



Tualatin Valley Fire and Rescue

A Rural Fire Protection District,
Tigard, Oregon



Comprehensive Annual Financial Report

for the year ended June 30, 2017



Proudly Serving the Cities of:

Beaverton • Durham • King City • Newberg
North Plains • Rivergrove • Sherwood • Tigard
Tualatin • West Linn • Wilsonville

and portions of:

Washington • Clackamas • Multnomah
Yamhill Counties



Tualatin Valley Fire and Rescue

A Rural Fire Protection District, Tigard, Oregon

Comprehensive Annual Financial Report

for the year ended June 30, 2017

11945 SW 70th Avenue
Tigard, Oregon 97223
Phone: (503) 649-8577

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Prepared by the Finance Department





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Introductory Section



October 20, 2017

**To Board President Balfour and
Members of the Board of Directors of
Tualatin Valley Fire and Rescue**

We are pleased to submit the Comprehensive Annual Financial Report of Tualatin Valley Fire and Rescue (District) for the fiscal year ended June 30, 2017. 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 District'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. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

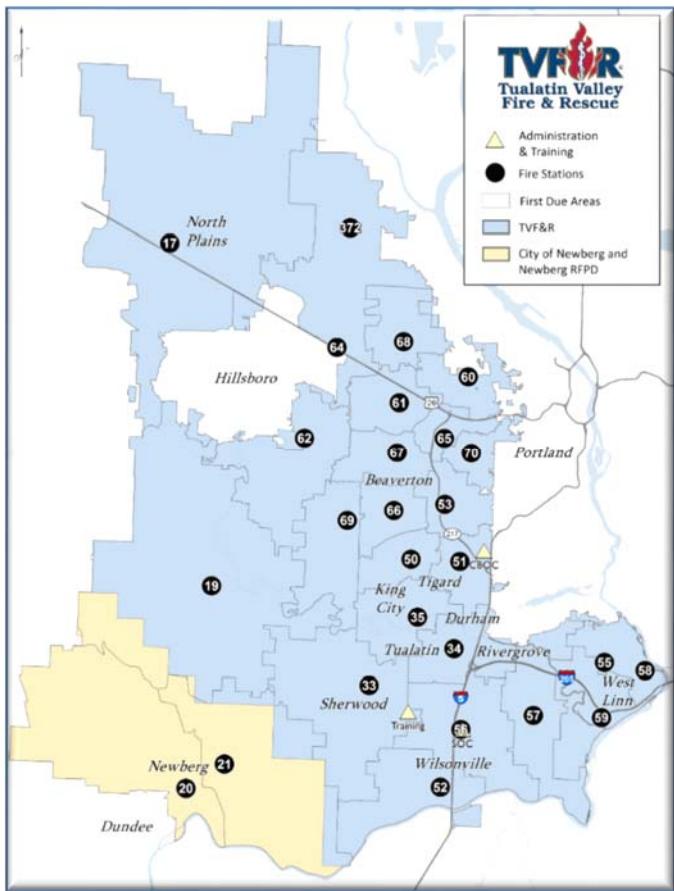
Tualatin Valley Fire and Rescue is a special district established to provide a full range of fire protection and emergency response services to its citizens. This report has been prepared in accordance with accounting principles generally accepted in the United States of America and follows guidelines recommended by the Government Finance Officers Association of the United States and Canada.

State of Oregon Revised Statutes, ORS 297.405 to 297.555, require an annual audit of the fiscal affairs of the District by independent public accountants selected by the Board of Directors. This requirement has been complied with and the Independent Auditor's Report has been included at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Reporting Entity and Its Services

The District operates under Oregon Revised Statutes Chapter 478 as a separate municipal corporation and is managed by a Board of Directors comprised of a President and four Directors including a Vice-President and a Secretary-Treasurer. The Board hires a Fire Chief 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. Subsequently, the District has expanded its service area through annexation to include the City of West Linn, the City of Beaverton, Valley View Water District, the Rosemont Fire District, and Washington County Fire District No. 2 ("District 2") and the mergers of Multnomah County Fire Protection Districts No. 4 and 20. Through a fire protection contract, the District also serves the City of Newberg and Newberg Rural Fire Protection District ("Newberg Rural").

The District's total service area encompasses approximately 328 square miles (previously 210 square miles and an additional 118 square miles added July 1, 2017 through the annexation of District 2) and an additional 61 square miles with the City of Newberg and Newberg Rural service contract areas. The District provides services to east Washington County (approximately 73% of the assessed valuation of the county), northwest Clackamas County, the western edge of Multnomah County, and portions of Yamhill County through the Newberg service contract. The District is a special service district supported by the

property owners within its boundaries and revenues from contract areas, currently serving an estimated 2016 population of 491,376 (District area before annexation of District 2 - 446,375; District 2 - 14,939; and City of Newberg and Newberg Rural - 30,062).

The District currently operates 26 career and volunteer fire stations (including two City of Newberg stations and two District 2 stations) with an additional one under construction. The District deploys a complement of fire engines, ladder trucks, aerial pumbers, hazardous materials response units, technical rescue units, one heavy CBRNE unit (chemical, biological, radiological, nuclear, and explosives), water tenders, brush rigs, and several other pieces of equipment, including medics, response cars, water rescue units, a mobile command unit, and an additional fleet utilized to supplement response needs. District employees - 557 in 2017 - were supplemented by approximately 100 volunteer firefighters.

The District has been and continues to be focused on providing the taxpayers the highest level of service in an efficient and effective operation. The District continues to implement operational improvements such as additional fire stations and emergency response units, in order to accomplish its strategic goals. The District, through its

enhanced local option levy, continues to purchase future fire station sites with an additional six in process of completion or identification.

The area served, which includes the cities of Beaverton, Durham, King City, Newberg, North Plains, Rivergrove, Sherwood, Tigard, Tualatin, West Linn and Wilsonville lies within one of the fastest growing regions of the State of Oregon. It is an area encompassing densely populated suburbs, rural farmlands, retail and commercial establishments and growing industrial complexes. The Newberg contract area also covers significant agricultural areas of Oregon including important winegrowing regions contributing to the state economy.

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 per \$1,000 of assessed valuation, additional local option levy of \$.45 cents per thousand through June 30, 2020, and a general obligation bond sale of \$.1218 per thousand. Increases in assessed valuation result in increased tax revenue to the District. Assessed valuation increased from approximately \$49.6 billion in the 2015-16 fiscal year to over \$51.8 billion in the 2016-17 fiscal year. District 2 assessed valuation will add an additional estimated 3.5% of assessed valuation effective in the 2017-18 fiscal year.

The addition of the Newberg service area has increased the District's transport revenue service revenue as the District has been assigned the Yamhill County Ambulance Service Area #1 as part of the contract. This growing revenue source, as well as the contractual payments due under the IGA, provide funding for operating the service area.

Capital funding was funded through the remaining amounts of general obligation bond sales from a 2006 voter approval to issue \$77.5 million of general obligation bonds. As the proceeds of the bonds were utilized on final planned projects in fiscal year 2017, the District has shifted capital project funding to the Property and Building Fund and other funds utilizing local option levy funding from prior and current years.

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 aging demographics, urban growth projections, as well as actual and planned traffic conditions to determine the best station sites to optimize response times to our citizens through our interconnected network of fire stations. Our planning includes the need to continue deploying additional emergency response units and stations within the service area.

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, Class 2, according to the standards set forth by the Insurance Services Office, Inc. For property owners in the District, this classification results in very low premium rates for fire insurance.

The District is a multi-service district with services and programs tailored to meet the needs of the community. The District is committed to creating safer communities through education, prevention, preparedness, and emergency response. Emergency response services include fire suppression, emergency medical services, water, high angle, and heavy rescue. For several years, the District has served as a Regional Hazardous Material Response provider for the State of Oregon, with a service response area ranging from the City of Portland boundary on the east to the Pacific Ocean on the west and from the District's northern boundary in Multnomah County southerly to Marion County.

The District's Integrated Operations 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. The combined District and service areas have approximately 255 professional firefighters and paramedics certified as advanced life support (ALS) paramedics, while 100% of the remaining fire suppression personnel are certified at either the Basic or Intermediate Emergency Medical Technician levels. Under the guidance of physician advisors, emergency medical service personnel (all of whom are firefighters or paramedics) maintain high skill levels 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 and media center, 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 Training 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 Training Center's facility and grounds are used for the many intensive District training operations, as well as District employers requiring specialized training.

Economic Condition and Outlook

The District, through its broad geographic base, serves a strong area of Oregon's economic base. The three counties within the District's legal boundaries are in the top six counties in Oregon in the fourth quarter of 2016 providing employment of 75,000 or more people. Both Washington County (#49) and Multnomah County (#76) ranked in the top third of the nation's 344 large counties in average weekly wages. Washington County's average weekly wages were \$1,209 a week, and Multnomah County's were \$1,099, as compared to \$1,067 nationally. Clackamas County, has average weekly wages of \$987 (161st of 344) and Yamhill County, a small county, has average weekly wages of \$791.¹

The District monitors property tax valuation matters closely and has worked extensively with regional officials to monitor trends and forecasts of this critical revenue source and with county assessors to closely analyze property type trends. Assessed valuation of existing property is limited to three percent increases a year. Growth in the District's assessed valuation is largely expected to come from legally allowed increases in assessed valuation, the annexation of District 2 and continued new development and construction. Assessed value is at 67 percent of the market value as of the 2016-17 fiscal year. For 2016-17, the assessed value of the District grew 4.57 percent to over \$51.8 billion dollars. Top taxpayers of the District include Nike, Intel, and several utilities. Top ten taxpayers in Washington County comprise only 4.6% of the District's entire tax base as the tax base is well diversified with over 79% of the property being residential.

The District's population is expected to grow in the next 20 years. Staff is 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.

The area serves as the home to companies such as Nike, Mentor Graphics, Columbia Sportswear, Reser's Fine Foods, Flir Systems Inc., Electro Scientific Industries, Inc., InFocus, Planar Systems, Touchmark Living Centers and Digimarc in

¹ http://www.bls.gov/regions/west/news-release/countyemploymentandwages_oregon.htm

addition to several fast growing companies such as Leupold & Stevens, and Vanguard EMS.¹ Of the largest privately held companies in Oregon, Forest City Trading Group, Reser's Fine Foods, Inc., Consumer Cellular and Pacific Office Automation, among others, are based in the District.¹ Two of the top producing wineries in the state in District boundaries include Union Wine Co. and Ponzi Vineyards. Several of the top 100 fastest growing private companies in Oregon are located within the District's service area, including ID Experts, LoanStar Home Lending, Centrex Construction, Orchestra Software and Affiliated Media LLC.¹ Top metropolitan area employers include Intel, Providence Health Systems, Oregon Health & Science University, Nike, Inc., Fred Meyer, U.S. Bank, New Seasons Market, and Wells Fargo, among others.¹ Nike's world headquarters is undergoing a three-year expansion with a targeted 2018 completion date to add 3.2 million square feet of office, mixed-use and parking to the 351-acre campus. 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, with an agreement for Intel to invest another \$100 billion in Washington County over the next 30 years.²

Major Initiatives

For the Year and For the Future

In fiscal year 2017, the District focused on three planned significant areas; land acquisition, station construction, and project management of the capital projects being funded through the capital construction program and local option levy. These initiatives impact almost every division within the District and will continue to do so through at least 2020 as local option levy funds are managed. Combined efforts are required in order to manage the projects and build fire stations and purchase apparatus that will provide taxpayers the best service and value for the next 20 years. Staff has reviewed standardized station designs to incorporate seismic structural improvements, reduce overall square footage of future projects, and included environmental considerations. The District's efforts in 2017 have continued toward the land acquisition of additional future station sites, design, and construction of stations placed strategically to help reduce response times of emergency personnel, and seismic remodels of Fire Stations 64 and 69 as well as the remodel of the Skyline Fire Station 72. New Fire Station 55 in the Rosemont area is under construction with an expected opening in the Summer of 2018 with 12 additional firefighters staffing the station.

Additionally, as neighboring District 2 and the combined City of Newberg and Newburg Rural Fire Protection Districts both requested to be served by TVFR beginning July 1, 2016, through fire protection administration contracts intended to lead toward annexation, complete integration of those service areas and community services through the transition of all employees to TVFR as of July 1, 2016 was a strong focus in 2017. The voters of District 2 voted in November 2016 to dissolve and annex its territory into the District effective July 1, 2017.

The annexation adds 118 square miles and a July 1, 2016 estimated population of 14,939 to the District's service area. At the inception of the contract on July 1, 2016, all 13 employees of District 2 were transferred to the District. Effective July 1, 2017, all remaining assets and liabilities of District 2 were transferred to the District including two fire station sites, apparatus and equipment. The District 2 area adds assessed value of approximately \$1,820,888,250 or an additional 3.5% to the District. This additional value will be on the District's tax rolls beginning with fiscal year 2018.

¹ Portland Business Journal, Book of Lists, 2016-17

² <http://www.co.washington.or.us/CAO/2014-intel-sip-proposal.cfm>

Letter of Transmittal

The District began serving the City of Newberg and Newberg Rural effective July 1, 2016 under a two year intergovernmental agreement for fire protection services through the two fire stations within the City of Newberg. On July 17, 2017, the City of Newberg adopted a resolution proposing annexation of the City to the District for the purpose of receiving fire and emergency medical services. On July 18, 2017, Newberg Rural also passed resolutions to begin the process to dissolve itself and annex to the District. Both governments are expected to bring the annexation vote in the November 7, 2017 election to their respective voters with an intended annexation of July 1, 2018.



Department Service Efforts and Accomplishments

During the fiscal year ended June 30, 2017, all divisions and departments of the District contributed toward the accomplishments of the new two-year 2016-18 strategic plan. These three main goals, supplemented by supporting strategies and organizational tactics, as outlined in the District's 2016-18 Strategic Plan were:

1. Build an organization with a shared mission, effective communication, and engaged, resilient personnel.
2. Create a fully accountable system of performance management at all levels of the organization, with particular focus on the core functions that improve fast and effective emergency response.
3. Carefully evaluate, act on, or dismiss identified opportunities.

Accomplishments during the fiscal year ended June 30, 2017 as a result of these goals included implementation of the Talent Management program, implementation of field decontamination processes post fire incidents, moving to a speed and weight deployment model, and deployment of additional response units and additional site acquisition efforts. Work continued to support operational enhancements through additional firefighters, response units, and fire stations, ongoing citizen public safety education and messaging, continued focus and education of citizens with a hands-only CPR program in local schools with thousands of residents trained by students, and continued station implementation of community risk reduction programs and services unique to their service areas.

Other Information

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tualatin Valley Fire and Rescue for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the 30th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid

Letter of Transmittal

for a period of one year only. The District believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA also awarded the District with the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fourth year in a row for its PAFR for the year ended June 30, 2016.

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, 2017. 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 30th 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, managers, employees, and citizens of the District and contract service areas whose continuing support is vital to the financial and community affairs of the District.

