401,899
Fund balances - June 30, 2005	<u>\$ 22,423,022</u>	<u>\$ 4,224,381</u>	<u>\$ 4,140,968</u>	<u>\$ 30,788,371</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, 2005

Net change in fund balances	\$ 2,386,472
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 outlay (\$4,322,237) exceeds depreciation expense (\$2,345,843).	1,976,394
In the Statement of Activities, only the loss on the sale of capital assets of \$77,030 is reported, whereas in the governmental funds, the entire proceeds of \$32,886 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.	(109,730)
Fixed assets transferred in from the City of West Linn annexation.	537,411
Fire apparatus exchange in fixed assets.	(645,000)
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.	1,582,100
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.	(199,828)
Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.	1,589
Amortization of refinancing loan issuance costs.	(7,187)
Amortization of bond issuance costs.	(9,732)
Accrued interest payable on bonds and financing loan through June 30, 2005.	23,718
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 earned.	(165,483)
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.	4,078
Change in net assets	\$ 5,374,802

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, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes:				
Current year's levy	\$ 50,697,390	\$ 50,697,390	\$ 52,686,909	\$ 1,989,519
Prior years' levies	980,570	980,570	1,180,350	199,780
Taxes in lieu of property taxes	12,796	12,796	30,593	17,797
Interest on unsegregated property taxes	11,592	11,592	24,739	13,147
Interest on taxes	8,501	8,501	5,451	(3,050)
Interest on investments	353,350	353,350	662,910	309,560
Contracted services	122,575	122,575	245,699	123,124
Special service charges	270,995	270,995	147,951	(123,044)
Maintenance services	173,680	173,680	123,397	(50,283)
Rental income	89,265	89,265	82,450	(6,815)
Plan review fees			5,428	5,428
Insurance refunds			142,632	142,632
Grants and donations			99,540	99,540
Miscellaneous	57,000	57,000	70,635	13,635
Total revenues	<u>52,777,714</u>	<u>52,777,714</u>	<u>55,508,684</u>	<u>2,730,970</u>
EXPENDITURES				
Current				
Public Safety:				
Non-organizational:				
Materials and services	<u>68,961</u>	<u>68,961</u>	<u>60,825</u>	<u>8,136</u>
Administration Division:				
Personal services	525,264	550,764	506,216	44,548
Materials and services	325,358	390,358	348,484	41,874
Total Administration Division	<u>850,622</u>	<u>941,122</u>	<u>854,700</u>	<u>86,422</u>
Emergency Operations Division:				
Personal services	38,307,916	38,426,166	35,965,026	2,461,140
Materials and services	2,324,899	2,344,898	2,011,517	333,381
Total Emergency Operations Division	<u>40,632,815</u>	<u>40,771,064</u>	<u>37,976,543</u>	<u>2,794,521</u>
Finance Division:				
Personal services	751,481	753,981	687,334	66,647
Materials and services	816,054	831,054	674,145	156,909
Total Finance Division	<u>1,567,535</u>	<u>1,585,035</u>	<u>1,361,479</u>	<u>223,556</u>
Community Services Division:				
Personal services	3,285,512	3,280,619	3,097,272	183,347
Materials and services	420,344	439,987	350,203	89,784
Total Community Services Division	<u>3,705,856</u>	<u>3,720,606</u>	<u>3,447,475</u>	<u>273,131</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, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
	Original	Final				
EXPENDITURES, Continued						
Support Resources Division:						
Personal services	4,214,634	4,298,520	3,856,156	442,364		
Materials and services	3,236,060	3,264,052	2,758,228	505,824		
Total Support Resources Division	7,450,694	7,562,572	6,614,384	948,188		
Total Public Safety	54,276,483	54,649,360	50,315,406	4,333,954		
Debt service:						
Principal	472,100	472,100	472,100			
Interest	11,331	11,331	11,132	199		
Operating contingency	2,115,725	1,742,847		1,742,847		
Total expenditures	56,875,639	56,875,638	50,798,638	6,077,000		
Excess (deficiency) of revenues over (under) expenditures	(4,097,925)	(4,097,924)	4,710,046	8,807,970		
OTHER FINANCING USES						
Transfers out	(4,006,736)	(4,006,736)	(4,002,535)	4,201		
Total other financing uses	(4,006,736)	(4,006,736)	(4,002,535)	4,201		
Net change in fund balances	(8,104,661)	(8,104,660)	707,511	8,812,171		
Fund balances - July 1, 2004	19,335,044	19,335,044	19,103,193	(231,851)		
Fund balances - June 30, 2005	\$ 11,230,383	\$ 11,230,384	\$ 19,810,704	\$ 8,580,320		

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

Net change in fund balance - budgetary basis	\$ 707,511
Funding of retirement contribution pending litigation, not GAAP expenditures/expense	<u>1,324,396</u>
Net change in fund balance - GAAP basis	<u>\$ 2,031,907</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, 2005

	Governmental Activities - Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 677,916
Total assets	<u>677,916</u>
NET ASSETS	
Unrestricted	677,916
Total net assets	<u>\$ 677,916</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, 2005

