

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Financial Statements and Supplementary Data

Year ended June 30, 2007

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT**
(A Component Unit of Washington County, Oregon)

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Governing Body Under ORS 451.485

Board of County Commissioners
Washington County, Oregon
155 North First Avenue
Hillsboro, Oregon 97124-3091

Commissioners as of June 30, 2007

<u>Name</u>	<u>Term Expires</u>
Tom Brian, Chair Commissioner-At-Large	December 31, 2010
Roy Rogers, Vice Chair District 3	December 31, 2008
Andy Duyck District 4	December 31, 2010
Dick Schouten District 1	December 31, 2008
Desari Strader District 2	December 31, 2010

Administrative Staff

Robert Davis, County Administrator
Don Bohn, Assistant County Administrator
Wayne Lowry, Chief Finance Officer

**WASHINGTON COUNTY ENHANCED SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

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INDEPENDENT AUDITOR'S REPORT

December 13, 2007

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Enhanced Sheriff Patrol District
Hillsboro, Oregon

We have audited the accompanying basic financial statements of Washington County Enhanced Sheriff Patrol District (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2007, and the changes in its financial position and the budgetary comparison 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 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

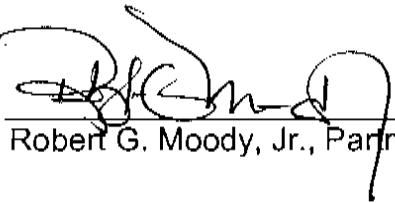
INDEPENDENT AUDITOR'S REPORT (Continued)

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Enhanced Sheriff Patrol District
Hillsboro, Oregon
December 13, 2007
Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Supplementary Data on page 15 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.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By



Robert G. Moody, Jr., Partner

**Washington County Enhanced Sheriff Patrol District
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis**

June 30, 2007

As management of Washington County Enhanced Sheriff Patrol District (the District), a component unit of Washington County, Oregon, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin on page 6. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The voters approved a five-year local option levy that became effective in FY 03-04. The \$6.15 million levy had a tax rate in FY 06-07 of \$.4755 per \$1,000 of assessed value. The prior local option levy was \$4.45 million per year and had an estimated rate of \$.40 per \$1,000 of assessed value.
- The assets of the District exceeded liabilities at the close of the fiscal year by \$8,842. This entire amount is considered unrestricted net assets and may be used to meet the ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$1,042 for fiscal 2007.
- The District has no debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The basic 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. For purposes of financial statement presentation, the District is classified as a governmental fund of the special revenue fund type, and financial statements present only governmental activities.

Government-Wide Financial Statements

The *Statement of Net Assets* provides information about 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 2007. All changes in net assets are reported on the accrual basis of accounting similar to the method used by most private-sector companies and 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.

Fund Financial Statements

The *Balance Sheet* presents the assets and liabilities of the District and indicates whether any of the resulting fund balance is restricted or available for use in the coming year.

**Washington County Enhanced Sheriff Patrol District
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis (Continued)**

June 30, 2007

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

The *Statement of Revenues, Expenditures, and Changes in Fund Balance* presents information showing how the District's fund balance changed during the most recent fiscal year. All changes in fund balance are reported on the modified accrual basis.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 14 of this report.

Government-Wide Financial analysis

Net Assets

The net assets of the District increased by \$1,042 during the fiscal year and all assets presented are current assets. Net assets were \$7,800 in FY 05-06 and \$8,842 in FY 06-07. The increase in net assets was the result of higher property taxes due to an increase in assessed value. All net assets are considered unrestricted. At June 30, 2007, ninety-five percent of assets consist of deposits with fiscal agent. The District had minimal liabilities at June 30, 2007, and none at June 30, 2006.

Changes in Net Assets

This table shows a summary of the District's changes in net assets for 2007 and 2006.

	FY 06-07	FY 05-06
Revenues:		
Property tax revenues	\$ 14,036	\$ 13,736
Investment Income	516	327
Total revenue	14,552	14,063
Expenses:		
County contract services	13,510	13,408
Change in net assets	1,042	655
Net assets , beginning of year	7,800	7,145
Net assets , end of year	\$ 8,842	\$ 7,800

All residents in the District pay additional property taxes for enhanced sheriff patrol services. The taxes were established by a vote of the residents of the District.

Program expenses for the District are exclusively made up of contract services provided to the District by Washington County. Such services are primarily in the form of enhanced sheriff patrol activities within District boundaries.