Respectfully submitted,



Tualatin Valley Fire and Rescue

Certificate of Achievement



Government Finance Officers Association

**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, 2016

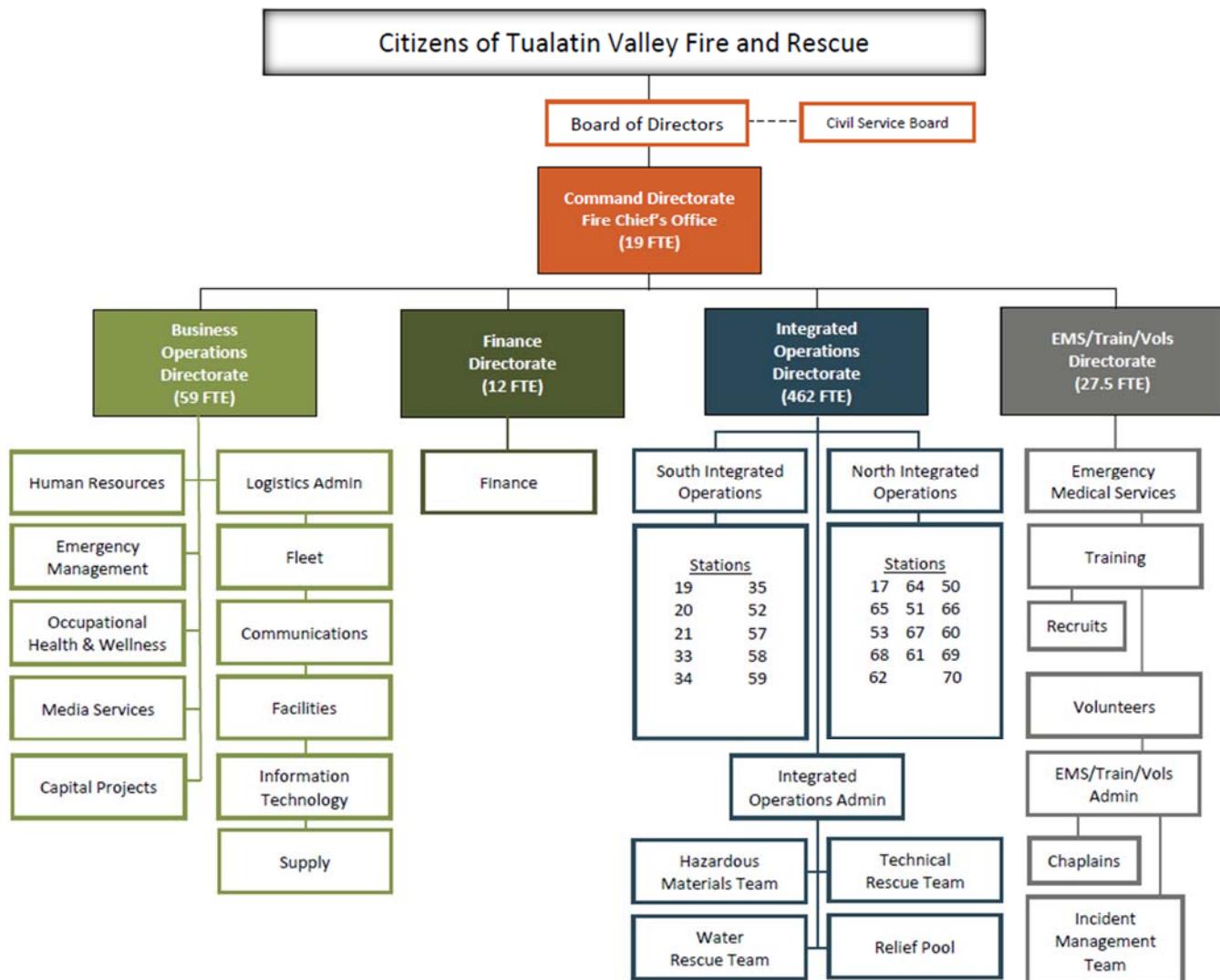
A handwritten signature in black ink that reads "Jeffrey P. Enos".

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement to Tualatin Valley Fire and Rescue, A Rural Fire Protection District, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

This was the 30th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Organizational Chart



Board of Directors



President
Clark I. Balfour
Term Ends:
June 30, 2021



Vice President
Gordon L. Hovies
Term Ends:
June 30, 2021



Secretary/Treasurer
Brian J. Clopton
Term Ends:
June 30, 2019



Board Member
Robert C. Wyffels
Term Ends:
June 30, 2021



Board Member
Randy J. Lauer
Term Ends:
June 30, 2019

Budget Committee Members

Angie R. Fong
Term Ends:
June 30, 2018

Paul A. Leavy
Term Ends:
June 30, 2018

Michael T. Mudrow
Term Ends:
June 30, 2019

James W. Petrizzi
Term Ends:
June 30, 2020

Michael D. Smith
Term Ends:
June 30, 2019

Registered Agent Legal Counsel

Michael R. Duyck
Fire Chief

Innova Legal
Advisors, Inc.



Financial Section





**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tualatin Valley Fire and Rescue
Tigard, Oregon

REPORT ON THE FINANCIAL STATEMENTS

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, Tigard, Oregon, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Tualatin Valley Fire and Rescue

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of the District's Proportionate Share of the Net Pension (Asset)/Liability, Schedule of the District's Pension Plan Contributions, Schedules of Single-Employer Defined Benefit Pension Plan, Schedules of LOSAP Plan, and Notes to the Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other statements and schedules, as listed in the Table of Contents as Other Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Introductory and Statistical Sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Tualatin Valley Fire and Rescue

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated October 20, 2017, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By: Julie B. Fahey
Julie B. Fahey, Partner

Lake Oswego, Oregon
October 20, 2017



Management's Discussion and Analysis

As management of Tualatin Valley Fire and 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, 2017. 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 three through nine of this report.

Financial Highlights

- In the government-wide financial statements, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2017 by \$70,508,532. Of this amount, \$43,771,971 represents the District's net investment in capital assets; \$1,274,655 is restricted for debt service, and the balance of \$25,461,906 will be used to meet the District's ongoing services and commitments to its citizens and obligations to its bondholders and creditors.
- The District's total net position increased by \$3,647,350 for the year ended June 30, 2017. Unrestricted net position decreased by \$6,266,224; net investment in capital assets net position increased by \$10,071,368, and restricted net position for debt service decreased by \$157,794.
- As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$74,898,139, a decrease of \$1,407,231 in comparison with the prior year. The General Fund's fund balance increased by \$2,948,372 and the Property and Building Fund increased by \$292,762 due to proceeds from the sale of a parcel of land. Lastly, net decreases in ending fund balances of nonmajor funds of \$4,648,365 were a direct result of capital outlay expenditures for ongoing construction projects in a non-major capital projects fund.
- At June 30, 2017, unassigned fund balance in the General Fund was \$47,146,997. A portion of the General Fund unassigned fund balance is identified for mitigation of future Oregon Public Employees Retirement System rate increases and totals \$7,082,379. The remaining unassigned fund balance of \$40,064,618 represents 39.2% of total General Fund expenditures. This falls below the District policy to maintain five months of budgetary basis General Fund expenditures as ending fund balance each year, in addition to sufficient fund balance to purchase one fire station site and construct one fire station. 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 \$4,180,000 during the current fiscal year. This was due to principal payments on the District's six outstanding general obligation bond issues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements of the governmental funds, and 3) notes to the basic financial statements. The

government-wide and fund financial statements are combined for presentation purposes. This report also contains required supplementary information and other supplementary 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 Position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's assets and deferred outflows, and liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 consist solely of public safety, and are supported by property taxes and charges for services.

The combined government-wide and governmental fund financial statements can be found on pages 31 through 33 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and internal service fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial information focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are reconciled to the government-wide Statement of Net Position and Statement of Activities in the combined presentation.

The District maintains five individual governmental funds for reporting purposes. 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 the Property and Building Fund which are considered to be major funds. Data from three additional governmental funds are combined into a separate aggregated presentation. Individual fund data for the Property and Building Fund and for each of the remaining nonmajor governmental funds is provided as Other Supplementary Information. The District's implementation of Governmental Accounting Standards Board Statement No. 54 combines for reporting purposes as the General Fund, six separately budgeted funds.

The District adopts an annual appropriated budget for all funds as required by Oregon Budget Law. Budgetary comparison statements/schedules have been provided to demonstrate compliance elsewhere in this report.

Internal Service Fund. The District maintains one internal service fund, the Insurance Fund, which is a proprietary fund type. This fund accounts for the accumulation of resources used for payment of claims and losses, less deductible limits, for insurance coverage. Because this fund predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

The internal service fund basic financial statements can be found on pages 36 through 38 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the combined government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 39 through 71 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to past employees and volunteer firefighters, and PERS schedules detailing ten years of pension (assets)/liabilities and pension contributions. Required supplementary information can be found on pages 72 through 77 of this report.

Combining and individual fund statements and schedules are presented as other supplementary information and can be found on pages 81 through 96 of this report. The Schedule of Property Tax Transactions and Outstanding Balances can be found on page 97 of this report.

The District adopted Government Accounting Standard 77, *Tax Abatement Disclosures* at June 30, 2017. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. There was no material impact to the financial statements caused by the implementation of GASB Statement 77. More information on tax abatements granted by other governments can be found on pages 55 and 56 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceed liabilities and deferred inflows by \$70,508,532 at June 30, 2017.

A significant portion of the District's net position (62 percent) reflects its net 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.

Assets consist mainly of cash and cash equivalents, property taxes and other receivables, and prepaid items that are used to meet the District's ongoing obligations to its citizens. Remaining assets are comprised of capital assets used in operations.

The District's largest liability (86 percent) is for the long-term portion of general obligation bonded debt and pension liabilities. Current liabilities of the District consist largely of accounts payable, accrued salaries and benefits payable, and accrued compensated absences.

Government-wide Financial Analysis

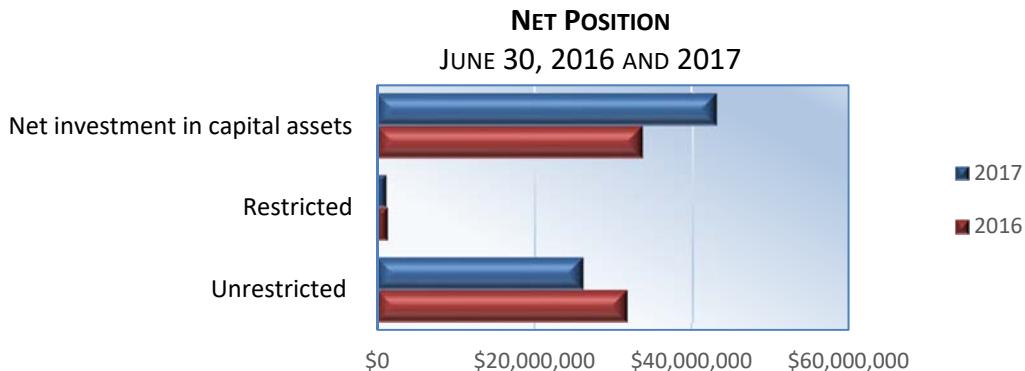
Net Position:	Governmental Activities		Increase (Decrease) from Fiscal 2016
	2017	2016	
Current and other assets	\$ 93,720,530	\$ 91,462,039	\$ 2,258,491
Capital assets	94,208,741	84,800,909	9,407,832
<i>Total assets</i>	<i>187,929,271</i>	<i>176,262,948</i>	<i>11,666,323</i>
Total deferred outflows of resources	50,172,913	9,202,648	40,970,265
Current liabilities	23,968,150	20,044,068	3,924,082
Long-term debt and pension liabilities	143,353,449	91,030,966	52,322,483
<i>Total liabilities</i>	<i>167,321,599</i>	<i>111,075,034</i>	<i>56,246,565</i>
Total deferred inflows of resources	272,053	7,529,380	(7,257,327)
Net investment in capital assets	43,771,971	33,700,603	10,071,368
Restricted	1,274,655	1,432,449	(157,794)
Unrestricted	25,461,906	31,728,130	(6,266,224)
<i>Total net position</i>	<i>\$ 70,508,532</i>	<i>\$ 66,861,182</i>	<i>\$ 3,647,350</i>

During the current fiscal year, the District's net position increased by \$3,647,350. The main contributors to the increase in net position were the effect of a \$1.8 million contribution of capital assets from District 2, an increase in gain on sale of assets of \$.5 million, an increase of \$9.4 million in charges for services due to certain fire protection contracts, and an increase in property taxes of \$3.5 million as well as an overall decrease in public safety expenses of \$5.3 million due primarily to a decrease in pension expense. These increases were offset by an increase in accrued compensated absences liability of \$.5 million.

Management's Discussion and Analysis

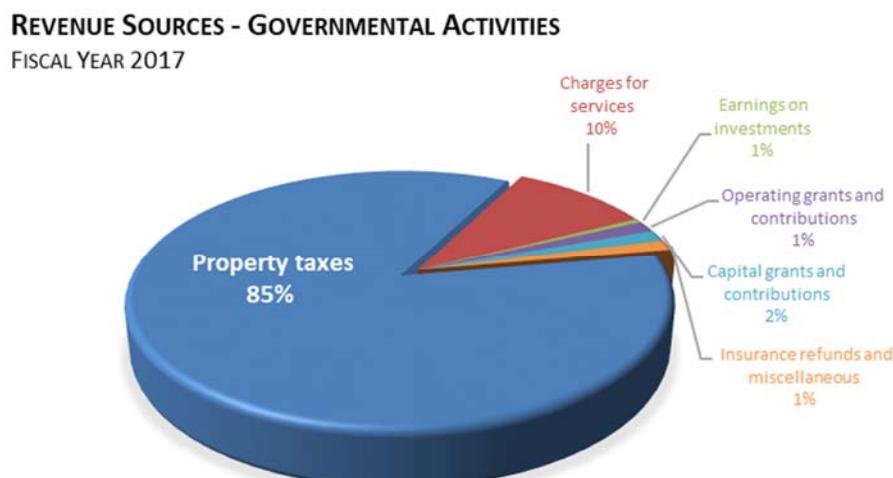
The pension liability increased by \$57,463,371 and was offset by an increase in pension related deferred outflows of \$41,070,853 which were largely a result of an Oregon Supreme Court decision in *Moro v. State of Oregon* as well as changes in assumptions.

The changes in net position are shown in the following graph:



Governmental Activities. Governmental activities increased the District's net position in the current year by \$3,647,350. Property tax revenue increased by 3.5 percent or \$3,501,727, reflecting a net increase in taxes levied and collected attributable to assessed value growth in the District. Operating and capital grants and contributions increased \$1,332,005 from seismic upgrade grants for two fire stations, and an award for Staffing for Adequate Fire and Emergency Response (SAFER). In addition, \$1,816,476 reflects a capital contribution from the donation of District 2 vehicles. Charges for services increased by \$9,351,817 as a result of three new fire protection contracts with neighboring service areas and additional medical transport services related to the new contracts. There was also an increase of \$492,680 from a gain on sale of capital assets due to the sale of a surplus parcel of land.

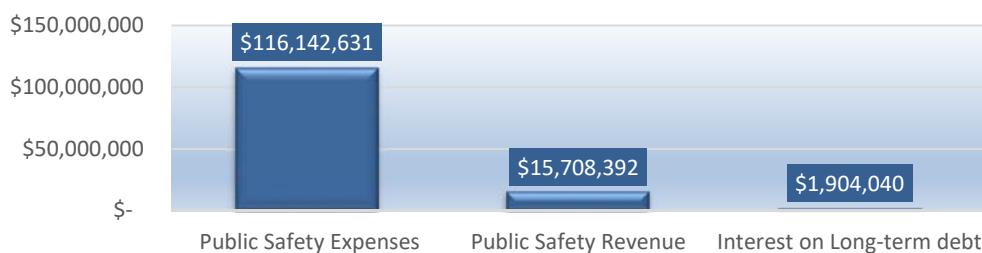
Expenses for public safety decreased by 4.3 percent or \$5,257,144. While personnel costs increased for additional employees related to the new service areas and increases in wages and benefits, this was offset by significant decreases in pension expenses recorded as part of the reversal of the *Moro* decision and recognition of additional pension related deferred outflows.