	Governmental Activities - Internal Service Fund
OPERATING REVENUE	
Insurance refunds	\$ 6,024
Total operating revenues	<u>6,024</u>
OPERATING EXPENSE	
Insurance claims	16,365
Total operating expenses	<u>16,365</u>
Operating loss	<u>(10,341)</u>
NONOPERATING REVENUE	
Interest income	14,419
Total nonoperating revenue	<u>14,419</u>
Change in net assets	4,078
Total net assets, July 1, 2004	673,838
Total net assets, June 30, 2005	<u>\$ 677,916</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, 2005**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from insurance reimbursements	\$ 8,624
Paid for insurance claims	<u>(16,365)</u>
Net cash used in operating activities	<u><u>(7,741)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>14,419</u>
Net cash provided by investing activities	<u><u>14,419</u></u>
Net increase in cash and cash equivalents	6,678
Cash and cash equivalents, July 1, 2004	<u>671,238</u>
Cash and cash equivalents, June 30, 2005	<u><u>\$ 677,916</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (10,341)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	<u>2,600</u>
Total adjustments	<u>2,600</u>
Net cash used in operating activities	<u><u>\$ (7,741)</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
FOR THE YEAR ENDED JUNE 30, 2005**

	Governmental Activities - Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 520,648
Investments:	
Certificate of Deposit	70,193
Corporate Notes	163,214
Mutual Fund	1,569,794
Interest receivable	4,665
Total assets	<u>2,328,514</u>
LIABILITIES	
Accounts payable	<u>67</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 2,328,447</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, 2005

	Governmental Activities - Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 60,000
Total contributions	<u>60,000</u>
Investment earnings:	
Interest	31,080
Dividends	26,971
Net increase in the fair value of investments	<u>70,446</u>
Net investment earnings	<u>128,497</u>
Total additions	<u>188,497</u>
DEDUCTIONS	
Benefits	344,640
Administration expenses	<u>1,008</u>
Total deductions	<u>345,648</u>
Change in net assets	(157,151)
Total net assets, July 1, 2004	2,485,598
Total net assets, June 30, 2005	<u>\$ 2,328,447</u>

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

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

I. Summary of significant accounting policies

A. Reporting entity

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

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

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

2. Investments

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

3. Receivables

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

4. Supplies inventory

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

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

5. *Capital assets*

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

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

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

6. *Long-term debt*

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

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

7. *Liabilities for compensated absences*

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

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

8. *Fund equity*

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

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

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

III. Detailed notes on all accounts

A. Cash, cash equivalents and investments

1. Deposits and Investments

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

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

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

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

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

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

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

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

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

2. Custodial Credit Risk

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

3. Interest Rate Risk

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

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

4. Credit Risk

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

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

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

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

Aa1	\$ 298,975
Aa2	273,599
Aa3	1,078,177
Ba1	80,631
	<hr/> <hr/> <hr/> <hr/> <hr/>
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B. Capital Assets

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

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

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

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

C. Interfund receivables, payables, and transfers

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

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

D. Long-term debt

1. Bonds and loan payable

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

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

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

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

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

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

2. Compensated absences

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

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

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

IV. Other Information

A. Risk management

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

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

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

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

B. Commitments and contingencies

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

C. Related party transactions

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

D. Deferred compensation plan

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

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

E. Other post-employment benefits

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

F. Employee retirement systems and pension plans

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

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

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

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

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

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

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

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

Three-Year Trend Information for PERS and OPSRP

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

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

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

2. Single-Employer Defined Benefit Pension Plan

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

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

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

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

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

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

Condensed Statement of Net Assets, June 30, 2005:

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

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

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

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

3. *Volunteer Length of Service Award Plan*

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

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

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

The plan does not issue stand-alone financial reports.

Trend Information

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

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

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

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

Condensed Statement of Net Assets, June 30, 2005:

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**Tualatin Valley Fire and Rescue
Required Supplementary Information**

**Schedule of Funding Progress
Oregon Public Employees Retirement System (PERS)**

Actuarial Date December 31,	AVA ⁽¹⁾	AAL ⁽²⁾	FAAL/ (UAAL) ⁽³⁾	Percent Funded	Covered Payroll	FAAL/(UAAL) as a Percentage of Covered Payroll
2003 ⁽⁴⁾	\$ 165,207,000	\$ 165,614,000	\$ (407,000)	100%	\$ 27,970,000	(1)
2001	162,507,000	130,482,000	32,025,000	125	25,650,000	125
1999	168,405,000	152,852,000	15,553,000	110	24,426,000	(64)

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ Actuarial Accrued Liability

⁽³⁾ Funded/(Unfunded) Actuarial Accrued Liability

**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

SUPPLEMENTAL INFORMATION

MAJOR GOVERNMENTAL FUND

Capital Projects Fund

Property and Building Fund – 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, investment earnings and sales of surplus property.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Emergency Management Fund - accounts for the accumulation of resources used for regional emergency preparedness.

Grants Fund - accounts for the accumulation of resources used for the acquisition of items approved through awarded grants.

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

Debt Service Fund

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

Capital Projects Fund

Capital Projects Fund – accounts for the proceeds of general obligation bond issues and expenditures to be funded with those proceeds. There was no activity in this fund for fiscal year 2004-05.