District Fund Financial Analysis

Balance Sheet

The District balance sheet includes assets of \$8,844 consisting of \$8,416 on deposit with fiscal agent and \$428 in property taxes receivable.

**Washington County Enhanced Sheriff Patrol District
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis (Continued)**

June 30, 2007

Direct Fund Financial Analysis (Continued)

Balance Sheet (Continued)

Liabilities of the District on a fund basis include \$356 in deferred revenue related to property taxes. Total unreserved fund balance at June 30, 2007 was \$8,486. The difference between total net assets shown in the government-wide financial statements and total fund balance shown in the fund statements is due to the full accrual presentation of accounts receivable for property taxes in the government-wide statements.

Statement of Revenues, Expenditures and Changes in Fund Balance

Total revenues were \$14,519 and increased 3 percent over last year due generally to increased assessed value. The difference between the total revenues shown in the Statement of Activities and the Statement of Changes in Fund Balance is \$33 and results from the changes in deferred revenue relating to property taxes receivable.

District Fund Budgetary Highlights

There were no changes to the adopted budget for the fiscal year. Total budgeted revenues were \$14,163. Actual revenues were more than the budget estimate by \$356 due primarily to an increase in the amount of investment income. Budgeted expenditures were \$21,146. Actual expenditures, other than contingency, were less than anticipated by \$926.

The District budget for contingency increased to \$6,710 to provide a reserve for future years' expenditures.

Actual beginning fund balance was more than anticipated by \$494 on the budgetary basis.

Future Events That Will Financially Impact the District

The District continues to carry out its mission of providing enhanced sheriff patrol services within the District boundary. The District has a permanent property tax rate of \$.6365 per \$1,000 of assessed value. The District is also funded by a five year local option levy. Fiscal year 2006-07 was the fourth year of the new levy and its rate was \$.4755 per \$1,000 of assessed value for a total rate of \$1.112.

Contacting the District's Financial Management

The financial report is designed to provide a general overview of 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 Washington County Department of Support Services, Finance Division, 155 N First Ave., Suite 270, Hillsboro, OR 97214-3072, or call (503) 846-8811.

BASIC FINANCIAL STATEMENTS

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Statement of Net Assets

June 30, 2007

(Dollars in thousands)

Assets:	
Deposits with fiscal agent	\$ 8,416
Property taxes receivable	<u>428</u>
Total assets	<u>\$ 8,844</u>
Liability:	
Accounts payable	\$ 2
Net assets:	
Unrestricted	<u>8,842</u>
Total liability and net assets	<u>\$ 8,844</u>

See accompanying notes to basic financial statements.

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Statement of Activities

For the year ended June 30, 2007

(Dollars in thousands)

Operating expenses:	
Enhanced sheriff patrol contract	\$ <u>13,510</u>
General revenues:	
Property tax revenue	14,036
Investment income	<u>516</u>
Total general revenues	<u>14,552</u>
Change in net assets	1,042
Net assets, beginning of year	<u>7,800</u>
Net assets, end of year	<u>\$ <u>8,842</u></u>

See accompanying notes to basic financial statements.

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Balance Sheet
June 30, 2007
(Dollars in thousands)

Assets

Deposits with fiscal agent	\$	8,416
Property taxes receivable		428
		8,844
	\$	8,844

Liability and Fund Balance

Liability:		
Accounts payable	\$	2
Deferred revenue		356
Fund balance:		
Unreserved		8,486
Total liability and fund balance	\$	8,844

Reconciliation of the Balance Sheet
to the Statement of Net Assets

Fund balance	\$	8,486
Amounts reported are different because:		
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations and, therefore, are not reported as revenue in the governmental fund.		356
Net assets on the Statement of Net Assets	\$	8,842

See accompanying notes to basic financial statements.

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Statement of Revenues, Expenditures and
Changes in Fund Balance

For the year ended June 30, 2007

(Dollars in thousands)

Revenues:	
Property taxes	\$ 13,998
Payments in lieu of taxes	5
Investment income	516
	14,519
Total revenues	14,519
Expenditures:	
Enhanced Sheriff Patrol contract	13,510
	13,510
Excess of revenues over expenditures	1,009
Fund balance, beginning of year	7,477
	7,477
Fund balance, end of year	\$ 8,486
	8,486

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities

Net change in fund balance	\$ 1,009
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental fund. In the Statement of Activities, property taxes are recognized when levied.	33
	33
Change in net assets	\$ 1,042
	1,042

See accompanying notes to basic financial statements.