Governmental activities			
Changes in Net Position:	Governmental Activities		Increase (Decrease) from Fiscal 2016
	2017	2016	
Revenues			
Program revenues			
Charges for services	\$ 12,175,225	\$ 2,823,408	\$ 9,351,817
Operating grants and contributions	710,090	384,686	325,404
Capital grants and contributions	2,823,077		2,823,077
General revenues:			
Property taxes	103,767,491	100,265,764	3,501,727
Earnings on investments	620,167	349,882	270,285
Insurance refunds	424,645	443,628	(18,983)
Gain on sale of capital assets	996,434	503,754	492,680
Miscellaneous	176,892	114,426	62,466
Total revenues	<u>121,694,021</u>	<u>104,885,548</u>	<u>16,808,473</u>
Expenditures/expenses			
Public safety-fire protection	116,142,631	121,399,775	(5,257,144)
Interest on long-term debt	1,904,040	2,037,260	(133,220)
Total expenses	<u>118,046,671</u>	<u>123,437,035</u>	<u>(5,390,364)</u>
Change in net position	3,647,350	(18,551,487)	22,198,837
Net position - July 1	66,861,182	85,412,669	(18,551,487)
Net position - June 30	<u>\$ 70,508,532</u>	<u>\$ 66,861,182</u>	<u>\$ 3,647,350</u>

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

FISCAL YEAR 2017

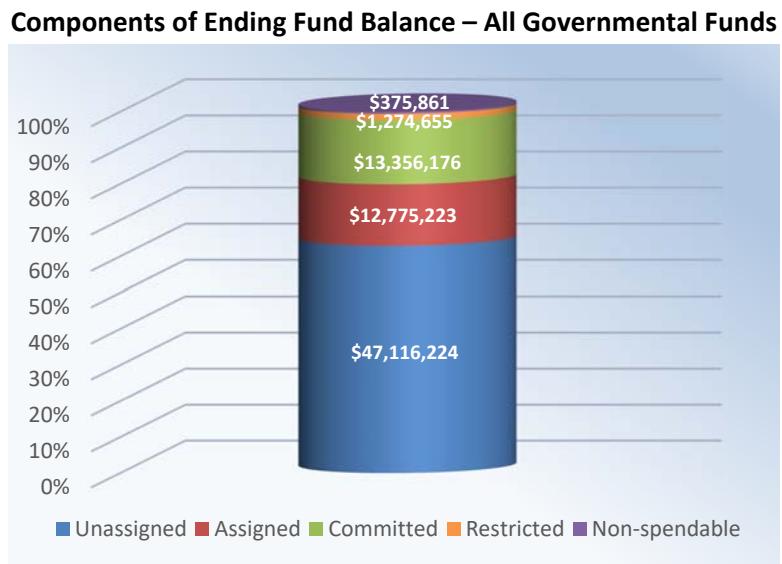


Financial Analysis of the Governmental Funds

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 and deferred inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned 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, 2017, the District's governmental funds reported combined ending fund balances of \$74,898,139, a decrease of \$1,407,231. This decrease is a result of spending down of restricted assets on capital expenditures for the construction and improvement of fire stations. A large portion of this total amount (62.9 percent) constitutes unassigned fund balance, which is a measure of the District's liquidity; and is available for spending at the District's discretion. The remainder of fund balance is either non-spendable (.5 percent), restricted by external parties (1.7 percent), committed by the Board (17.8 percent) or assigned to a specific purpose such as capital projects (17.1 percent).



General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2017, unassigned fund balance of the General Fund was \$47,146,997, with total fund balance of \$60,879,034, which is comprised of \$13,013,499 committed to future capital purchases, \$342,677 committed to the Volunteer LOSAP Plan and \$375,861 of non-spendable fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.1 percent of total General Fund expenditures and the total fund balance represents 59.6 percent of total General Fund expenditures.

The fund balance of the District's General Fund increased by \$2,948,372, or approximately 5.1 percent during the current fiscal year. Property tax revenue, which provides for the costs of operating the District, increased \$4,168,478 over the prior year. Charges for services and program fees increased by \$9,524,576 over the prior year as a result of the District's new fire protection contracts and the related additional ambulance transport services. Insurance dividends and refunds increased \$889 over the prior year, interest earnings increased by \$146,515, miscellaneous revenues increased by \$68,950, and grants and contributions decreased by \$36,711 as donations were on the decline for the year. Public Safety and capital outlay expenditures increased \$12,406,665 as the additional service areas increased staffing and operational expenditures, and transfers out increased by \$1,411,882.

Property and Building Fund. The Property and Building Fund accounts for the accumulation of resources for site acquisitions and construction costs for new and existing facilities. This fund accumulates funds to ensure continuity of construction and land purchase as the bond proceeds have been exhausted, as well as fund projects that were not planned as part of the capital bond program. The ending fund balance increased by \$292,762 to \$12,775,223

at June 30, 2017, and is assigned to capital projects. The primary cause for the increase is an excess of transfers in to the fund over the expenditures for capital outlay.

Budgetary Highlights

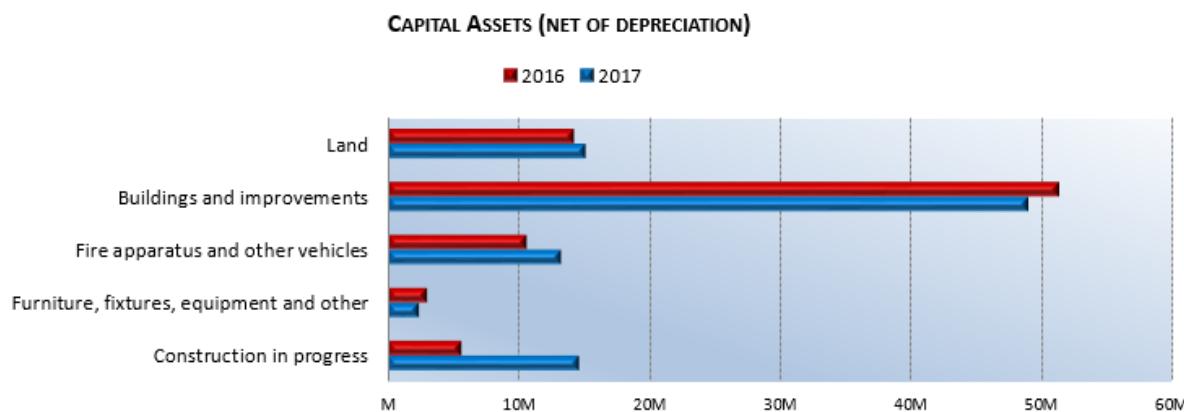
There was one budget transfer resolution to the General, Capital Improvements, and Grants Funds during the year. The budget transfer funded the appropriations required for personnel hiring due to grant funding, additional professional services approved by the Board for legislative direction, information technology costs for new innovative enhancement to response software, as well as increased expenditures as a result of new service areas.

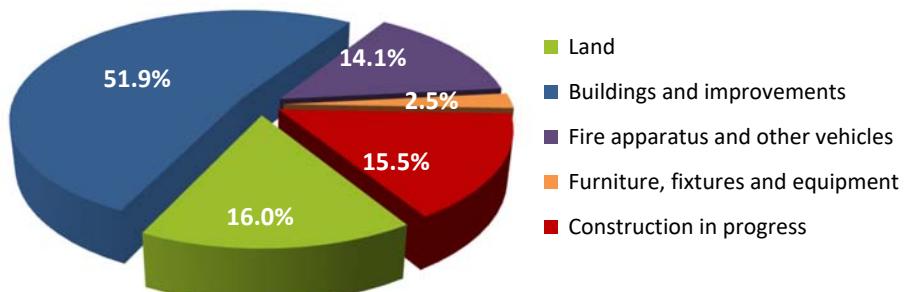
Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets consists of land, buildings and improvements, fire apparatus and other vehicles, furniture, fixtures and equipment, and construction in progress. As of June 30, 2017, the District had invested \$94,208,741 in capital assets, net of depreciation, as shown in the following table and chart:

Capital Assets: (net of depreciation)			Increase (Decrease) from Fiscal 2016
	2017	2016	
Land	\$ 15,077,220	\$ 14,262,133	\$ 815,087
Buildings and improvements	48,896,200	51,228,031	(2,331,831)
Fire apparatus and other vehicles	13,490,617	10,801,755	2,688,862
Furniture, fixtures and equipment	2,110,729	2,844,592	(733,863)
Construction in progress	14,633,975	5,664,398	8,969,577
Total	\$ 94,208,741	\$ 84,800,909	\$ 9,407,832

A comparison of capital assets from the prior year to the current year is shown below:



CAPITAL ASSETS AT 6/30/17 (NET OF DEPRECIATION)

During the year, the District's investment in capital assets increased by \$9,407,832, reflecting assets of \$14,874,667 added during the year, \$1,816,476 of which resulted from the transfer of assets from District 2 in anticipation of the July 1, 2017 annexation to the District, offset by \$5,441,171 of depreciation and \$25,664 of disposals net of related depreciation. The District's construction in progress includes the renovation and seismic upgrades of fire stations 64, 69, and 72, construction on the new Station 55, as well as emergency response vehicles in progress, and land improvements related to future fire stations.

Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 51 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt of \$51,115,737, consisting of general obligation bonds and unamortized premiums. The decrease in debt relates to the scheduled principal payments throughout the year. The District has been affirmed at an "Aaa" rating from Moody's Investors Service. The State of Oregon mandates a general obligation debt limit of 1.25 percent of true cash value of assessed property. The District's legal debt margin is approximately \$923.1 million. Additional information on the District's long-term obligations can be found on pages 52 through 54 of this report.

Economic Factors and Next Year's Budget

Population in the region is expected to continue to grow over the next few decades, which is one reason that the District has purchased land for future fire station sites and is actively seeking additional sites utilizing the increased local option levy.

The District anticipates increased property tax revenues in future years based upon projected assessed value increases which by law generally may increase for existing property at three percent a year unless assessed value exceeds real market value. Assessed value is forecast to continue to grow for 2017-18 based upon continued strength in the residential and multi-family real estate market, increased commercial development, and the annexation of District 2. Construction and development within District boundaries is expected to continue with numerous projects slated for the future including a multi-million dollar major expansion of the Nike World Headquarters complex currently underway. Intel has recently announced an agreement to invest \$100 billion in Washington County over the next 30 years.

Management's Discussion and Analysis

The District's replacement local option levy continues at \$.45 for 2017-18 which will allow for additional response units and additional fire stations throughout the District in order to meet fast and effective response time goals as the District's population ages and transportation routes increase in congestion. The replacement levy will provide funding through its term of 2019-20.

At the November, 2016 election, effective July 1, 2017, the voters of District 2 voted to dissolve and annex to the District. As a result, the District's service area will expand from 210 square miles to 328 square miles and add approximately 13,700 to the existing population of approximately 460,000. This annexation will also add approximately \$1.8 billion in assessed value to the District's rolls and replace the District 2 fire protection contract. Newberg Fire Department and Newberg Rural Fire Protection District are also in the process of referring to their voters in the November 7, 2017 election, whether to combine with the District effective July 1, 2018. If approved this would expand the District's legal boundaries to almost 390 square miles serving close to 500,000 citizens.

Requests for Information

This financial report is designed to provide a general overview of Tualatin Valley Fire and Rescue'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 and Rescue, 11945 SW 70th Avenue, Tigard, Oregon 97223.

Basic Financial Statements



Tualatin Valley Fire and Rescue

Balance Sheet - Governmental Funds/

Statement of Net Position

June 30, 2017

	General Fund	Property and Building Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 68,494,404	\$ 14,886,090	\$ 1,251,346	\$ 84,631,840	\$ 627,412	\$ 85,259,252
Investments	306,597			306,597		306,597
Receivables:						
Property taxes receivable	4,668,477		315,204	4,983,681		4,983,681
Accounts receivable (net of allowances)	766,089	4,000	108,160	878,249		878,249
Due from other funds	5,483			5,483	(5,483)	
Prepaid items	27,869			27,869	1,764,673	1,792,542
Supplies inventory	347,992			347,992		347,992
Other post employment benefit asset					152,217	152,217
Capital assets, not being depreciated:						
Land					15,077,220	15,077,220
Other capital assets					256,800	256,800
Construction in progress					14,633,975	14,633,975
Capital assets, net of accumulated depreciation:						
Buildings and improvements				48,896,200	48,896,200	
Fire apparatus and other vehicles				13,233,817	13,233,817	
Furniture, fixtures, and equipment				2,110,729	2,110,729	
Total assets	<u>74,616,911</u>	<u>14,890,090</u>	<u>1,674,710</u>	<u>91,181,711</u>	<u>96,747,560</u>	<u>187,929,271</u>
Deferred Outflows of Resources						
Deferred refunding charge					678,967	678,967
Pension related deferred outflows					49,493,946	49,493,946
Total deferred outflows of resources					<u>50,172,913</u>	<u>50,172,913</u>
Total assets and deferred outflows	<u><u>\$ 74,616,911</u></u>	<u><u>\$ 14,890,090</u></u>	<u><u>\$ 1,674,710</u></u>	<u><u>\$ 91,181,711</u></u>	<u><u>\$ 146,920,473</u></u>	<u><u>\$ 238,102,184</u></u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 979,814	\$ 2,114,867	\$ 25,290	\$ 3,119,971	\$ 30,447	\$ 3,150,418
Due to other funds			5,483	5,483	(5,483)	
Accrued salaries and benefits payable	8,143,892			8,143,892		8,143,892
Accrued interest payable					211,394	211,394
Non-current liabilities:						
Long-term liabilities:						
Due within one year					12,462,446	12,462,446
Due in more than one year					50,096,804	50,096,804
Total pension liability (LOSAP)					177,271	177,271
Total pension liability (Pension Plan)					1,380,164	1,380,164
Net pension liability (PERS)					91,699,210	91,699,210
Total liabilities	<u>9,123,706</u>	<u>2,114,867</u>	<u>30,773</u>	<u>11,269,346</u>	<u>156,052,253</u>	<u>167,321,599</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	4,341,822		291,895	4,633,717	(4,633,717)	
Unavailable revenue - transport and EMS services	270,750			270,750	(270,750)	
Unavailable revenue - grants			108,160	108,160	(108,160)	
Unavailable revenue - HazMat services	1,599			1,599	(1,599)	
Pension related deferred inflows					272,053	272,053
Total deferred inflows of resources	<u>4,614,171</u>		<u>400,055</u>	<u>5,014,226</u>	<u>(4,742,173)</u>	<u>272,053</u>

(Continued)

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

Tualatin Valley Fire and Rescue

Balance Sheet - Governmental Funds/ Statement of Net Position (continued)