TUALATIN VALLEY FIRE AND RESCUE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<i>Special Revenue Fund Type</i>						Total Other Governmental Funds
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Stipend Fund	Debt Service Fund	
ASSETS							
Cash and cash equivalents	\$693,897	\$ 2,075,013			\$308,244	\$1,021,587	\$ 4,098,741
Receivables:							
Property taxes receivable						50,113	50,113
Accounts receivable		905	\$ 40,285	\$191,400			232,590
Total assets	<u>\$693,897</u>	<u>\$ 2,075,918</u>	<u>\$ 40,285</u>	<u>\$191,400</u>	<u>\$308,244</u>	<u>\$1,071,700</u>	<u>\$ 4,381,444</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 12	\$ 37,427	\$ 3,123	\$120,625			\$ 161,187
Accrued salaries and benefits payable			1,878				1,878
Due to other funds			35,284	1,460			36,744
Unearned revenue						\$ 40,667	40,667
Total liabilities	<u>12</u>	<u>37,427</u>	<u>40,285</u>	<u>122,085</u>		<u>40,667</u>	<u>240,476</u>
Fund balances:							
Reserved for retiree medical insurance					\$308,244		308,244
Unreserved, reported in:							
Special revenue funds	693,885	2,038,491		69,315			2,801,691
Reserved, reported in:							
Debt service fund						1,031,033	1,031,033
Total fund balances	<u>693,885</u>	<u>2,038,491</u>		<u>69,315</u>	<u>308,244</u>	<u>1,031,033</u>	<u>4,140,968</u>
Total liabilities and fund balances	<u>\$693,897</u>	<u>\$ 2,075,918</u>	<u>\$ 40,285</u>	<u>\$191,400</u>	<u>\$308,244</u>	<u>\$1,071,700</u>	<u>\$ 4,381,444</u>

TUALATIN VALLEY FIRE AND RESCUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<i>Special Revenue Fund Type</i>						Total Other Governmental Funds
	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Grants Fund	Retiree Medical Insurance Stipend Fund	Debt Service Fund	
REVENUES							
Taxes							\$ 1,535,690
Interest	\$ 16,188	\$ 51,588			\$ 6,902	14,736	89,414
Grants and donations				\$ 1,157,187			1,157,187
Total revenues	<u>16,188</u>	<u>51,588</u>	<u> </u>	<u>1,157,187</u>	<u>6,902</u>	<u>1,550,426</u>	<u>2,782,291</u>
EXPENDITURES							
Current							
Public safety			\$ 39,897	438,432	152,740		631,069
Debt service:							
Principal						1,110,000	1,110,000
Interest						276,400	276,400
Capital outlay	<u>1,606,151</u>	<u>2,226,394</u>	<u>39,897</u>	<u>669,440</u>	<u>152,740</u>	<u>1,386,400</u>	<u>4,501,985</u>
Total expenditures	<u>1,606,151</u>	<u>2,226,394</u>	<u>39,897</u>	<u>1,107,872</u>	<u>152,740</u>	<u>1,386,400</u>	<u>6,519,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,589,963)</u>	<u>(2,174,806)</u>	<u>(39,897)</u>	<u>49,315</u>	<u>(145,838)</u>	<u>164,026</u>	<u>(3,737,163)</u>
OTHER FINANCING SOURCES (USES)							
Sale of surplus property	9,699	23,187					32,886
Transfers in	<u>1,276,561</u>	<u>1,068,268</u>	<u>39,897</u>	<u>20,000</u>	<u>85,809</u>	<u> </u>	<u>2,490,535</u>
Total other financing sources (uses)	<u>1,286,260</u>	<u>1,091,455</u>	<u>39,897</u>	<u>20,000</u>	<u>85,809</u>	<u> </u>	<u>2,523,421</u>
Net change in fund balances	<u>(303,703)</u>	<u>(1,083,351)</u>		<u>69,315</u>	<u>(60,029)</u>	<u>164,026</u>	<u>(1,213,742)</u>
Fund balances - July 1, 2004	<u>997,588</u>	<u>3,121,842</u>			<u>368,273</u>	<u>867,007</u>	<u>5,354,710</u>
Fund balances - June 30, 2005	<u>\$ 693,885</u>	<u>\$ 2,038,491</u>		<u>\$ 69,315</u>	<u>\$ 308,244</u>	<u>\$ 1,031,033</u>	<u>\$ 4,140,968</u>

TUALATIN VALLEY FIRE AND RESCUE
PROPERTY AND BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Interest	\$ 20,704	\$ 78,406	\$ 57,702
Charges for services	<u>500,000</u>	<u>97,993</u>	<u>(402,007)</u>
Total revenues	<u>520,704</u>	<u>176,399</u>	<u>(344,305)</u>
EXPENDITURES			
Capital outlay	1,950,500	120,092	1,830,408
Operating contingency	<u>389,007</u>	<u>389,007</u>	<u>389,007</u>
Total expenditures	<u>2,339,507</u>	<u>120,092</u>	<u>2,219,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,818,803)</u>	<u>56,307</u>	<u>1,875,110</u>
OTHER FINANCING SOURCES			
Transfers in	1,512,000	1,512,000	_____
Total other financing sources	<u>1,512,000</u>	<u>1,512,000</u>	<u>1,512,000</u>
Net change in fund balances	<u>(306,803)</u>	<u>1,568,307</u>	<u>1,875,110</u>
Fund balances - July 1, 2004	1,934,002	2,656,074	722,072
Fund balances - June 30, 2005	<u>\$ 1,627,199</u>	<u>\$ 4,224,381</u>	<u>\$ 2,597,182</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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Interest	\$ 2,500	\$ 16,188	\$ 13,688
Total revenues	<u>2,500</u>	<u>16,188</u>	<u>13,688</u>
EXPENDITURES			
Capital outlay	1,619,219	1,606,151	13,068
Operating contingency	<u>359,337</u>		<u>359,337</u>
Total expenditures	<u>1,978,556</u>	<u>1,606,151</u>	<u>372,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,976,056)</u>	<u>(1,589,963)</u>	<u>386,093</u>
OTHER FINANCING SOURCES			
Sales of surplus property		144,699	144,699
Transfers in	1,276,561	1,276,561	
Total other financing sources	<u>1,276,561</u>	<u>1,421,260</u>	<u>144,699</u>
Net change in fund balances	<u>(699,495)</u>	<u>(168,703)</u>	<u>530,792</u>
Fund balances - July 1, 2004	799,495	997,588	198,093
Fund balances - June 30, 2005	<u>\$ 100,000</u>	<u>\$ 828,885</u>	<u>\$ 728,885</u>