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget
and Actual (Budgetary Basis)**

For the year ended June 30, 2007

(Dollars in thousands)

	<u>Adopted budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:				
Property taxes	\$ 14,013	14,013	14,003	(10)
Investment income	150	150	516	366
Total revenues	<u>14,163</u>	<u>14,163</u>	<u>14,519</u>	<u>356</u>
Expenditures:				
Enhanced sheriff patrol contract	14,436	14,436	13,510	926
Contingency	6,710	6,710	—	6,710
Total expenditures	<u>21,146</u>	<u>21,146</u>	<u>13,510</u>	<u>7,636</u>
Excess (deficiency) of revenues over expenditures	(6,983)	(6,983)	1,009	7,992
Fund balance, beginning of year	<u>6,983</u>	<u>6,983</u>	<u>7,477</u>	<u>494</u>
Fund balance, end of year	<u>\$ —</u>	<u>—</u>	<u>8,486</u>	<u>8,486</u>

See accompanying notes to basic financial statements.

WASHINGTON COUNTY ENHANCED SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)
Notes to Basic Financial Statements
June 30, 2007
(Dollars in thousands)

(1) The District

The Enhanced Sheriff Patrol District (the District) was formed under the provisions of ORS Chapter 451 and approved by the voters in September, 1987. The District provides an enhanced level of sheriff patrol in the urban unincorporated areas of the County. It is funded by a special serial levy (property tax), which was renewed for a four-year period beginning with the 1994-95 fiscal year. Beginning with fiscal year 1997-98, all districts had permanent tax rates established. This permanent rate replaced any existing serial levies. In addition, a local option levy was passed by the voters in 1997 and most recently renewed for a five-year period beginning with fiscal year 2003-04. The District contracts with Washington County to provide the required police patrols.

The District, under the criteria of the Governmental Accounting Standards Board (GASB), is considered a blended component unit of Washington County, Oregon (the County), due to the fact that the Washington County Board of Commissioners is the governing body of the District, and therefore is an integral part of the County's reporting entity. All significant activities over which the District exercises oversight responsibility have been included in the basic financial statements.

(2) Summary of Significant Accounting Policies

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Basis of Presentation and Accounting

The District's accounting records are maintained on the modified accrual basis of accounting but the basic financial statements are presented at both the government-wide and fund financial level on a full accrual and modified accrual basis, respectively.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources

WASHINGTON COUNTY ENHANCED SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)
Notes to Basic Financial Statements (Continued)
June 30, 2007
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Accounting (Continued)

measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for expenditure currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource focus and full accrual accounting, a current financial resources measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

All revenues for the District are considered general revenues, as they consist of tax revenues and investment income. Operating expenses are defined as those expenses directly related to providing law enforcement services.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the government-wide presentation.

Payments made to Washington County's Sheriff's Office were in exchange for services and have been classified as operating expenditures/expenses.

Deposits with Fiscal Agent

Deposits with fiscal agent comprise funds held by the Washington County Department of Support Services, Finance Division, in the County's cash and investment pool on behalf of the District. Unrealized gains and losses as well as interest earnings are allocated from total County earnings based on the proportion of District funds to total County funds.

The District considers deposits with fiscal agent, which is used as a demand deposit account, to be cash and cash equivalents. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the

WASHINGTON COUNTY ENHANCED SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)
Notes to Basic Financial Statements (Continued)
June 30, 2007
(Dollars in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Deposits with Fiscal Agent (Continued)

general characteristics of demand deposit accounts are appropriately classified as cash equivalents.

Property Taxes

Under State law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Property taxes become a lien against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15 and May 15. All property taxes receivable are due from property owners within the District.

Vested Compensated Absences and Sick Pay

The District's personnel are exclusively contracted Washington County employees. Accordingly, the liability of vested compensated absences is recorded by the County. Reference should be made to the Washington County, Oregon, Comprehensive Annual Financial Report for the year ended June 30, 2007, for treatment of vested compensated absences and sick pay for County employees.

Budget

A budget is prepared for the District in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The District's expenditure budget is appropriated at a single amount for its operations, including contingency.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The Board of County Commissioners at a regular Board meeting may adopt supplemental budgets less than 10% of the organizational unit's original budget. A supplemental budget greater than 10% of the organizational unit's original budget requires a hearing before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control with approval by the Board. Expenditure appropriations may not be legally overexpended except in the case of reimbursable grant expenditures which could not be reasonably estimated at the time the budget was adopted. After budget approval, the Board of Commissioners may approve supplemental appropriations if an occurrence, condition or need exists which was not known at the time the budget was adopted.