June 30, 2017

	General Fund	Property and Building Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
Fund balances:						
Non-spendable	375,861			375,861		(375,861)
Restricted for debt service			1,274,655	1,274,655		(1,274,655)
Committed to capital purchases	13,013,499			13,013,499		(13,013,499)
Committed to Volunteer LOSAP	342,677			342,677		(342,677)
Assigned to capital projects		12,775,223		12,775,223		(12,775,223)
Unassigned	47,146,997		(30,773)	47,116,224		(47,116,224)
Total fund balances	60,879,034	12,775,223	1,243,882	74,898,139		<u>\$ (74,898,139)</u>
Total liabilities, deferred inflows, and fund balances						
	<u>\$ 74,616,911</u>	<u>\$ 14,890,090</u>	<u>\$ 1,674,710</u>	<u>\$ 91,181,711</u>		
Net Position:						
Net investment in capital assets						43,771,971
Restricted for:						
Debt service						1,274,655
Unrestricted						25,461,906
Total net position						<u>\$ 70,508,532</u>

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

Tualatin Valley Fire and Rescue

Statement of Governmental Fund Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balances/Statement of Activities

For the Year Ended June 30, 2017

	General Fund	Property and Building Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Revenues						
Program Revenues:						
Charges for services	\$ 11,857,375	\$	\$	\$ 11,857,375	\$ 317,850	\$ 12,175,225
Program fees	346,994			346,994	(346,994)	
Operating grants and contributions	132,009		444,121	576,130	133,960	710,090
Capital grants and contributions			1,006,601	1,006,601	1,816,476	2,823,077
General Revenues:						
Taxes	97,372,689		6,075,008	103,447,697	319,794	103,767,491
Interest	389,157	155,671	68,556	613,384	6,783	620,167
Insurance dividends and refunds	381,105			381,105	43,540	424,645
Gain on capital assets					996,434	996,434
Miscellaneous	163,365		3,725	167,090	9,802	176,892
Total revenues	<u>110,642,694</u>	<u>155,671</u>	<u>7,598,011</u>	<u>118,396,376</u>	<u>3,297,645</u>	<u>121,694,021</u>
Expenditures/expenses						
Current:						
Public Safety	101,203,100		444,122	101,647,222	14,495,409	116,142,631
Debt service:						
Principal			4,180,000	4,180,000	(4,180,000)	
Interest			2,093,985	2,093,985	(189,945)	1,904,040
Capital outlay	<u>1,008,882</u>	<u>6,369,399</u>	<u>5,536,019</u>	<u>12,914,300</u>	<u>(12,914,300)</u>	
Total expenditures/expenses	<u>102,211,982</u>	<u>6,369,399</u>	<u>12,254,126</u>	<u>120,835,507</u>	<u>(2,788,836)</u>	<u>118,046,671</u>
Excess (deficiency) of revenues over (under) expenditures / expenses	<u>8,430,712</u>	<u>(6,213,728)</u>	<u>(4,656,115)</u>	<u>(2,439,131)</u>	<u>6,086,481</u>	<u>3,647,350</u>
Other Financing Sources (Uses)						
Proceeds on sale of surplus property	30,627	993,523	7,750	1,031,900	(1,031,900)	
Transfers in		5,512,967		5,512,967	(5,512,967)	
Transfers out	<u>(5,512,967)</u>			<u>(5,512,967)</u>	<u>5,512,967</u>	
Total other financing sources (uses)	<u>(5,482,340)</u>	<u>6,506,490</u>	<u>7,750</u>	<u>1,031,900</u>	<u>(1,031,900)</u>	
Net change in fund balances/net position	<u>2,948,372</u>	<u>292,762</u>	<u>(4,648,365)</u>	<u>(1,407,231)</u>	<u>5,054,581</u>	<u>3,647,350</u>
Fund balances/net position:						
Beginning of the year	<u>57,930,662</u>	<u>12,482,461</u>	<u>5,892,247</u>	<u>76,305,370</u>	<u>(9,444,188)</u>	<u>66,861,182</u>
End of the year	<u><u>\$ 60,879,034</u></u>	<u><u>\$ 12,775,223</u></u>	<u><u>\$ 1,243,882</u></u>	<u><u>\$ 74,898,139</u></u>	<u><u>\$ (4,389,607)</u></u>	<u><u>\$ 70,508,532</u></u>

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

Tualatin Valley Fire and Rescue

General Fund

Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes:				
Current year's levy	\$ 95,291,918	\$ 95,291,918	\$ 96,234,745	\$ 942,827
Prior years' levies	1,417,979	1,417,979	1,130,926	(287,053)
Taxes in lieu of property taxes	11,351	11,351	7,018	(4,333)
Interest on unsegregated property taxes	12,777	12,777	33,124	20,347
Interest on taxes	6,798	6,798	6,789	(9)
Interest on investments	100,319	100,319	176,374	76,055
Charges for services	10,970,673	10,970,673	11,741,022	770,349
Rental income	85,600	85,600	111,973	26,373
Program fees			49,390	49,390
Grants and contributions	180,226	180,226	132,009	(48,217)
Insurance dividends and refunds	225,400	225,400	381,105	155,705
Miscellaneous	93,594	93,594	167,745	74,151
Total revenues	<u>108,396,635</u>	<u>108,396,635</u>	<u>110,172,220</u>	<u>1,775,585</u>
Expenditures				
Current:				
Public Safety				
Command Directorate:				
Personnel services	3,822,661	3,627,612	3,197,730	429,882
Materials and services	1,621,207	1,577,434	1,269,001	308,433
Total Command Directorate	<u>5,443,868</u>	<u>5,205,046</u>	<u>4,466,731</u>	<u>738,315</u>
Integrated Operations Directorate:				
Personnel services	76,681,675	76,681,675	73,302,355	3,379,320
Materials and services	3,855,007	3,855,007	3,236,604	618,403
Total Integrated Operations Directorate	<u>80,536,682</u>	<u>80,536,682</u>	<u>76,538,959</u>	<u>3,997,723</u>
Finance Directorate:				
Personnel services	1,565,800	1,565,800	1,335,982	229,818
Materials and services	524,690	564,690	552,519	12,171
Total Finance Directorate	<u>2,090,490</u>	<u>2,130,490</u>	<u>1,888,501</u>	<u>241,989</u>
Business Operations Directorate:				
Personnel services	7,019,515	7,214,564	6,894,580	319,984
Materials and services	6,047,354	6,146,127	5,551,400	594,727
Total Business Operations Directorate	<u>13,066,869</u>	<u>13,360,691</u>	<u>12,445,980</u>	<u>914,711</u>
EMS/Training/Volunteers Directorate:				
Personnel services	6,432,206	6,662,957	5,063,226	1,599,731
Materials and services	1,175,489	1,175,489	949,945	225,544
Total Business Operations Directorate	<u>7,607,695</u>	<u>7,838,446</u>	<u>6,013,171</u>	<u>1,825,275</u>
Total Public Safety	<u>108,745,604</u>	<u>109,071,355</u>	<u>101,353,342</u>	<u>7,718,013</u>
Operating contingency	5,235,000	4,909,249		4,909,249
Total expenditures	<u>113,980,604</u>	<u>113,980,604</u>	<u>101,353,342</u>	<u>12,627,262</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,583,969)</u>	<u>(5,583,969)</u>	<u>8,818,878</u>	<u>14,402,847</u>

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

(Continued)

Tualatin Valley Fire and Rescue

General Fund

Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other Financing Sources (Uses)				
Proceeds on sale of surplus property	5,000	5,000	9,802	4,802
Transfers out	(6,500,000)	(6,500,000)	(5,898,550)	601,450
Total other financing sources (uses)	<u>(6,495,000)</u>	<u>(6,495,000)</u>	<u>(5,888,748)</u>	<u>606,252</u>
Net change in fund balance	(12,078,969)	(12,078,969)	2,930,130	15,009,099
Net position, June 30, 2016	35,311,232	35,311,232	37,482,480	2,171,248
Net position, June 30, 2017	<u>\$ 23,232,263</u>	<u>\$ 23,232,263</u>	<u>\$ 40,412,610</u>	<u>\$ 17,180,347</u>

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

Fund Balance - budgetary basis	\$ 40,412,610
Advanced recognition of retirement obligation not a GAAP expense	7,082,379
Fund Balance - Apparatus Fund ⁽¹⁾	5,090,823
Fund Balance - Capital Improvements Fund ⁽¹⁾	7,922,676
Fund Balance - Pension Fund ⁽¹⁾	27,869
Fund Balance - Volunteer LOSAP Fund ⁽¹⁾	<u>342,677</u>
 Fund Balance - GAAP Basis	 <u>\$ 60,879,034</u>

⁽¹⁾ Refer to page 90 for combining funds schedule.

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

Tualatin Valley Fire and Rescue

Statement of Net Position Proprietary Fund June 30, 2017

	Governmental Activities
	Internal Service Fund
Assets	
Current:	
Cash and cash equivalents	\$ 627,412
Total assets	<hr/> <hr/> 627,412
Liabilities	
Current:	
Accounts payable	30,447
Total liabilities	<hr/> <hr/> 30,447
Net Position	
Unrestricted net position	\$ 596,965

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

Tualatin Valley Fire and Rescue

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2017

	Governmental Activities
	Internal Service Fund
Operating Revenue	
Insurance refunds	\$ 43,540
Operating Expense	
Insurance claims	<u>106,784</u>
Operating income (loss)	(63,244)
Nonoperating Revenue	
Interest income	<u>6,783</u>
Changes in net position	(56,461)
Net position, June 30, 2016	653,426
Net position, June 30, 2017	<u><u>\$ 596,965</u></u>

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

Tualatin Valley Fire and Rescue

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Governmental Activities	
	Internal Service Fund	
Cash Flows From Operating Activities		
Received from insurance reimbursements	\$ 43,540	
Paid for insurance claims	(77,337)	
Net cash from operating activities	<u>(33,797)</u>	
Cash Flows From Investing Activities		
Interest received on investments	<u>6,783</u>	
Net decrease in cash and cash equivalents	(27,014)	
Cash and cash equivalents, June 30, 2016	<u>654,426</u>	
Cash and cash equivalents, June 30, 2017	<u><u>\$ 627,412</u></u>	
Reconciliation of operating income to net cash from operating activities		
Operating income (loss)	\$ (63,244)	
(Decrease) increase in accounts payable	<u>29,447</u>	
Net cash from operating activities	<u><u>\$ (33,797)</u></u>	

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

I. Summary of significant accounting policies

The financial statements of Tualatin Valley Fire and Rescue, A Rural Fire Protection District, Oregon (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting entity

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

The power and authority given to the District is vested in a Board of Directors, each member 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 to the citizens of the District. 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 area. 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. Basis of presentation – government-wide and fund financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the District as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

The entity-wide statements and governmental fund statements have been combined as allowed for single-purpose governmental activities. The Statement of Net Position and the Governmental Fund Balance Sheet have been combined into a single presentation, with adjustments indicated to move from fund totals to the entity-wide totals. Similarly, the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances have also been combined. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, investment earnings, grants and contributions, and charges for services to other governments and for medical transport revenues.

Separate financial statements are provided for governmental funds and the proprietary fund and the latter is eliminated from the government-wide financial statements.

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

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

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

The governmental fund financial information uses a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in fund balance. The governmental funds 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. Exceptions to this are: (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 and other short term

contracts benefiting more than one fiscal year are recorded when paid; and (4) accrued compensated absences, which are recorded when payment is due.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The District considers revenues available if they are collected within 60 days of fiscal 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. For the Internal Service Fund, a proprietary fund type, the District reports insurance refunds received and claims paid as operating revenues and expenses, respectively. Other amounts are reported as non-operating.

The District reports the following major governmental funds:

- The General Fund; the District's primary operating fund, accounts for all financial resources of the District, except those required to be accounted for, either legally or by Board direction, in another fund. The principal revenue source is property taxes. Primary expenditures are for public safety. In addition, certain funds budgeted as Special Revenue Funds are reported as part of the General Fund because their primary source of funds consists of transfers from the General Fund, and certain funds budgeted as fiduciary funds are reported as part of the General Fund as they are not considered trust funds in an official capacity, nor do they have revenue sources apart from General Fund transfers and interest earnings.
- The Property and Building Fund; a capital projects fund type, accounts for site acquisitions and construction costs for new and existing facilities, and major facility maintenance projects. The principal resources are transfers from the General Fund and sales of surplus property.

Additionally, the District reports the following fund types:

- Non-major governmental funds, including special revenue, debt service, and a capital projects fund, which are reported in the aggregate.
- A proprietary/internal service fund includes the District's Insurance Fund which 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.

D. 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, 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 personnel services, materials and services, capital outlay, transfers out, and contingencies are the levels of control established by the resolution with the exception of the General Fund, where those same appropriation levels are further defined by directorate levels. The detailed budget document contains more specific 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 percent 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 percent of the fund's original budget requires hearings before the public, publication of notice, 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, 2017. Appropriations lapse at fiscal year-end.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance.

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 from the date of acquisition to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool (LGIP) are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the LGIP is the same as the value of the pool shares.

2. Investments

Investments are stated at fair value. Fair value is based on current market prices. Changes in the fair value of investments are recognized as income or loss. GASB Statement 72, *Fair Value Measurement and Application*, which was implemented by the District in the 2015-16 fiscal year, provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

3. Receivables

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. Taxes are payable in three installments on November 15, February 15, and May 15. Taxes unpaid and outstanding on May 15 are

considered delinquent. At June 30, 2017, no allowance for doubtful accounts is considered necessary for property taxes.

Ambulance transport service receivables consist of charges to patients net of allowances for contractual discounts of \$214,814 and uncompensated care of \$163,804 and are based on management's estimates of collectability.

4. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories are recorded as expenditures when consumed (consumption method) rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements based on the purchases method.

5. Capital assets

Capital assets, which include property, plant and equipment, are stated at cost in the government-wide financial statements. Donated assets and historical treasures are reported at their acquisition value at the date of donation. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life greater than one year. Replacements, which improve or extend the life of property, are capitalized. Interest incurred during construction is not capitalized as a capital asset. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures/expenses as incurred and are not capitalized. Land, construction in progress, and certain historical treasures meeting certain criteria are not depreciated.

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

Buildings and improvements	15 - 30 years
Fire apparatus and other vehicles	5 - 17 years
Furniture, fixtures, and equipment	4 - 10 years

6. Long-term debt

Long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the related debt using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial information, bond premiums and discounts are recognized when incurred. The face amount of the debt issued, premiums, and discounts received on debt issuances, are reported as other financing sources and uses. In accordance with GASB Statement 65, bond issuance costs are expensed as incurred.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has seven items that qualify for reporting in this category. Six deferred outflows relate to the District's participation in the Oregon Public Employees Retirement System (PERS) and consist of employer contributions to PERS after the measurement date, experience differences, changes in assumptions and proportion, investment differences, and differences in contributions. The seventh deferred outflow is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, which is nine years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arise only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, one item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The District reports unavailable revenues from four sources: property taxes, ambulance transport and EMS services, grant reimbursements, and HazMat services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other deferred inflow item relates to the District's participation in PERS and consists of differences between employer contributions and the District's proportionate share of contributions. In the Statement of Net Position, a deferred inflow of resources related to the District's participation in PERS is recognized.

8. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund balance policies

Fund balance classifications, as reported in the governmental funds, comprise a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed on the use of the resources reported. These classifications are:

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Both the Fire Chief and the Chief Financial Officer have been given this authority by Board resolution.
- Unassigned fund balance is the residual classification of the General Fund and one negative fund balance in the Grant Fund resulting from a timing difference in revenue. Only the General Fund may report a positive unassigned fund balance.