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

Net change in fund balance - budgetary basis	\$ (168,703)
Sale of surplus property reported as deferred revenue on the budgetary basis but recognized as revenue for GAAP basis	<u>(135,000)</u>
Net change in fund balance - GAAP basis	<u>\$ (303,703)</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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 25,000	\$ 51,588	\$ 26,588
Total revenues	<u>25,000</u>	<u>51,588</u>	<u>26,588</u>
EXPENDITURES			
Capital outlay	3,603,327	2,226,394	1,376,933
Operating contingency	389,147	389,147	389,147
Total expenditures	<u>3,992,474</u>	<u>2,226,394</u>	<u>1,766,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,967,474)</u>	<u>(2,174,806)</u>	<u>1,792,668</u>
OTHER FINANCING SOURCES			
Sale of surplus property	2,500	23,187	20,687
Transfers in	1,068,268	1,068,268	20,687
Total other financing sources	<u>1,070,768</u>	<u>1,091,455</u>	<u>20,687</u>
Net change in fund balances	(2,896,706)	(1,083,351)	1,813,355
Fund balances - July 1, 2004	2,979,436	3,121,842	142,406
Fund balances - June 30, 2005	<u>\$ 82,730</u>	<u>\$ 2,038,491</u>	<u>\$ 1,955,761</u>

TUALATIN VALLEY FIRE AND RESCUE
EMERGENCY MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
EXPENDITURES			
Current			
Public safety:			
Personal services	\$ 36,275	\$ 35,439	\$ 836
Materials and services	<u>7,823</u>	<u>4,458</u>	<u>3,365</u>
Total public safety	<u>44,098</u>	<u>39,897</u>	<u>4,201</u>
OTHER FINANCING SOURCES			
Transfers in	<u>44,098</u>	<u>39,897</u>	<u>(4,201)</u>
Total other financing sources	<u>44,098</u>	<u>39,897</u>	<u>(4,201)</u>
Net change in fund balances			
Fund balances - July 1, 2004			
Fund balances - June 30, 2005			

**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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Grants and donations	\$ 1,405,312	\$ 1,157,187	\$ (248,125)
Total revenues	<u>1,405,312</u>	<u>1,157,187</u>	<u>(248,125)</u>
EXPENDITURES			
Public safety - materials and services	474,230	438,432	35,798
Capital outlay	<u>951,082</u>	<u>669,440</u>	<u>281,642</u>
Total expenditures	<u>1,425,312</u>	<u>1,107,872</u>	<u>317,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>49,315</u>	<u>69,315</u>
OTHER FINANCING SOURCES			
Transfers in	<u>20,000</u>	<u>20,000</u>	<u></u>
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u></u>
Net change in fund balances		<u>69,315</u>	<u>69,315</u>
Fund balances - July 1, 2004			
Fund balances - June 30, 2005	<u><u><u>\$ 69,315</u></u></u>	<u><u><u>\$ 69,315</u></u></u>	<u><u><u>\$ 69,315</u></u></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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Interest	\$ 4,697	\$ 6,902	\$ 2,205
Total revenues	<u>4,697</u>	<u>6,902</u>	<u>2,205</u>
EXPENDITURES			
Current			
Public safety - personal services	172,768	152,740	20,028
Total expenditures	<u>172,768</u>	<u>152,740</u>	<u>20,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,071)</u>	<u>(145,838)</u>	<u>22,233</u>
OTHER FINANCING SOURCES			
Transfers in	85,809	85,809	_____
Total other financing sources	<u>85,809</u>	<u>85,809</u>	<u>_____</u>
Net change in fund balances	<u>(82,262)</u>	<u>(60,029)</u>	<u>22,233</u>
Fund balances - July 1, 2004	369,413	368,273	(1,140)
Fund balances - June 30, 2005	<u>\$ 287,151</u>	<u>\$ 308,244</u>	<u>\$ 21,093</u>

TUALATIN VALLEY FIRE AND RESCUE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 1,512,904	\$ 1,535,690	\$ 22,786
Interest	7,039	14,736	7,697
Total revenues	<u>1,519,943</u>	<u>1,550,426</u>	<u>30,483</u>
EXPENDITURES			
Debt service:			
Principal	1,110,000	1,110,000	
Interest	276,400	276,400	
Total expenditures	<u>1,386,400</u>	<u>1,386,400</u>	<u></u>
Excess of revenues over expenditures and net change in fund balances	133,543	164,026	30,483
Fund balances - July 1, 2004	<u>627,182</u>	<u>867,007</u>	<u>239,825</u>
Fund balances - June 30, 2005	<u>\$ 760,725</u>	<u>\$ 1,031,033</u>	<u>\$ 270,308</u>

Internal Service Fund

The fund included in this fund category is:

Insurance Fund - accounts for the accumulation of resources used for payment of claims and losses less than deductible limits for insurance coverage.