There were no supplemental budgets or appropriation transfers during the year. Appropriations lapse at the end of each fiscal year.

WASHINGTON COUNTY ENHANCED SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)
Notes to Basic Financial Statements (Continued)
June 30, 2007
(Dollars in thousands)

(3) Pension Plan

The District's personnel are exclusively contracted Washington County employees. Substantially all of the County's employees are participants in the Oregon Public Employees Retirement System (OPERS), a state-wide multi-employer defined benefit pension plan. Contributions to OPERS are made on a current basis as required by the plan and are charged to expenditures as funded. Further information regarding OPERS can be found in the June 30, 2007 Washington County, Oregon, Comprehensive Annual Financial Report.

(4) Insured Risks

Potential liabilities for liability/casualty claims are covered under the self-insurance plans maintained by Washington County. Accordingly, insurance reserves are recorded by the County. Reference should be made to the Washington County, Oregon, Comprehensive Annual Financial Report for the year ended June 30, 2007 for treatment of insurance risks.

(5) Transactions with Related Parties

The District's property taxes are levied and collected through Washington County's Assessment and Taxation Department, and the District contracts with Washington County Sheriff's Department to actually provide the required sheriff patrol services. The total amount paid to Washington County through the enhanced sheriff patrol contract for the fiscal year ended June 30, 2007 was \$13,510. The District's accounting and clerical functions are performed by County personnel. Washington County charges the District for administrative costs through the enhanced sheriff patrol contract.

SUPPLEMENTARY DATA

**WASHINGTON COUNTY ENHANCED
SHERIFF PATROL DISTRICT
(A Component Unit of Washington County, Oregon)**

Schedule of Property Tax Transactions
and Outstanding Balances

For the year ended June 30, 2007

(Dollars in thousands)

	Taxes receivable June 30, 2006	Certified levy	Corrections and adjustments	Deduct cash collections	Deduct discounts allowed	Add interest collected	Taxes receivable June 30, 2007
2006-07	\$ —	14,420	(28)	(13,731)	(367)	4	298
2005-06	271	—	(11)	(201)	—	12	71
2004-05	71	—	(6)	(34)	—	5	36
2003-04	35	—	(8)	(20)	—	6	13
2002-03	12	—	(1)	(10)	—	3	4
2001-02	4	—	—	(2)	—	—	2
2000-01 & prior	5	—	—	(2)	—	1	4
	<u>\$ 398</u>	<u>14,420</u>	<u>(54)</u>	<u>(14,000)</u>	<u>(367)</u>	<u>31</u>	<u>428</u>
Reconciliation to revenue:							
Collections above PILOTS				\$ 14,000			
Accrual of receivables:							
June 30, 2006				(74)			
June 30, 2007				<u>72</u>			
Revenue				<u>\$ 14,003</u>			
Reconciliation to deferred revenue:							
Taxes uncollected at June 30, 2007, net of allowance				\$ 428			
Accrual of receivables at June 30, 2007				<u>(72)</u>			
Deferred revenue				<u>\$ 356</u>			

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

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

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.

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

December 13, 2007

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Enhanced Sheriff Patrol District
Hillsboro, Oregon

We have audited the basic financial statements of the Washington County Enhanced Sheriff Patrol District (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Page 2

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

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

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

ADEQUACY OF ACCOUNTING RECORDS

The District's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

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. Reference should be made to the Washington County, Oregon, Comprehensive Annual Financial Report for June 30, 2007 for compliance with Oregon Revised Statutes relating to collateralization of deposits.

INVESTMENTS

Reference should be made to the Washington County, Oregon, Comprehensive Annual Financial Report for June 30, 2007 for compliance with Oregon Revised Statutes relating to investments.

LEGAL REQUIREMENTS RELATING TO DEBT

The District has no outstanding debt.

BUDGET COMPLIANCE

The District appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2007 and the preparation and adoption of its budget for the year ending June 30, 2008. A description of the budgeting process is included in the Notes to Basic Financial Statements.

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

Page 3

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2007. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 2007.

PUBLIC CONTRACTS

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

OTHER


Compliance with the following is not applicable to the District:

- Programs funded from outside sources
- Financial reporting requirements
- Highway funds

* * * * *

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr., Partner

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