The Board of Directors has approved the following order of spending regarding fund balance categories: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum ending fund balance policy specifying a balance in the budgetary basis General Fund targeted at five months of operating expenditures (approximately 42%). This amount is intended to provide “dry-period financing” during the first five months of each fiscal year before the receipt of property taxes each November. Additionally, the policy requires the maintenance of a fund balance in the Property and Building Fund sufficient to purchase one piece of fire station land and construct a fire station.

F. Revenues and expenditures/expenses

1. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy for each property is mailed by county assessors as of October 25th, with taxes due on November 15th. Citizens who pay in full by November 15th receive a three percent discount. The billings are considered past due 30 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

2. Program revenues

Amounts reported as program revenues include 1) charges for services for fire protection and emergency medical services provided to external agencies, fleet maintenance, the Mobile Integrated Health program, occupational health services, wildland firefighting, HazMat training and incident response, and information technology services provided to external agencies, 2) charges for certain ambulance transport services, and EMS supply replenishment and 3) grants and contributions that are restricted to meeting the District's operational or capital requirements of the public safety function.

3. Accrued Compensated absences

a. Vacation and Personal Leave

Accumulated accrued compensated absences for vacation and personal leave benefits are accrued when incurred in the Statement of Net Position and Statement of Activities. Due to the current financial resources focus of the governmental funds, only the portion of the accrued compensated absences related to retirements or resignations as of June 30, 2017, is recorded on the governmental funds balance sheet. The entire balance is reported on the Statement of Net Position. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

b. Sick Leave

Accumulated sick leave does not vest and is, therefore, recorded when leave is taken.

G. Pension Obligations

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, the District's net pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (PERS).

In accordance with GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the District's total pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been actuarially determined and reported.

H. Retirement plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenses/expenditures.

The District maintains a single-employer defined benefit pension plan for certain former employees who retired prior to July 16, 1981. Contributions to the pension plan in the amount necessary to pay current benefits are funded annually by the District.

Notes to the Basic Financial Statements

The District maintains a closed defined benefit Length of Service Award Plan (LOSAP) for past volunteer firefighters. The District also contributes to a defined contribution plan for its current volunteer firefighters.



City of Tigard Balloon Festival 2017

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

Governmental fund balances differ from net position as presented in the Balance Sheet – Governmental Funds/Statement of Net Position due to the differences in measurement focus between the fund and entity-wide statements. Fund balance, as presented in the governmental funds balance sheet, reconciles to net position in the Statement of Net Position through consideration of the following:

Fund balance, Governmental Fund Balance Sheet	\$ 74,898,139
<i>Items that are not current financial resources or liabilities, and thus are not reported in the fund statements:</i>	
Prepaid items	1,764,673
Capital assets, net	94,208,741
Unavailable revenue	5,014,226
Accrued compensated absences	(11,443,513)
Accrued interest payable on long-term debt	(211,394)
Long-term bonded debt	(51,115,737)
Deferred refunding charge on refunded bonds	678,967
Net OPEB asset	152,217
Total pension liability - Frozen Pension Plan	(1,380,164)
Total pension liability - LOSAP	(177,271)
Net pension liability - PERS	(91,699,210)
PERS Pension related outflows	49,493,946
PERS Pension related inflows	(272,053)
Net position of internal service funds combined with governmental activities	<u>596,965</u>
Net position, Statement of Net Position	\$ 70,508,532

B. Explanation of certain differences between the governmental fund statement of revenues, expenditure, other financing sources and uses, and changes in fund balances and the government-wide statement of activities

Similarly, changes in fund balance reconcile to changes in net position in the Statement of Activities through consideration of the following adjustments:

Net changes in fund balances	\$ (1,407,231)
<i>Amounts that are not considered current financial resources or uses are not reported in the funds, but are considered on the full accrual basis in the Statement of Activities:</i>	
Net increases in capital assets (\$14,849,003) less depreciation for the year (\$5,441,171)	9,407,832
Property taxes not meeting the measurable and available criteria	319,794
Payments on long-term debt, related deferred charge, and interest payable	4,369,945
Net increase in accrued compensated absences	(492,561)
Certain revenues recognized as measurable and available in the current year	79,016
Net increase in other post employment benefit asset	28,359
Net decrease in total pension liability - Frozen Pension Plan	279,400
Net decrease in total pension liability - LOSAP	3,582
Net increase in prepaid assets	250,866
Net increase in net pension liability and related deferrals - PERS	(9,135,191)
<i>Amounts considered current financial resources and reported in the funds, but which are not considered in the full accrual Statement of Activities:</i>	
Change in net position of internal service fund combined with governmental activities	<u>(56,461)</u>
Net change in net position	<u>\$ 3,647,350</u>

III. Detailed notes on all activities and funds

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 bank money market deposits. The combined total book balance at June 30, 2017 was \$37,470,806 and the total bank balance was \$37,721,228. The District's demand deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC), with the exception of \$15,858 which is insured by the Securities Investor Protection Corporation (SIPC). Any amounts in excess of FDIC insurance are secured in accordance with Oregon Revised Statutes 295 under Oregon Public Funds Collateralization Program, a collateral program administered by the Oregon State Treasurer, which is a shared liability structure for participating bank depositories, protecting public funds though still not guaranteeing that all funds

Notes to the Basic Financial Statements

are 100 percent protected. In general, well capitalized bank depositories are required to pledge collateral valued at least 10 percent of their last-reported uninsured public funds deposits. Adequately capitalized and undercapitalized depositories are required by ORS 295 to pledge collateral valued at 110 percent of their uninsured public funds deposits.

At June 30, 2017, the District's cash, cash equivalents, and investments are comprised of the following:

Cash, cash equivalents and investments	
Cash on hand	\$ 3,324
Cash with county assessors	372,477
Deposits with financial institutions	37,470,806
State of Oregon Local Government Investment Pool	47,412,645
Investments:	
Open-ended mutual funds	306,597
Total cash, cash equivalents, and investments	\$ 85,565,849

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

Governmental Activities	
Cash and cash equivalents:	
Unrestricted	\$ 85,259,252
Investments	306,597
Total cash, cash equivalents, and investments	\$ 85,565,849

The Oregon State Treasury Finance Division administers the Local Government Investment Pool (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 has control of any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. Cost approximates the District's fair value in the LGIP.

Investments measured at fair value are presented as:

Investments Measured at Fair Value	
	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments- Balanced index stock fund	\$ 306,597
Total investments measured at fair value	\$ 306,597

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, 2017, 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 amounts in those funds may be available for investment periods up to 18 months. Investments with a maturity of 12 months or more shall be limited to U.S. Agency or U.S. Treasury securities.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the LGIP and is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The following table outlines the LGIP's investment maturities at June 30, 2017.

LGIP Maturity Distribution of Portfolio			
	In Compliance	Objective	Actual
Percent of portfolio to mature within 93 days	Yes	> 50%	63.08%
Percent of portfolio to mature over one year	Yes	< 25%	17.32%
Securities maturing in over 3 years from settlement	Yes	0%	0%

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 bankers' acceptances, Aa rated corporate bonds, time deposits, repurchase agreements, and the LGIP. The Pension funds maintain a separate investment policy that allows investment in mutual funds in addition to the above investment types.

The LGIP was created to offer a short-term investment alternative to Oregon local governments. The investments are regulated by the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company, and approved by the Oregon Investment Council (ORS 294.805 to 294.898). Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer. The State of Oregon LGIP and money market account are unrated for credit quality.

B. Receivables

Receivables consist of property taxes, grants, hazardous materials response billings, medical transport and other accounts receivable at year end. Non-property tax receivables are presented net of an allowance for doubtful accounts based on management's estimate of collectability.

C. Capital Assets

Capital Assets consist of the following at June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 14,262,133	\$ 824,921	\$ (9,834)	\$ 15,077,220
Other capital assets	231,000	25,800		256,800
Construction in progress	5,664,398	11,288,779	(2,319,202)	14,633,975
Total capital assets, not being depreciated	20,157,531	12,139,500	(2,329,036)	29,967,995
Capital assets, being depreciated:				
Buildings and improvements	75,340,291	86,345		75,426,636
Fire apparatus and other vehicles	29,056,164	4,803,838	(98,977)	33,761,025
Furniture, fixtures, and equipment	9,015,277	164,186	(956,824)	8,222,639
Total capital assets, being depreciated	113,411,732	5,054,369	(1,055,801)	117,410,300
Less accumulated depreciation for:				
Buildings and improvements	(24,112,260)	(2,418,177)		(26,530,437)
Fire apparatus and other vehicles	(18,485,409)	(2,140,775)	98,977	(20,527,207)
Furniture, fixtures, and equipment	(6,170,685)	(882,219)	940,994	(6,111,910)
Total accumulated depreciation	(48,768,354)	(5,441,171)	1,039,971	(53,169,554)
Total capital assets being depreciated, net	64,643,378	(386,802)	(15,830)	64,240,746
Total capital assets, net of depreciation	\$ 84,800,909	\$ 11,752,698	\$ (2,344,866)	\$ 94,208,741

All depreciation is charged to Public Safety in the Statement of Activities.

D. Interfund receivables, payables, and transfers

Interfund payables and receivables at June 30, 2017 are as follows:

	Due to Other Funds	Due from Other Funds
General Fund	\$ 5,483	\$ 5,483
Nonmajor Funds	\$ 5,483	\$ 5,483

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The interfund payable from the Grants Fund to the General Fund in the amount of \$5,483 is to fund reimbursable expenditures in the Grants Fund.

Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfer In	Transfer Out
General Fund	\$	\$ 5,512,967
Property and Building Fund	5,512,967	
	<u>\$ 5,512,967</u>	<u>\$ 5,512,967</u>

The District made a transfer from the General Fund to the Property and Building Fund in the amount of \$5,512,967 to accumulate resources for land acquisition and construction costs for new and existing facilities.

E. Operating leases

The District leases copiers under non-cancelable operating leases. The total cost for these leases amounted to approximately \$63,000 for the year ended June 30, 2017. Future payments are due as follows:

Year Ending June 30,	Amount
2018	\$ 64,594
2019	42,705
2020	33,136
	<u>\$ 140,435</u>

F. Long-term obligations

Bonds payable

The District was authorized by its voters in November 2006, to issue \$77,500,000 of general obligation bonds. The District has outstanding bonds payable from the \$14,000,000 issuance of 15-year bonds dated March 17, 2009, with stated interest rates ranging from 3.5 percent to 4.375 percent; the \$15,000,000 issuance of 20-year bonds dated June 16, 2009, with stated interest rates ranging from 4.0 percent to 4.25 percent; the \$23,500,000 issuance of 20-year bonds dated June 2, 2011, with stated interest rates ranging from 3.0 percent to 5.0 percent; and the \$5,000,000 of 9-year bonds dated March 25, 2015, with stated interest rates ranging from 2.25 percent to 4.0 percent. All these bond issues were for purposes of funding fire station construction and seismic improvements, command center projects, and to purchase land and emergency response apparatus.

Advance Refunding

On March 25, 2015, the District issued \$9,905,000 in general obligation bonds with interest rates ranging from 2.25% to 4.0%. The proceeds were used to advance refund \$10,000,000 of outstanding 2007 general

Notes to the Basic Financial Statements

obligation bonds which had interest rates ranging from 4.0 percent to 4.25 percent. The net proceeds of \$10,911,482 (including a \$1,121,871 premium after payment of \$115,389 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment of the refunded bonds. As a result, the 2007 general obligation bonds with maturities after April 2017 are considered defeased and the liability for those bonds has been removed from the statement of net position.

Interest rates vary by respective maturities. The District has no variable rate debt.

Legal Debt Margin

The District is subject to a debt limit that is 1.25% of Real Market Value of taxable property. At June 30, 2017, that amount was \$973 million. As of June 30, 2017, the total general obligation bonded debt was \$48,820,000, plus unamortized premium of \$2,295,737. The total outstanding debt applicable to the limit was \$49.8 million which is 5.1 percent of the total debt limit.

Changes in long-term liabilities

Changes in the District's general obligation bonds and compensated absences for the year ended June 30, 2017 are as follows:

Issue Date	Original Issue	Outstanding at June 30, 2016	Additions	Reductions	Outstanding at June 30, 2017	Due Within One Year	Interest Rates
General Obligation Bonds:							
April 11, 2007	\$ 20,000,000	\$ 1,000,000		\$ (1,000,000)	\$ -	\$ -	4.00%
March 17, 2009	14,000,000	7,680,000		(960,000)	6,720,000	960,000	3.50 - 4.375%
June 16, 2009	15,000,000	10,900,000		(655,000)	10,245,000	675,000	4.00 - 4.25%
June 2, 2011	23,500,000	19,010,000		(950,000)	18,060,000	980,000	3.00 - 5.00%
March 25, 2015	9,905,000	9,850,000		(235,000)	9,615,000	1,365,000	2.25 - 4.00%
March 25, 2015	5,000,000	4,560,000		(380,000)	4,180,000	535,000	2.25 - 4.00%
Total General Obligation Bonds		53,000,000		(4,180,000)	48,820,000	4,515,000	
Unamortized Premium:		2,560,104		(264,367)	2,295,737	264,367	
Compensated Absences:		10,950,952	\$ 9,031,456	(8,538,895)	11,443,513	7,683,079	
Total		\$ 66,511,056	\$ 9,031,456	\$ (12,983,262)	\$ 62,559,250	\$ 12,462,446	

Outstanding bond issues are callable as follows:

- March 17, 2009 - at par plus accrued interest beginning March 1, 2019
- June 16, 2009 - at par plus accrued interest beginning June 15, 2019
- June 2, 2011 - at par plus accrued interest beginning June 1, 2021
- March 25, 2015 - at par plus accrued interest beginning June 1, 2025
- March 25, 2015 - at par plus accrued interest beginning June 1, 2025

Future bond maturities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 4,515,000	\$ 1,947,235	\$ 6,462,235
2019	4,580,000	1,797,835	6,377,835
2020	4,675,000	1,614,635	6,289,635
2021	4,775,000	1,427,635	6,202,635
2022	4,885,000	1,234,235	6,119,235
2023-2027	16,995,000	3,477,119	20,472,119
2028-2031	<u>8,395,000</u>	<u>793,027</u>	<u>9,188,027</u>
	<u>\$ 48,820,000</u>	<u>\$ 12,291,721</u>	<u>\$ 61,111,721</u>

IV. Other information

A. Risk management

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

The District's industrial accident insurance policies were modified in fiscal year 2013-14 and going forward to purchase a Guaranteed Cost/Annual Prepay Plan which provides for a fixed cost. The previously purchased policies allowed for a three-year retrospective annual premium adjustment until claims experience became available. Alternatively, the District may annually elect to close out one or more of the open claim years. The claim year for fiscal 2012-13 is the only one open as of June 30, 2017. The District's maximum liability for premiums related to this open claim year is approximately \$389,000 which represents the difference between the maximum possible premiums less the premiums paid. If the claims experience for this open claim year is favorable, the District could receive a refund of a portion of the premiums paid.

B. Related party transactions

The District contracts with 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 911 dispatch agency. The District is a participating member of the agreement. During the year ended June 30, 2017, the District paid \$2,036,979 to WCCA for dispatch fees.