**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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 6,021	\$ 14,419	\$ 8,398
Insurance refunds	<u>28,000</u>	<u>6,024</u>	<u>(21,976)</u>
Total revenues	<u>34,021</u>	<u>20,443</u>	<u>(13,578)</u>
EXPENDITURES			
Materials and services	686,031	16,365	669,666
Total expenditures	<u>686,031</u>	<u>16,365</u>	<u>669,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(652,010)</u>	<u>4,078</u>	<u>656,088</u>
Net change in fund balances	<u>(652,010)</u>	<u>4,078</u>	<u>656,088</u>
Fund balances - July 1, 2004	652,010	673,838	21,828
Fund balances - June 30, 2005	<u>\$ -</u>	<u>\$ 677,916</u>	<u>\$ 677,916</u>

TUALATIN VALLEY FIRE AND RESCUE
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 340,979	\$ 179,669	\$ 520,648
Investments	1,420,278	382,923	1,803,201
Interest receivable	4,665		4,665
Total assets	<u>1,765,922</u>	<u>562,592</u>	<u>2,328,514</u>
LIABILITIES			
Accounts payable	<u>67</u>		<u>67</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 1,765,855</u>	<u>\$ 562,592</u>	<u>\$ 2,328,447</u>

Fiduciary Funds

The funds included in this fund category are:

Pension Trust Funds:

Pension Trust Fund - This fund accounts for resources received and held by the District in a fiduciary capacity. Disbursements from this fund are made in accordance with the pension trust agreement.

Volunteer LOSAP Fund - This fund accounts for resources received and held by the District in a fiduciary capacity. Disbursements from this fund are made in accordance with the Volunteer Length of Service Award Plan document.

TUALATIN VALLEY FIRE AND RESCUE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Pension Trust Fund	Volunteer LOSAP Fund	Total Fiduciary Funds
ADDITIONS			
Contributions:			
Employer	\$ 60,000	\$ 60,000	\$ 60,000
Total contributions	<u>60,000</u>		<u>60,000</u>
Investment earnings:			
Interest	\$ 27,637	3,443	31,080
Dividends	20,149	6,822	26,971
Net increase in the fair value of investments	<u>52,958</u>	<u>17,488</u>	<u>70,446</u>
Net investment earnings	<u>100,744</u>	<u>27,753</u>	<u>128,497</u>
Total additions	<u>100,744</u>	<u>87,753</u>	<u>188,497</u>
DEDUCTIONS			
Benefits	331,028	13,612	344,640
Administration expenses	<u>1,008</u>		<u>1,008</u>
Total deductions	<u>332,036</u>	<u>13,612</u>	<u>345,648</u>
Change in net assets	(231,292)	74,141	(157,151)
Total net assets, July 1, 2004	1,997,147	488,451	2,485,598
Total net assets, June 30, 2005	<u>\$ 1,765,855</u>	<u>\$ 562,592</u>	<u>\$ 2,328,447</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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment earnings	\$ 77,849	\$ 100,744	\$ 22,895
Total revenues	<u>77,849</u>	<u>100,744</u>	<u>22,895</u>
EXPENDITURES			
Personnel services	353,422	331,028	22,394
Materials and services	<u>4,500</u>	<u>1,008</u>	<u>3,492</u>
Total expenditures	<u>357,922</u>	<u>332,036</u>	<u>25,886</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(280,073)	(231,292)	48,781
Fund balances - July 1, 2004	<u>1,946,215</u>	<u>1,997,147</u>	<u>50,932</u>
Fund balances - June 30, 2005	<u><u>\$ 1,666,142</u></u>	<u><u>\$ 1,765,855</u></u>	<u><u>\$ 99,713</u></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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 14,395	\$ 27,753	\$ 13,358
Total revenues	<u>14,395</u>	<u>27,753</u>	<u>13,358</u>
EXPENDITURES			
Personnel services	469,232	13,612	455,620
Total expenditures	<u>469,232</u>	<u>13,612</u>	<u>455,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(454,837)</u>	<u>14,141</u>	<u>468,978</u>
OTHER FINANCING SOURCES			
Transfers in	60,000	60,000	_____
Total other financing sources	<u>60,000</u>	<u>60,000</u>	<u>_____</u>
Net change in fund balances	(394,837)	74,141	468,978
Fund balances - July 1, 2004	479,837	488,451	8,614
Fund balances - June 30, 2005	<u>\$ 85,000</u>	<u>\$ 562,592</u>	<u>\$ 477,592</u>

TUALATIN VALLEY FIRE AND RESCUE
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Tax Year	Taxes Uncollected June 30, 2004	Add Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest Received	(Deduct) Cancellations and Adjustments	Taxes Uncollected June 30, 2005
2004-2005	\$56,843,613		(\$1,408,477)	\$23,331	(\$255,023)	(\$53,918,038)
2003-2004	\$1,268,720		1,213	50,939	(25,114)	(980,828)
2002-2003	420,810		238	35,536	(36,503)	(270,368)
2001-2002	198,644		149	27,108	(35,799)	(139,217)
2000-2001	63,179		165	13,727	(15,503)	(52,387)
2000 and prior	32,166		313	(6,181)	(11,410)	4,054
Total prior	1,983,519		2,074	121,129	(124,329)	(1,438,746)
	<u>\$1,983,519</u>	<u>\$56,843,613</u>	<u>(\$1,406,403)</u>	<u>\$144,460</u>	<u>(\$379,352)</u>	<u>(\$55,356,784)</u>
						<u>\$1,829,053</u>
						Debt Service Fund
						General Fund
						Total
Reconciliation to tax revenues on combined financial statements:						
Property tax collections above					\$53,822,973	\$1,533,811
Property taxes susceptible to accrual at June 30, 2005					331,494	9,446
Property taxes susceptible to accrual at June 30, 2004					(287,208)	(8,371)
Taxes in lieu of property taxes					30,593	804
Tax revenues					<u>\$53,897,852</u>	<u>\$1,535,690</u>
						<u>\$55,433,542</u>
						Taxes Uncollected June 30, 2005
DISTRIBUTED AS FOLLOWS:						
General Fund	\$52,686,909	\$1,180,350		\$30,593	\$53,897,852	\$1,778,940
Debt Service Fund	1,500,923	33,963		804	1,535,690	50,113
	<u>\$54,187,832</u>	<u>\$1,214,313</u>		<u>\$31,397</u>	<u>\$55,433,542</u>	<u>\$1,829,053</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	70
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	74
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	78
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	81
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	83
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.	

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

	Fiscal Year		
	2003	2004	2005
GOVERNMENTAL ACTIVITIES:			
Invested in capital assets, net of related debt	\$ 18,050,203	\$ 19,494,131	\$ 23,535,587
Restricted	993,589	858,636	1,031,033
Unrestricted	26,115,793	27,576,532	28,737,481
Total primary government net assets	<u><u>\$ 45,159,585</u></u>	<u><u>\$ 47,929,299</u></u>	<u><u>\$ 53,304,101</u></u>

TUALATIN VALLEY FIRE AND RESCUE
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
(acrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
EXPENSES			
Governmental activities:			
Public safety - fire protection	\$ 47,918,975	\$ 50,656,606	\$ 53,100,610
Interest on long-term debt	426,663	342,004	280,733
Loss on sale of capital assets			77,030
Total primary government expenses	<u>48,345,638.00</u>	<u>50,998,610.00</u>	<u>53,458,373.00</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services ⁽¹⁾	5,403,408	3,767,913	704,506
Operating grants and contributions	65,000	197,112	1,794,138
Total primary government program revenues	<u>5,468,408</u>	<u>3,965,025</u>	<u>2,498,644</u>
NET (EXPENSE)/REVENUE			
Total primary government net expense	<u>(42,877,230)</u>	<u>(47,033,585)</u>	<u>(50,959,729)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Property taxes	47,122,028	48,961,590	55,233,714
Investment earnings	549,532	484,643	875,339
Gain on sale of capital assets	193,753	204,634	
Insurance refunds	234,107	119,642	148,656
Miscellaneous	199,856	32,790	76,822
Total primary government	<u>48,299,276</u>	<u>49,803,299</u>	<u>56,334,531</u>
CHANGE IN NET ASSETS			
Total primary government	<u>\$ 5,422,046</u>	<u>\$ 2,769,714</u>	<u>\$ 5,374,802</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 THREE FISCAL YEARS
(modified accrual basis of accounting)

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

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

	2003	2004	2005
REVENUES			
Taxes	\$ 47,084,315	\$ 48,939,210	\$ 55,433,542
Interest	539,707	476,100	860,920
Charges for services	5,416,815	3,767,482	702,918
Insurance refunds	68,090	92,129	142,632
Grants and donations		197,112	1,256,727
Miscellaneous	284,765	82,602	70,635
Total revenues	<u>53,393,692</u>	<u>53,554,635</u>	<u>58,467,374</u>
EXPENDITURES			
Current			
Public safety	44,450,102	48,012,106	49,622,079
Capital outlay	2,805,918	3,331,000	4,622,077
Debt service:			
Principal	2,835,000	1,520,000	1,582,100
Interest	435,185	345,908	287,532
Total expenditures	<u>50,526,205</u>	<u>53,209,014</u>	<u>56,113,788</u>
Excess (deficiency) of revenues	<u>2,867,487</u>	<u>345,621</u>	<u>2,353,586</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sales of surplus property	443,350	389,378	32,886
Transfers in	4,576,464	3,488,460	4,002,535
Transfers out	(4,611,464)	(3,488,460)	(4,002,535)
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>
Net change in fund balances	<u>\$ 4,712,937</u>	<u>\$ 734,999</u>	<u>\$ 2,386,472</u>
Debt service as a percentage of noncapital expenditures	6.85%	3.74%	3.63%

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		
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
1996	14,648,130,375	14,855,562,109	655,713,812	664,999,355	83,580,920	84,764,507	345,898,772	350,797,034	15,733,323,879	15,956,123,005	98.60	1.66