The District also contracts with American Medical Response NW (AMR), a private provider of medical transportation services, to perform ambulance transport services for a portion of Clackamas County. The General Manager of AMR is a current board member of the District.

C. Deferred compensation plans

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). 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, and in accordance with Internal Revenue Code Section 401(a), participating employees, who meet length of service requirements, receive a District matching contribution of five percent of base wages. The District made a similar match of five percent for non-bargaining employees. The District's contribution during fiscal year 2017 was \$2,286,248 of which \$1,682,051 was made for the bargaining unit employees.

D. Tax abatements granted by other governments

GASB Statement No. 77 – *Tax Abatement Disclosures* was implemented in the 2016-17 fiscal year. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. For the purpose of this disclosure the District has placed a quantitative threshold of \$5,000 for property tax revenue losses resulting from tax abatement programs. The District's property tax revenues were materially impacted by three tax abatement programs managed by Washington County and certain of its cities, and one managed by Clackamas County for the fiscal year ended June 30, 2017.

Strategic Investment Program

The Strategic Investment Program (SIP) is a combined agreement between Washington County, the City of Hillsboro and Intel Corporation (Intel). The SIP was authorized by the 1993 Legislature to increase Oregon's ability to attract and retain capital-intensive industry and high-wage jobs. Under this current agreement, Intel agrees to pay full property taxes on the first \$100 million invested, or \$25 million in a rural area, a cap that increases three percent each year, as well as an annual Community Service Fee equal to 25 percent of abated taxes. The District's SIP reduction in property tax revenues is estimated at \$907,000 for fiscal year 2017.

Enterprise zone

Enterprise zones can be adopted by cities to encourage business development and primarily function to exempt businesses from local property taxes on new investments for a specified amount of time, which varies among the different zone programs. To qualify for an enterprise zone exemption, the business agrees to increase full-time employment by 10%, have no concurrent job losses outside the zone boundary, maintain minimum employment levels, enter into a first-source agreement with local job training providers and satisfy any additional conditions. The District's reduction in property tax revenues from Enterprise Zones adopted by the City of Tigard and the City of Beaverton is estimated at \$22,000 for fiscal year 2017.

Nonprofit corporation low income housing

The 1985 Oregon legislature authorized a property tax abatement for low-income housing held by charitable, nonprofit organizations. The tax abatement is intended to benefit low-income renters and is available for qualifying property located in some parts of Washington and Clackamas counties. Nonprofit IRS 501(c)(3) or (4) organizations are responsible for the day-to-day management of the property. Each city or county may set additional terms and may depend on the existence of development prior to application or not. The District's reduction in revenues is estimated at \$68,000 and \$24,000 respectively for this program.

E. Employee retirement systems and pension plans

1. Employee Retirement Pension Plan

Plan Description - The District is a participating employer in the Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon.

ORS 238 Defined Benefit Plan Benefits - PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan portion of PERS is closed to new members hired on or after August 29, 2003.

Benefits under the defined benefit pension plan program include a retirement allowance payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity computation (for members who were contributing before August 21, 1981), or a money match computation if a greater benefit results.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a PERS employer at the time of death; (2) member died within 120 days after termination of PERS-covered employment; (3) member died as a result of injury sustained while employed in a PERS-covered job; or (4) member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits - A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes after Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2017 and beyond will vary based on the amount of the annual benefit and years in which the benefit was earned.

ORS 238A OPSRP Defined Benefit Plan Benefits - This portion of the defined benefit pension plan of PERS provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

For police and fire members, 1.8 percent is multiplied by the number of years of creditable service time and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - A member who has accrued ten or more years of retirement credits before the member becomes disabled under non-duty criteria or a member who becomes disabled under duty criteria due to job-related injury or disease shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment prior to the disability.

Benefit Changes after Retirement - Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2017 and beyond will vary based on the amount of the annual benefit.

Contributions - PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The District's rates for the year ended June 30, 2017 were 16.03 percent for PERS and 7.17 percent for OPSRP – general service employees, and 11.28 percent for OPSRP – fire employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the District are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Employer contributions for the year ended June 30, 2017, were approximately \$7,444,000, exclusive of the 6% "pick-up". Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The District has elected to contribute the 6% "pick-up" or approximately \$3,437,000 of the employees' contribution.

Plan Audited Financial Report - Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

Proportionate Share Allocation Methodology - The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan as a percentage of the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the *Moro* decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased Plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the *Moro* Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.50%.

At June 30, 2017, the District reported a liability of \$91,699,210 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and updated for the effect of the *Moro* decision. The District's proportionate

Notes to the Basic Financial Statements

share was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2017 and 2016 the District's proportion was 0.61082630 percent, and 0.59629138 percent, respectively.

For the year ended June 30, 2017, the District recognized pension expense of \$16,667,416 for the defined benefit portion of the pension plan. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,033,811	\$
Changes in assumptions	19,557,238	
Net difference between projected and actual earnings on pension plan investments	18,115,917	
Changes in District's proportionate share	855,893	
Differences between District contribution and proportionate share of system contributions	486,972	272,053
Subtotal	42,049,831	272,053
District contributions subsequent to the measurement date	7,444,115	
Total	\$ 49,493,946	\$ 272,053

Deferred outflows of resources related to pensions of \$7,444,115 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense/ (income) as follows:

Year ended June 30:		
2018	\$ 7,562,062	
2019	7,562,062	
2020	14,242,403	
2021	10,848,521	
2022	1,562,730	
Total	\$ 41,777,778	

Actuarial Valuations - The employer contribution rates effective July 1, 2016, through June 30, 2017, were set using the entry age normal actuarial cost method.

For the ORS 238 Tier One/Tier Two component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being

amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the ORS 238A OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

Actuarial Methods and Assumptions

• Valuation Date	12/31/14
• Measurement Date	6/30/16
• Experience Study	2014, published September 2015
• Actuarial assumptions:	
▪ Inflation rate	2.50 percent
▪ Long-term expected rate of return ¹	7.50 percent
▪ Discount rate	7.50 percent
▪ Projected salary increases	3.50 percent
▪ Cost of living adjustment	Blend of 2.00% COLA and graded COLA (1.25% / 0.15%) in accordance with <i>Moro</i> decision; blend based on time of service.
▪ Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.

Active members:

Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.

Disabled retirees:

Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

¹ At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered

years. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the pension liability calculated using the discount rate of 7.50 percent, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of net pension liability	\$ 148,063,650	\$ 91,699,210	\$ 44,588,401

Long-Term Expected Rate of Return – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. Information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means are summarized in the following tables:

Asset Class/Strategy	OIC Policy Range			OIC Target Allocation
Cash	0.0	-	3.0 %	0.0 %
Debt Securities	15.0	-	25.0	20.0
Public Equity	32.5	-	42.5	37.5
Real Estate	9.5	-	15.5	12.5
Private Equity	13.5	-	21.5	17.5
Alternative Equity	0.0	-	12.5	12.5
Opportunity Portfolio ¹	0.0	-	3.0	0.0
Total				100.0 %

¹ Opportunity Portfolio is an investment strategy and it may be invested up to 3% of total plan net assets.

Asset Class	Target Allocation *	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	4.10 %	4.00 %	4.68 %
Short-Term bonds	8.00	3.65	3.61	2.74
Bank/Leveraged Loans	3.00	5.69	5.42	7.82
High Yield Bonds	1.00	6.67	6.20	10.28
Large/Mid Cap US Equities	15.75	7.96	6.70	17.07
Small Cap US Equities	1.31	8.93	6.99	21.35
Micro Cap US Equities	1.31	9.37	7.01	23.72
Developed Foreign Equities	13.13	8.34	6.73	19.40
Emerging Market Equities	4.12	10.56	7.25	28.45
Non-US Small Cap Equities	1.88	9.01	7.22	20.55
Private Equity	17.50	11.60	7.97	30.00
Real Estate (Property)	10.00	6.48	5.84	12.00
Real Estate (REITS)	2.50	8.74	6.69	22.02
Hedge Fund of Funds - diversified	2.50	4.94	4.64	8.09
Hedge Fund - Event-driven	0.63	7.07	6.72	8.90
Timber	1.88	6.60	5.85	13.00
Farmland	1.88	7.11	6.37	13.00
Infrastructure	3.75	8.31	7.13	16.50
Commodities	1.88	6.07	4.58	18.40
Assumed Inflation - Mean			2.50 %	1.85 %

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

Depletion Date Projection – GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgement.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Deferred Inflows of Resources and Deferred Outflows of Resources - Deferred inflows of resources and deferred outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2016, employers will report the following deferred inflows of resources and/or deferred out flows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Difference between projected and actual earnings

Differences between expected and actual experience, changes in assumptions and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as the beginning of each measurement period are described below:

Year ended June 30, 2016 – 5.3 years

Year ended June 30, 2015 – 5.4 years

Year ended June 30, 2014 – 5.6 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

In addition, employers may need to recognize a difference between their actual employer contributions and their proportionate share of contributions, which is not reflected in the Schedule of Pension Amounts by Employer. GASB 68 requires employers to amortize that difference over the remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employer contributions made after the measurement date are

also excluded from the Schedule of Pension Amounts by Employer. Appropriate treatment of such amounts is the responsibility of the employer.

Payable to PERS - At June 30, 2017, the District's payable to PERS for defined benefit contributions was \$1,084,283. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS' members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

2. Single-Employer Defined Benefit Pension Plan

Plan Description - 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 are recognized when incurred.

The Plan is maintained for one retired employee and five beneficiaries currently receiving benefits. Benefits paid are based upon the former employees' years of service and a percentage of their average monthly compensation prior to June 30, 1981.

The Plan is administered by the Fire Chief. Benefits under this plan consist of payments to retirees and beneficiaries. Amendments to the plan may be made at the discretion of the Board. The plan is not administered through a trust or equivalent arrangement; therefore, the provisions of GASB Statements 67 and 68 do not apply, however, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* was implemented at June 30, 2016.

Actuarial Methods and Assumptions - The Total Pension Liability and components of Pension Expense as of June 30, 2017, were determined using the date of the latest actuarial valuation of June 30, 2016. All benefits are vested. Significant actuarial assumptions used in the valuation included:

- A 3.2% interest discount based on the June 2016 rate in the 20-Year General Obligation Municipal Bond Index published by the Federal Reserve.

Notes to the Basic Financial Statements

- Cost of Living Adjustments
 - 2.0% to 3.5% for 1973 Plan Retirees
 - 1.5% to 2.0% for the 1976 Plan Retirees
- Mortality – RP2014 Blue Collar generation tables projected forward using Scale MP 2015.

Liabilities are valued by discounting expected future cash flows at the assumed discount rate of 3.2%. Plan expenses other than benefit payments are not valued. The Plan is currently “unfunded” as defined by relevant GASB statements.

The Plan does not issue stand-alone financial reports.

For the year ended June 30, 2017, the District recognized pension expense of \$61,498 for the defined benefit pension plan.

The change in Total Pension Liability for the year ended June 30, 2017 is as follows:

	Change in Total Pension Liability
Total Pension Liability, beginning of year	\$ 1,659,564
Benefit payments	(340,898)
Interest on Total Pension Liability	47,870
Experience	13,628
Total Pension Liability, end of year	<u>\$ 1,380,164</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate - The following represents the total pension liability calculated using the discount rate of 3.2 percent, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.2%)	Current Discount Rate (3.2%)	1% Increase (4.2%)
Total Pension Liability on 6/30/17	\$ 1,439,190	\$ 1,380,164	\$ 1,326,198

3. Volunteer Length of Service Award Program (LOSAP)

Plan Description - The District maintains two Volunteer Length of Service Award Programs (known as the LOSAP Plans), for its volunteer firefighters. The District's current volunteers participate in a defined contribution plan implemented effective January 1, 2012 which is administered by the Oregon Fire District Directors Association. The District maintains a closed defined benefit plan for some prior volunteers under a 1992 plan. The District Finance Division administers investments for the 1992 program and the investment mix consists primarily of investments in the Oregon Local Government Investment Pool and open-end mutual funds. The 1992 program was closed for crediting of additional future benefits on July 1, 1998.

The closed 1992 program is accounted for as a single employer defined benefit plan and provides length of service award benefits of a monthly 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 occurred after five years of service and service benefits were limited to 10 years certain and life annuity payable at the normal retirement age of 62.

Neither the closed 1992 program nor the defined contribution plans are administered through a trust or equivalent arrangement; therefore, the provisions of GASB Statements 67 and 68 do not apply, however, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* was implemented at June 30, 2016.

Actuarial Methods and Assumptions – Beginning with the fiscal year ended June 30, 2016, the District accounts for plan liabilities in accordance with GASB Statement 73. Significant actuarial assumptions used in the June 30, 2016 actuarial valuation, the latest available, included:

- Interest Discount rate of 3.2%
- Retirement rates – paid when a volunteer reaches age 62
- Form of benefit - 10 year certain and life annuity
- Mortality - RP2014 Blue Collar generation tables projected forward using Scale MP 2015.

As required by the standards, the Entry Age Normal level Cost Method is used to determine the Total Pension Liability and the Service Cost. The present value of benefits for current retirees plus the accumulated value of all prior Service Costs is the Total Pension Liability. Under this method the actuarial gains (losses), as they occur, reduce (increase) the total Pension Liability while leaving the Service Cost unchanged.

Liabilities are valued by discounting expected future cash flows at the assumed investment rate earned by assets. Plan expenses other than benefit payments are netted against investment income. Financial gains and losses are amortized over a 5 year period when calculating Pension Expense. All other gains and losses are recognized immediately.

The Plan does not issue stand-alone financial reports.

For the year ended June 30, 2017, the District recognized pension expense of \$6,493 for the LOSAP plan.

The change in Total Pension Liability for the year ended June 30, 2017 is as follows:

	Change in Total Pension Liability
Total Pension Liability, beginning of year	\$ 180,853
Benefit payments	(10,075)
Interest on Total Pension Liability	5,640
Experience	853
Total Pension Liability, end of year	<u><u>\$ 177,271</u></u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate - The following represents the total pension liability calculated using the discount rate of 3.2 percent, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.2%)	Current Discount Rate (3.2%)	1% Increase (4.2%)
Total Pension Liability on 6/30/17	\$ 203,549	\$ 177,271	\$ 156,001

F. Other post-employment benefits (OPEB)

1. Health Benefit Retiree Program

Plan Description - The District's Health Benefit Retiree Program has two components: the Explicit Benefit Plan and the Self-Pay Health Plan. The Explicit Benefit Plan results from past agreements made between the District and various employees and employee groups. Under the plan, certain union and non-union retirees are eligible for an explicit benefit in the form of a monthly stipend until age 65 or Medicare eligible. This plan was closed effective July 1, 2000, to current active employees. The District accounted for the resources and expenditures associated with funding this single-employer program through the General Fund. The Self-Pay Health Plan is provided in accordance with ORS 243.303, which requires that retirees, including those ineligible for an explicit benefit, be allowed to continue their health care coverage at their own expense. Since union actives continue their coverage through the Union Trust, only non-union actives are eligible to continue their coverage under the District's health plan after retirement. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy – Under the Explicit Benefit Plan, the benefit was determined by the retiring employee's years of service and ranges from \$50 to \$100 per month. Under the Self-Pay Health Plan, the District makes no explicit contributions. As of June 30, 2016, the date of the most recent actuarial valuation, there were 97 active employees and 30 retirees and surviving spouses included in both components of the Health Benefit Retiree Program.

Notes to the Basic Financial Statements

Annual OPEB Cost and Net OPEB Asset - The District's annual other post-employment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the OPEB asset at the end of the year:

		Health Benefit Retiree Program
Annual Required Contribution		\$ 76,268
Interest on OPEB		(3,716)
Adjustment for OPEB		<u>6,319</u>
Annual OPEB Cost		<u>78,871</u>
Expected Contributions		<u>(107,230)</u>
Increase (Decrease) in Net OPEB Obligation		<u>(28,359)</u>
Net OPEB Obligation (Asset) - beginning of year		<u>(123,858)</u>
Net OPEB Obligation (Asset) - end of year		<u><u>\$ (152,217)</u></u>
		0.0%
Funded ratio (actuarial value of plan assets/AAL)		
Covered payroll (active plan members)	\$ 9,828,699	
UAAL as a percentage of covered payroll		11.34%

The District's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation (asset) for the past three years were as follows:

Three-Year Trend Information				
Fiscal Year Ending	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	
2017	\$ 78,871	135.96 %	\$ (152,217)	
2016	80,587	132.91	(123,858)	
2015	103,049	116.39	(97,335)	

Funded Status and Funding Progress - As of June 30, 2016, the latest available actuarial valuation, the District's actuarial accrued liability (AAL) for benefits was \$1,114,085, and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,114,085 on a covered payroll of \$9,828,699. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For the governmental activities, OPEBs are generally liquidated by the General Fund.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, claim cost, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used to determine the Annual Required Contribution (ARC) for this plan was the Entry Age Normal (EAN) method. The actuarial assumptions included a discount rate of 3 percent and an assumption that 40 percent of retirees will elect medical coverage at retirement. They also assume medical and vision premiums would increase at 6 percent inflation for 2017, grading down to an annual increase of 5 percent per year, which is consistent with expectations for long-term health care cost inflation. Dental premiums are assumed to be 4 percent in 2017, grading down to an annual increase of 3 percent over three years. The Unfunded Actuarial Accrued Liability is amortized over an open 30-year period on a level dollar basis. An assumed general inflation rate of 2.5 percent is used for all future years. The demographic assumptions, such as mortality rates, retirement rates, and withdrawal rates, are the same as those used by Oregon PERS.

2. PERS Retirement Health Insurance Account (RHIA)

Plan Description – As a member of Oregon Public Employees Retirement System (PERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA resides with the Oregon Legislature. The plan is closed to new entrants hired on or after August 29, 2003. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy – Given that RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS requires that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, and the District currently contributes .53 percent of annual covered Tier 1 and Tier 2 payroll and .45 percent of OPSRP payroll. The PERS Board of Trustees sets the employer contribution rates based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2017, 2016, and 2015 were approximately \$282,000 \$265,500, and \$258,000, respectively, and were included as part of the required PERS contributions.

3. Retiree Health Plan for Local 1660 Members

Plan Description – The District contributes to the IAFF Local 1660 Union Health Trust, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by Local 1660. The Health Trust provides medical benefits to retired employees of participating districts. The authority to establish and amend benefit provisions remains with Local 1660. The Health Trust issues a publicly available financial report that includes financial statements and required supplementary information for the retiree health plan. That report may be obtained by writing to Mr. Rocky L. Hanes, President, IAFF Local 1660, PO Box 1904, Lake Oswego, OR 97035.

Funding Policy – Local 1660 sets the contribution requirements for the retirees of the participating employers and they may be amended by the Local 1660 board of trustees. Currently, retirees must self-pay for their retiree health coverage, and health coverage is only available until attainment of age 65. Retired members and beneficiaries receiving benefits contribute an average of \$1,095 per month for medical coverage and \$150 per month for dental coverage to age 65.

Participating districts are contractually required to contribute at a monthly per-employee rate negotiated with Local 1660. The negotiated per employee rate reflects the ongoing net claims costs for retired members but is not directly based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The District's contributions to the Union Health Trust for retiree benefits for the plan years ended June 30, 2017, 2016 and 2015 were \$840, \$840, and \$840 respectively, which equaled the required contributions as negotiated for each year.

G. Commitments and contingencies

As of June 30, 2017, the District is committed under various accepted bid agreements and contracts for approximately \$7.4 million for goods, services and construction of facilities. This includes \$7.3 million in construction commitments, apparatus purchase, and seismic work at various stations.

H. Subsequent events

On July 1, 2017, the District's boundaries were increased by the annexation of Washington County Fire District No. 2 (District 2) after a successful vote of the electorate in the District 2 service area. This followed completion of a one-year fire protection agreement that began July 1, 2016. The annexation added 118 square miles and an estimated population of almost 15,000 residents to the District's service area. Effective July 1, 2017, all remaining assets and liabilities of District 2 were transferred to the District.

The City of Newberg and Newberg Rural Fire Protection District opted to contract for fire protection and emergency medical services with the District under a two-year contract with the intent to ask Newberg voters to annex into the District at the end of year two of the contract. If the vote is successful, the annexation would be effective July 1, 2018.

On September 19, 2017, a bid was awarded for the October 18, 2017 issuance of \$12,310,000 of general obligation bonds to advance refund \$4.8 million of the outstanding 2009 general obligation bonds bearing interest at 4.00% to 4.375% and \$8.9 million of the outstanding 2009B general obligation bonds bearing interest at 4.00% to 4.25%.

On July 28, 2017 the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective on January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the result of this change is not readily available at this time.

Tualatin Valley Fire and Rescue

Schedule of Funding Progress Health Benefit Retiree Program									
Actuarial Date June 30,	AVA ⁽¹⁾	EAN AAL ⁽²⁾	(UAAL) ⁽³⁾	Funded Ratio	Covered Payroll	UAAL ⁽⁴⁾			
2016	\$ 0	\$ 1,114,085	\$ (1,114,085)	0 %	\$ 9,828,699	11.34 %			
2013	0	1,391,312	(1,391,312)	0	9,758,266	14.26			
2011	0	1,806,831	(1,806,831)	0	8,460,763	21.36			

⁽¹⁾ Actuarial Value of Plan Assets

⁽²⁾ Actuarial Accrued Liability

⁽³⁾ Funded/Unfunded Actuarial Accrued Liability

⁽⁴⁾ As a Percentage of Covered Payroll

Tualatin Valley Fire and Rescue

Schedule of the District's Proportionate Share of the Net Pension (Asset)/Liability

Oregon Public Employee Retirement Pension Plan (PERS)

Last Ten Fiscal Years

Fiscal Year Ended ⁽¹⁾	District's Proportion of the Net Pension (Asset)/Liability ⁽²⁾	District's Proportionate Share of the Net Pension (Asset)/Liability ⁽²⁾	District's Covered Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/ Liability ⁽²⁾
2008					
2009					
2010					
2011					
2012					
2013					
2014	0.59075779 %	\$ 30,147,236	\$ 40,213,636	74.97 %	N/A %
2015	0.59075779	(13,390,794)	44,696,865	(29.96)	103.60
2016	0.59629138	34,235,839	45,800,597	74.75	91.88
2017	0.61082630	91,699,210	49,353,156	185.80	80.52

⁽¹⁾ Data not available prior to 2014. Ten-year trend information required by GASB Statement 68 will be presented prospectively.

⁽²⁾ Actuarial information provided by the actuary for PERS.

Tualatin Valley Fire and Rescue

Schedule of the District's Pension Plan Contributions
Oregon Public Employee Retirement Pension Plan (PERS)
Last Ten Fiscal Years

Fiscal Year Ended ⁽¹⁾	Contractually Required Contributions ⁽²⁾	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency /(Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2008					
2009					
2010					
2011					
2012					
2013					
2014	\$ 5,390,098	\$ 5,804,879	\$ (414,781)	\$ 44,696,865	12.99 %
2015	6,170,579	6,445,863	(275,284)	45,800,597	14.07
2016	6,481,916	6,555,982	(74,066)	49,353,156	13.28
2017	7,444,115	7,428,998	15,117	57,481,482	12.92

⁽¹⁾ Data not available prior to 2014. Ten-year trend information required by GASB Statement 68 will be presented prospectively.

⁽²⁾ Actuarial information provided by the actuary for PERS.

Tualatin Valley Fire and Rescue

Single-Employer Defined Benefit Pension Plan⁽¹⁾
 Schedule of Total Pension Liability and
 Schedule of Changes in Total Pension Liability
 Last Ten Fiscal Years

Schedule of Total Pension Liability (TPL)

Fiscal Year Ended June 30,	Total Pension Liability	Covered Payroll ⁽²⁾	TPL as a percentage of covered payroll
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015	\$ 2,339,780	N/A	N/A
2016	1,659,564	N/A	N/A
2017	1,380,164	N/A	N/A

Schedule of Changes in Total Pension Liability

Fiscal Year Ended June 30,	TPL Beginning Balance	Service Costs	Interest on the TPL	Benefit Payments	Changes of Assumptions	Experience (Gain) or Loss	TPL Ending Balance
2008							
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016	\$ 2,339,780	\$ -	\$ 69,310	\$ (347,682)	\$ (46,913)	\$ (354,931)	\$ 1,659,564
2017	1,659,564	-	47,870	(340,898)	-	13,628	\$ 1,380,164

⁽¹⁾ These schedules are to be presented as 10-year schedules under the requirements of GASB Statement 73; however, until a full 10 year trend has been compiled information is presented only for the years for which the required supplementary information is available.

⁽²⁾ The pension plan is a closed plan; therefore there is no related covered payroll.

Tualatin Valley Fire and Rescue

LOSAP Plan⁽¹⁾

Schedule of Total Pension Liability and Schedule of Changes in Total Pension Liability Last Ten Fiscal Years

Schedule of Total Pension Liability (TPL)

Fiscal Year Ended June 30,	Total Pension Liability	Covered Payroll ⁽²⁾	TPL as a percentage of covered payroll
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015	\$ 136,278	N/A	N/A
2016	180,853	N/A	N/A
2017	177,271	N/A	N/A

Schedule of Changes in Total Pension Liability

Fiscal Year Ended June 30,	TPL Beginning Balance	Service Costs	Interest on the TPL	Benefit Payments	Changes of Assumptions	Experience (Gain) or Loss	TPL Ending Balance
2008							
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016	\$ 136,278	\$ -	\$ 4,212	\$ (9,300)	\$ 40,688	\$ 8,975	\$ 180,853
2017	180,853	-	5,640	(10,075)	-	853	177,271

⁽¹⁾ These schedules are to be presented as 10-year schedules under the requirements of GASB Statement 73; however, until a full 10 year trend has been compiled information is presented only for the years for which the required supplementary information is available.

⁽²⁾ The pension plan is a closed plan; therefore there is no related covered payroll.

1. Oregon Public Employee Retirement Pension Plan (PERS)

Changes in Assumption

A summary of key changes implemented with the December 31, 2014 actuarial valuation which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2017, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2013 actuarial valuation can be found at: [2014 PERS Actuarial Valuation](#).

Subsequent Event

On July 28, 2017 the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective on January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the result of this change is not readily available at this time.

2. Single-Employer Defined Benefit Pension Plan

There are no assets accumulated in a trust that meets the criteria of GASB 73 to pay related benefits.

- Valuation date: June 30, 2016
- Actuarial determined contribution method: Pay-as-you-go
- Inflation (post retirement COLA): 1.5% to 3.5%
- Discount rate: 3.2%
- Investment rate of return (net of expenses): N/A plan is unfunded
- Mortality assumptions: RP-2014 Blue Collar generation tables projected forward using Scale MP 2015

3. Volunteer Length of Service Award Plan (LOSAP)

There are no assets accumulated in a trust that meets the criteria of GASB 73 to pay related benefits.

- Valuation date: June 30, 2016
- Actuarial determined contribution method: Pay-as-you-go
- Actuarial cost method: Entry age normal
- Amortization method: Level percentage of pay, closed
- Amortization period: 0
- Inflation (post retirement COLA): 0.0%
- Discount rate: 3.2%
- Investment rate of return (net of expenses): N/A as plan is unfunded
- Mortality assumptions: RP-2014 Blue Collar generation tables projected forward using Scale MP 2015



Other Supplementary Information



Tualatin Valley Fire and Rescue

Property and Building Fund

Schedule of Revenues, Expenditures, Other Financing Sources, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Interest	\$ 42,000	\$ 155,671	\$ 113,671
Expenditures			
Capital outlay	10,508,916	6,369,399	4,139,517
Operating contingency	1,500,000		1,500,000
Total expenditures	<u>12,008,916</u>	<u>6,369,399</u>	<u>5,639,517</u>
Excess (deficiency) of revenues over (under) expenditures	(11,966,916)	(6,213,728)	5,753,188
Other Financing Sources			
Transfers in	6,110,138	5,512,967	(597,171)
Proceeds on sale of surplus property		993,523	993,523
Total other financing sources	<u>6,110,138</u>	<u>6,506,490</u>	<u>396,352</u>
Net change in fund balance	(5,856,778)	292,762	6,149,540
Fund balance - June 30, 2016	11,393,655	12,482,461	1,088,806
Fund balance - June 30, 2017	<u>\$ 5,536,877</u>	<u>\$ 12,775,223</u>	<u>\$ 7,238,346</u>

Nonmajor Governmental Funds

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

Special Revenue Fund:

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

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 site acquisitions and construction costs for new and existing facilities, as well as the purchase of public safety emergency response apparatus. The principal resources are proceeds from debt issuance.