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

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	\$12.09	\$11.51	\$12.01	\$11.93	\$10.66	\$10.83	\$10.26	\$10.50	\$14.74	\$16.20
Range of property tax rates for direct and overlapping governments per \$1,000 of assessed value	to \$20.09	to \$21.65	to \$18.86	to \$18.69	to \$17.82	to \$17.35	to \$17.00	to \$17.16	to \$22.73	to \$22.97
Tualatin Valley Fire and Rescue	\$1.83	\$1.83	\$1.82	\$1.83	\$1.59	\$1.56	\$1.52	\$1.54	\$1.52	\$1.66
Washington County	2.87	2.90	2.91	2.96	2.53	2.54	2.56	2.84	2.76	2.34
Washington County School District No. 1J	6.60	6.67	6.79	7.18	5.94	6.14	5.59	5.77	11.68	6.55
Washington County School District No. 1-1	7.18	7.12	7.22	6.97	7.00	6.35	6.31	6.67	13.37	13.25
Beaverton School District 48J	6.60	8.01	6.56	6.36	6.12	6.19	6.17	6.16	11.41	12.07
West Linn School District #101	9.18	9.28	9.15	8.97	9.02	6.81	8.22	6.76	11.17	11.78
Newberg School District #46	8.21	8.82	6.65	6.86	6.72	6.89	7.04	7.08	11.23	10.93
Tigard School District 23J	7.79	7.88	7.16	7.03	7.24	6.31	6.64	6.59	12.85	12.92
School - Tigard/Tualatin Bond	1.80	1.13								
City of Beaverton	4.10	3.97	3.61	3.31	3.79					
City of Tigard	2.70	2.68	2.90	2.57	2.60	2.60	3.10	3.12	2.54	2.18
City of Durham	1.94	1.96	1.84	1.83	1.88	1.47	0.49	0.49	0.47	0.52
City of King City	1.53	1.93	1.94	1.97	1.99	2.02	1.52	1.52	1.37	1.45
Metzger Water - Combined	0.19	0.22	0.23	0.23	0.25	0.21	0.27	0.27	0.23	0.24
Portland Community College	0.51	0.51	0.49	0.55	0.37	0.35	0.35	0.36	0.73	0.79
Port of Portland	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.09	0.13
Tualatin Hills Park and Recreation District	1.46	1.46	1.46	1.47	1.49	1.56	1.52	1.53	1.37	1.41
Enhanced Sheriffs	1.14	1.17	1.03	1.05	1.08	1.05	1.03	0.64	0.64	0.75
Clackamas Education Service District	0.36	0.37	0.37	0.37	0.37	0.36	0.36	0.36	0.71	0.76
Multnomah Education Service District	0.46	0.46	0.46	0.45	0.46	0.45	0.45	0.45	1.09	1.14
Northwest Regional Education Service District	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.30	0.18
Clackamas County	2.82	2.40	2.83	2.97	2.97					
Clackamas Community College	0.54	0.54	0.54	0.86	0.56					
Clackamas County School District 3J (West Linn/Wilsonville)	9.18	6.37	6.37	6.97	6.37	6.81	8.22	4.87	8.41	11.78
Clackamas County School District No. 7J (Lake Oswego)	7.11	6.90	6.90	7.02	6.08	5.51	5.61	5.66	10.73	11.08
Clackamas County School District No. 86 (Canby)	6.54	4.58	4.58	7.91	4.58	5.41	6.80	10.01	10.77	10.36
Washington County School District No. 88	7.30	7.33	7.36	7.44	7.51	7.79	6.06	6.14	9.60	11.10
City of Sherwood	4.19	4.20	4.38	4.71	4.39	4.39	4.73	4.84	2.87	3.15
City of Tualatin	2.01	2.01	2.10	2.75	2.90	3.16	2.99	3.38	2.60	3.25
City of Wilsonville	2.42	2.36	2.52	2.93	2.67	2.68	2.69	2.62	2.05	2.23
City of Wilsonville - Urban Renewal	2.65	0.73	1.42	0.68	0.73	0.96	0.75	0.78	2.15	1.36

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)

	2005			1996		
	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Value ⁽¹⁾	Percentage of Total Taxable Assessed Valuation
Private enterprises:						
Intel Corporation	1	\$1,027,637	2.87 %	1	\$582,754	2.59 %
Nike Inc	3	329,849	0.92	4	141,800	0.63
Pacific Realty & Associates	5	217,218	0.61	6	129,266	0.57
PS Business Parks, LP	7	134,810	0.38	-	-	-
Novellus Systems, Inc.	8	128,605	0.36	-	-	-
Tektronix, Inc.	9	128,404	0.36	5	139,272	0.62
Maxim Integrated Products	10	119,068	0.33	-	-	-
Fred Meyer, Inc	-	-	-	8	72,694	0.32
SF Oregon, Co.	-	-	-	9	63,586	0.28
Washington Square	-	-	-	10	49,764	0.22
Public utilites:						
Verizon Northwest Inc.	2	350,287	0.98	-	-	-
Portland General Electric	4	313,885	0.88	3	152,871	0.68
Northwest Natural Gas	6	215,907	0.60	7	114,558	0.51
General Telephone of NW	-	-	-	2	239,462	1.06
All other taxpayers		<u>32,827,312</u>	<u>91.71</u>		<u>20,821,896</u>	<u>92.51</u>
Total		<u><u>\$35,792,982</u></u>	<u><u>100.00 %</u></u>		<u><u>\$22,507,923</u></u>	<u><u>100.00 %</u></u>

Source: Washington County Department of Assessment and Taxation.

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

TUALATIN VALLEY FIRE AND RESCUE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2005	\$56,843,613	\$53,918,038	94.85 %	\$1,438,746	\$55,356,784	97.38 %	\$1,829,053	3.22 %
2004	50,483,968	47,697,565	94.48	1,225,232	48,922,797	96.91	1,983,519	3.93
2003	48,507,471	45,798,106	94.41	1,292,291	47,090,397	97.08	1,956,395	4.03
2002	46,251,187	43,682,532	94.45	1,060,463	44,742,996	96.74	1,937,221	4.19
2001	37,636,823	35,530,538	94.40	1,030,065	36,560,603	97.14	1,667,491	4.43
2000	34,545,771	32,402,208	93.80	1,007,526	33,409,734	96.71	1,702,281	4.93
1999	31,717,895	29,844,244	94.09	898,003	30,742,247	96.92	1,564,702	4.93
1998	30,441,705	28,890,186	94.90	896,869	29,787,055	97.85	1,284,172	4.22
1997	34,427,434	32,583,593	94.64	747,893	33,331,486	96.82	1,305,546	3.79
1996	26,332,686	24,908,081	94.59	872,042	25,780,123	97.90	1,112,671	4.23

Source:

District financial statements, current and prior years.

TUALATIN VALLEY FIRE AND RESCUE
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	Population ^(a)	Assessed Value (in thousands)⁽¹⁾	Gross Bonded Debt ⁽²⁾	Debt Service Monies Available ⁽²⁾	Net General Bonded Debt ⁽²⁾	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
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
1996	305,295	15,733,323	4,880,000	462,816	4,417,184	0.03	14.47

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, 2005

Jurisdiction	Net Direct Debt Outstanding⁽¹⁾	Percentage Applicable to District	Amount Applicable to District
Clackamas County	\$17,983	18.93 %	\$3,404
Clackamas School No. 3J (West Linn/Wilsonville)	143,472,238	100.00	143,472,238
Clackamas County School District No.7J (Lake Oswego)	4,993,399	5.96	297,667
Clackamas County School District No. 86 (Canby)	11,653,395	16.11	1,877,269
Clackamas Community College	15,568,011	24.86	3,870,067
City of West Linn	10,020,000	100.00	10,020,000
City of Wilsonville	730,000	100.00	730,000
Columbia County SD 1J (Scappoose)	4,979	0.25	13
Multnomah County	767,762	1.07	8,179
Metro Service District	35,487,545	28.41	10,081,763
Tri-Metropolitan Transport District	23,313,505	27.26	6,354,352
Portland Community College	25,442,099	31.24	7,948,366
Washington County	40,479,539	66.86	27,064,053
Tualatin Hills Park & Recreation District	16,270,559	97.99	15,942,854
Tualatin Valley Water District	772,942	88.84	686,712
Washington County School No. 23J (Tigard-Tualatin)	121,767,380	99.72	121,430,693
Washington County School No. 1J (Hillsboro 7 Bond)	642	0.05	0
Washington County District No. 48J (Beaverton)	273,515,325	96.01	262,608,628
Washington County School District No. 88J (Sherwood)	41,506,094	99.29	41,209,325
Washington County School District No. 1J (Hillsboro)	17,007,835	12.70	2,159,672
Hillsboro 1J (Reedville Bond)	1,551,975	65.35	1,014,158
Washington County School No. 1J (North Plains Bond)	206	0.13	0
City of Beaverton	3,824,946	100.00	3,824,892
City of Durham	1,846,855	99.83	1,843,715
City of Sherwood	9,584,185	99.92	9,576,038
City of Tualatin	7,664,502	99.99	7,664,004
Yamhill County School District No. 29J (Newberg)	3,223,727	4.65	<u>149,919</u>
Total			<u><u>\$679,837,983</u></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, 2005

Legal Debt Margin Calculation for Fiscal Year 2005

True cash value of District property	\$42,951,955,886
Debt limit under ORS 478.410(2) - (1.25% of the true cash value)	536,899,449
Amount of debt applicable to debt limit:	
Gross bonded debt outstanding	\$5,320,000
Assets in Debt Service Fund available for debt service	<u>(1,031,033)</u>
Total amount of debt applicable to debt limit	<u>4,288,967</u>
Legal debt margin	<u><u>\$532,610,482</u></u>
 Total net debt applicable to the limit as a percentage of debt limit	 0.80%

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	\$ 199,451,538	\$ 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
Total net debt applicable to limit	4,417,184	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
Legal debt margin	\$ 195,034,354	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	2.21%	1.29%	0.96%	2.28%	3.22%	2.59%	2.04%	1.71%	1.27%	0.80%

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)
2005	418,000	N/A	N/A	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
1996	305,295	25,731	7,855,546	42,838	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. Years prior to 1997 also include Washington County School District No. 29. District 29 has been merged into a school district which is largely outside Fire District boundaries and is no longer reported.

TUALATIN VALLEY FIRE AND RESCUE
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fire and Rescue Service	257	236	217	243	263	287	310	294	300	302
Fire Prevention and Training	40	39	30	40	41	31	32	33	43	42
Administrative and Support	54	40	59	55	52	53	60	60	60	59
Total	351	315	306	338	356	371	402	387	403	403

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

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety										
Fire Prevention Inspections	15,108	11,361	11,533	8,704	5,251	6,144	7,150	9,071	4,813	4,452
Emergency Medical Service Calls	12,815	13,195	14,585	15,661	13,669	14,115	14,558	13,598	13,485	14,585
Fire Responses	1,050	1,075	1,094	1,245	1,357	1,376	1,327	1,223	1,126	1,096
Other Responses - including hazardous materials, mutual aid, public service	2,545	1,900	2,271	2,738	3,447	3,605	3,614	3,279	3,318	2,886
Miscellaneous - including false alarms, good intent	3,598	3,160	3,725	4,840	9,761	11,170	11,765	12,313	12,298	11,889

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

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety										
Number of Stations	20	20	18	22	24	24	24	22	22	22
Equipment:										
Engines	24	33	27	36	38	40	41	41	36	36
Ladder trucks	5	4	2	4	5	5	5	5	3	4
Brush rigs	6	12	11	13	13	11	11	11	8	8
Rescue units	9	-	-	-	-	-	-	-	-	-
Tenders	4	4	4	6	6	7	7	7	7	6
Hazmat squad	2	2	7	2	2	2	2	2	1	1
Squad/Support units	2	9	2	7	7	12	12	12	11	13
Technical rescue	2	2	2	2	2	1	1	1	1	1
Heavy squad	-	-	1	1	1	-	-	-	-	-
Muster vehicles	-	-	-	-	-	5	5	5	4	4

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

**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.

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

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

November 4, 2005

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, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2005. 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**

Page 2

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, 2005.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2005, 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, 2005, and the preparation and adoption of its budget for the year ending June 30, 2006.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2005. 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, 2005.

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 4, 2005, 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
Roger A. Korvola, Partner