Tualatin Valley Fire and Rescue

Combining Balance Sheet
Nonmajor Governmental Funds
 June 30, 2017

	Fund Type			Total Nonmajor Governmental Funds
	Special Revenue	Debt Service	Capital Projects	
	Grants Fund	Debt Service Fund	Capital Projects Fund	
Assets				
Cash and cash equivalents	\$	1,251,346	\$	\$ 1,251,346
Receivables:				
Property taxes receivable		315,204		315,204
Accounts receivable	108,160			108,160
Total assets	<u>\$ 108,160</u>	<u>\$ 1,566,550</u>	<u>\$</u>	<u>\$ 1,674,710</u>
Liabilities				
Accounts payable	\$ 25,290	\$	\$	\$ 25,290
Due to other funds	5,483			5,483
Total liabilities	<u>30,773</u>	<u></u>	<u></u>	<u>30,773</u>
Deferred Inflows of Resources				
Unavailable revenue - grants	108,160			108,160
Unavailable revenue - property taxes		291,895		291,895
Total deferred inflows of resources	<u>108,160</u>	<u>291,895</u>	<u></u>	<u>400,055</u>
Fund Balances				
Restricted		1,274,655		1,274,655
Unassigned	(30,773)			(30,773)
Total fund balances	<u>(30,773)</u>	<u>1,274,655</u>	<u></u>	<u>1,243,882</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 108,160</u>	<u>\$ 1,566,550</u>	<u>\$</u>	<u>\$ 1,674,710</u>

Tualatin Valley Fire and Rescue

Combining Schedule of Revenues, Expenditures, Other Financing Sources, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	Fund Type			Total Nonmajor Governmental Funds
	Special Revenue	Debt Service	Capital Projects	
	Grants Fund	Debt Service Fund	Capital Projects Fund	
Revenues				
Taxes	\$	\$ 6,075,008	\$	\$ 6,075,008
Interest		41,183	27,373	68,556
Operating grants and contributions	444,121			444,121
Capital grants and contributions	1,006,601			1,006,601
Miscellaneous		3,725	3,725	3,725
Total revenues	1,450,722	6,116,191	31,098	7,598,011
Expenditures				
Current:				
Public safety:				
Personnel services	427,022			427,022
Materials and services	17,100			17,100
Debt service:				
Principal	4,180,000			4,180,000
Interest	2,093,985			2,093,985
Capital outlay	1,037,373	4,498,646	5,536,019	
Total expenditures	1,481,495	6,273,985	4,498,646	12,254,126
Excess (deficiency) of revenues over (under) expenditures	(30,773)	(157,794)	(4,467,548)	(4,656,115)
Other Financing Sources				
Proceeds on sale of surplus property			7,750	7,750
Net change in fund balance	(30,773)	(157,794)	(4,459,798)	(4,648,365)
Fund balances - June 30, 2016		1,432,449	4,459,798	5,892,247
Fund balances - June 30, 2017	\$ (30,773)	\$ 1,274,655	\$ 1,243,882	\$

Tualatin Valley Fire and Rescue

Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
Operating grants and contributions	\$ 32,600	\$ 528,300	\$ 444,121	\$ (84,179)
Capital grants and contributions	1,185,000	1,185,000	1,006,601	(178,399)
Total revenues	<u>1,217,600</u>	<u>1,713,300</u>	<u>1,450,722</u>	<u>(262,578)</u>
Expenditures				
Current:				
Public safety:				
Personnel services		491,700	427,022	64,678
Materials and services	32,600	36,600	17,100	19,500
Capital outlay	1,185,000	1,185,000	1,037,373	147,627
Total expenditures	<u>1,217,600</u>	<u>1,713,300</u>	<u>1,481,495</u>	<u>231,805</u>
Excess (deficiency) of revenues over (under) expenditures			(30,773)	53,406
Fund balance - June 30, 2016				
Fund balance - June 30, 2017	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
			(30,773)	53,406

Tualatin Valley Fire and Rescue

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 6,036,238	\$ 6,074,675	\$ 38,437
Taxes in lieu	350	333	(17)
Interest	12,525	41,183	28,658
Total revenues	6,049,113	6,116,191	67,078
Expenditures			
Debt service:			
Principal	4,180,000	4,180,000	1
Interest	2,093,986	2,093,985	1
Total expenditures	6,273,986	6,273,985	1
Excess (deficiency) of revenues over (under) expenditures	(224,873)	(157,794)	67,079
Fund balance - June 30, 2016	1,166,993	1,432,449	265,456
Fund balance - June 30, 2017	\$ 942,120	\$ 1,274,655	\$ 332,535

Tualatin Valley Fire and Rescue

Capital Projects Fund

Schedule of Revenues, Expenditures, Other Financing Sources, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Interest	\$ 6,290	\$ 27,373	\$ 21,083
Miscellaneous		3,725	3,725
Total revenues	<u>6,290</u>	<u>31,098</u>	<u>24,808</u>
Expenditures			
Capital outlay	5,558,474	4,498,646	1,059,828
Excess (deficiency) of revenues over (under) expenditures	(5,552,184)	(4,467,548)	1,084,636
Other Financing Sources			
Proceeds on sale of surplus property	<u>600,000</u>	<u>7,750</u>	<u>(592,250)</u>
Net change in fund balance	(4,952,184)	(4,459,798)	492,386
Fund balance - June 30, 2016	4,952,184	4,459,798	(492,386)
Fund balance - June 30, 2017	<u>\$</u>	<u>\$</u>	<u>\$</u>

Tualatin Valley Fire and Rescue

Insurance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Interest	\$ 3,400	\$ 6,783	\$ 3,383
Insurance refunds		43,540	43,540
Total revenues	<u>3,400</u>	<u>50,323</u>	<u>46,923</u>
Expenditures			
Materials and services	649,243	106,784	542,459
Excess (deficiency) of revenues over (under) expenditures	<u>(645,843)</u>	<u>(56,461)</u>	<u>589,382</u>
Fund balance - June 30, 2016	645,843	653,426	7,583
Fund balance - June 30, 2017	<u>\$</u> <u>596,965</u>	<u>\$</u> <u>596,965</u>	<u>\$</u> <u>596,965</u>

General Fund

These funds account for the accumulation of resources for particular activities or functions from designated sources. Funds included in this category combine into the General Fund in the basic financial statements and are listed below.

General Fund: Accounts for the basic financial operations of the District.

Apparatus Fund: Accounts for the accumulation of resources for emergency service apparatus and vehicles.

Capital Improvements Fund: Accounts for the resources provided for firefighting, emergency medical service, office and fire technology and other equipment used in operations.

Emergency Management Fund: Accounts for resources provided for and used in emergency preparedness, through a regional partnership.

Pension Fund: Accounts for resources for the District's single-employer defined benefit pension plan for employees who retired prior to July 16, 1981. The principal revenue source is employer contributions.

Volunteer LOSAP Fund: Accounts for the accumulated resources for the District's closed Length of Service Award Plan for volunteer firefighters. The principal sources of revenue are earnings on investments.

Tualatin Valley Fire and Rescue

Combining Balance Sheet						
General Fund						
June 30, 2017						
	General Fund	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Pension Fund	Volunteer LOSAP Fund
Assets						Total General Fund
Cash and cash equivalents	\$ 55,386,685	\$ 5,090,823	\$ 7,977,571	\$ 3,245	\$ 36,080	\$ 68,494,404
Investments						306,597
Receivables:						
Property taxes receivable	4,668,477					4,668,477
Accounts receivable (net of allowances)	766,089					766,089
Due from other funds	5,483					5,483
Prepays					27,869	27,869
Supplies inventory	347,992					347,992
Total assets	<u>\$ 61,174,726</u>	<u>\$ 5,090,823</u>	<u>\$ 7,977,571</u>	<u>\$ 31,114</u>	<u>\$ 342,677</u>	<u>\$ 74,616,911</u>
Liabilities						
Accounts payable	\$ 924,919	\$	\$ 54,895	\$	\$	\$ 979,814
Accrued salaries and benefits payable	8,140,647				3,245	8,143,892
Total liabilities	<u>9,065,566</u>		<u>54,895</u>		<u>3,245</u>	<u>9,123,706</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	4,341,822					4,341,822
Unavailable revenue - transport services	270,750					270,750
Unavailable revenue - HazMat revenue	1,599					1,599
Total deferred inflows of resources	<u>4,614,171</u>					<u>4,614,171</u>
Fund Balances						
Nonspendable	347,992				27,869	375,861
Committed		5,090,823	7,922,676			342,677
Unassigned	47,146,997					13,356,176
Total fund balances	<u>47,494,989</u>	<u>5,090,823</u>	<u>7,922,676</u>		<u>27,869</u>	<u>47,146,997</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,174,726</u>	<u>\$ 5,090,823</u>	<u>\$ 7,977,571</u>	<u>\$ 31,114</u>	<u>\$ 342,677</u>	<u>\$ 74,616,911</u>

Tualatin Valley Fire and Rescue

Combining Schedule of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances

General Fund

For the Year Ended June 30, 2017

	General Fund	Apparatus Fund	Capital Improvements Fund	Emergency Management Fund	Pension Fund	Volunteer LOSAP Fund	Eliminations	Total General Fund
Revenues								
Program revenues:								
Charges for services	\$ 11,857,375	\$	\$	\$	\$	\$	\$	\$ 11,857,375
Program fees	49,390		297,604					346,994
Grants and contributions	132,009							132,009
General revenues:								
Taxes	97,372,689							97,372,689
Interest	216,287	55,037	88,505			29,328		389,157
Insurance dividends and refunds	381,105							381,105
Miscellaneous	163,365							163,365
Total revenues	<u>110,172,220</u>	<u>55,037</u>	<u>386,109</u>			<u>29,328</u>		<u>110,642,694</u>
Expenditures								
Current:								
Public safety:								
Personnel services	89,275,842				340,898	10,075		89,626,815
Materials and services	11,559,469			16,816				11,576,285
Capital outlay	97,980	910,902						1,008,882
Total expenditures	<u>100,835,311</u>	<u>97,980</u>	<u>910,902</u>	<u>16,816</u>	<u>340,898</u>	<u>10,075</u>		<u>102,211,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,336,909</u>	<u>(42,943)</u>	<u>(524,793)</u>	<u>(16,816)</u>	<u>(340,898)</u>	<u>19,253</u>		<u>8,430,712</u>
Other Financing Sources (Uses)								
Transfers in								
Transfers out	(5,898,550)			16,816	368,767		(385,583)	
Proceeds on sale of surplus property	9,802		20,825				385,583	(5,512,967)
Total Other Financing Sources (Uses)	<u>(5,888,748)</u>		<u>20,825</u>	<u>16,816</u>	<u>368,767</u>			<u>30,627</u>
Net change in fund balances	<u>3,448,161</u>	<u>(42,943)</u>	<u>(503,968)</u>		<u>27,869</u>	<u>19,253</u>		<u>2,948,372</u>
Fund balances - June 30, 2016	<u>44,046,828</u>	<u>5,133,766</u>	<u>8,426,644</u>		<u>323,424</u>			<u>57,930,662</u>
Fund balances - June 30, 2017	<u>\$ 47,494,989</u>	<u>\$ 5,090,823</u>	<u>\$ 7,922,676</u>	<u>\$</u>	<u>\$ 27,869</u>	<u>\$ 342,677</u>	<u>\$</u>	<u>\$ 60,879,034</u>

Tualatin Valley Fire and Rescue

Apparatus Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Interest	\$ 17,500	\$ 55,037	\$ 37,537
Expenditures			
Capital outlay	105,000	97,980	7,020
Operating contingency	933,000		933,000
Total expenditures	1,038,000	97,980	940,020
Excess (deficiency) of revenues over (under) expenditures	(1,020,500)	(42,943)	977,557
Fund balance - June 30, 2016	4,885,493	5,133,766	248,273
Fund balance - June 30, 2017	<u>\$ 3,864,993</u>	<u>\$ 5,090,823</u>	<u>\$ 1,225,830</u>

Tualatin Valley Fire and Rescue

Capital Improvements Fund

Schedule of Revenues, Expenditures, Other Financing Sources, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
Program fees	\$ 400,000	\$ 400,000	\$ 297,604	\$ (102,396)
Interest	35,000	35,000	88,505	53,505
Total revenues	435,000	435,000	386,109	(48,891)
Expenditures				
Capital outlay	2,463,725	2,564,025	910,902	1,653,123
Operating contingency	1,790,358	1,690,058		1,690,058
Total expenditures	4,254,083	4,254,083	910,902	3,343,181
Excess (deficiency) of revenues over (under) expenditures	(3,819,083)	(3,819,083)	(524,793)	3,294,290
Other Financing Sources				
Proceeds on sale of surplus property	2,500	2,500	20,825	18,325
Net change in fund balance	(3,816,583)	(3,816,583)	(503,968)	3,312,615
Fund balance - June 30, 2016	7,566,180	7,566,180	8,426,644	860,464
Fund balance - June 30, 2017	\$ 3,749,597	\$ 3,749,597	\$ 7,922,676	\$ 4,173,079

Tualatin Valley Fire and Rescue

Emergency Management Fund

Schedule of Revenues, Expenditures, Other Financing Sources, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Charges for services	\$ 233,508	\$ _____	\$ (233,508)
Expenditures			
Public safety:			
Personnel services	212,939		212,939
Materials and services	30,000	16,816	13,184
Capital outlay	58,224		58,224
Total expenditures	<u>301,163</u>	<u>16,816</u>	<u>284,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,655)</u>	<u>(16,816)</u>	<u>50,839</u>
Other Financing Sources			
Transfers in	<u>30,000</u>	<u>16,816</u>	<u>(13,184)</u>
Net change in fund balance	<u>(37,655)</u>		37,655
Fund balance - June 30, 2016	<u>37,655</u>		<u>(37,655)</u>
Fund balance - June 30, 2017	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

Tualatin Valley Fire and Rescue

Pension Fund

Schedule of Expenditures, Other Financing Sources, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Expenditures			
Personnel services	\$ 359,862	\$ 340,898	\$ 18,964
Excess (deficiency) of revenues over (under) expenditures	(359,862)	(340,898)	18,964
Other Financing Sources			
Transfers in	359,862	368,767	8,905
Net change in fund balance		27,869	27,869
Fund balance - June 30, 2016			
Fund balance - June 30, 2017	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

Tualatin Valley Fire and Rescue

Volunteer LOSAP Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Interest	\$ 11,200	\$ 29,328	\$ 18,128
Expenditures			
Personnel services	331,537	10,075	321,462
Excess (deficiency) of revenues over (under) expenditures	<u>(320,337)</u>	<u>19,253</u>	<u>339,590</u>
Fund balance - June 30, 2016	320,337	323,424	3,087
Fund balance - June 30, 2017	<u>\$ 342,677</u>	<u>\$ 342,677</u>	<u>\$ 342,677</u>

Tualatin Valley Fire and Rescue

Schedule of Property Tax Transactions and Outstanding Balances for the fiscal year ended June 30, 2017

	Taxes Uncollected June 30, 2016	Add Levy as Extended by Assessor	Add (Deduct) Discounts Allowed	Add Interest Received	(Deduct) Cancellations and Adjustments	(Deduct) Collections	Taxes Uncollected June 30, 2017
2016-17	\$ 106,867,213		\$ (2,853,614)	\$ 19,773	\$ (252,077)	\$ (101,985,120)	\$ 1,796,175
2015-16	1,820,212		(1,716)	36,827	(112,132)	(849,723)	893,468
2014-15	847,281		63	24,262	(6,564)	(214,580)	650,462
2013-14	619,026		119	35,737	(6,869)	(193,035)	454,978
2012-13	409,175			15,591	(4,758)	(76,267)	343,741
2011-12	299,537		2	2,423	(3,197)	(9,617)	289,148
2010 and prior	572,072		86	6,049	(7,078)	(15,420)	555,709
Total prior	4,567,303		(1,446)	120,889	(140,598)	(1,358,642)	3,187,506
Total	\$ 4,567,303	\$ 106,867,213	\$ (2,855,060)	\$ 140,662	\$ (392,675)	\$ (103,343,762)	\$ 4,983,681
					General Fund	Debt Service Fund	Total
Reconciliation to tax revenues on basic financial statements:							
Property tax collections above					\$ 97,274,213	\$ 6,069,549	\$ 103,343,762
Property taxes susceptible to accrual at June 30, 2017					328,764	21,200	349,964
Property taxes susceptible to accrual at June 30, 2016					(237,306)	(16,074)	(253,380)
Taxes in lieu of property taxes					7,018	333	7,351
Tax revenues					\$ 97,372,689	\$ 6,075,008	\$ 103,447,697
					Property Taxes		
					Current Levy	Prior Years	
DISTRIBUTED AS FOLLOWS:							
General Fund	\$ 96,234,745	\$ 1,130,926			\$ 7,018	\$ 97,372,689	\$ 4,668,477
Debt Service Fund	5,996,648	78,027			333	6,075,008	315,204
Total	\$ 102,231,393	\$ 1,208,953			\$ 7,351	\$ 103,447,697	\$ 4,983,681



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 basic 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.	100
Revenue Capacity: These schedules contain information to help the reader assess the District's most significant local revenue source, property tax.	104
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.	108
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.	111
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.	113

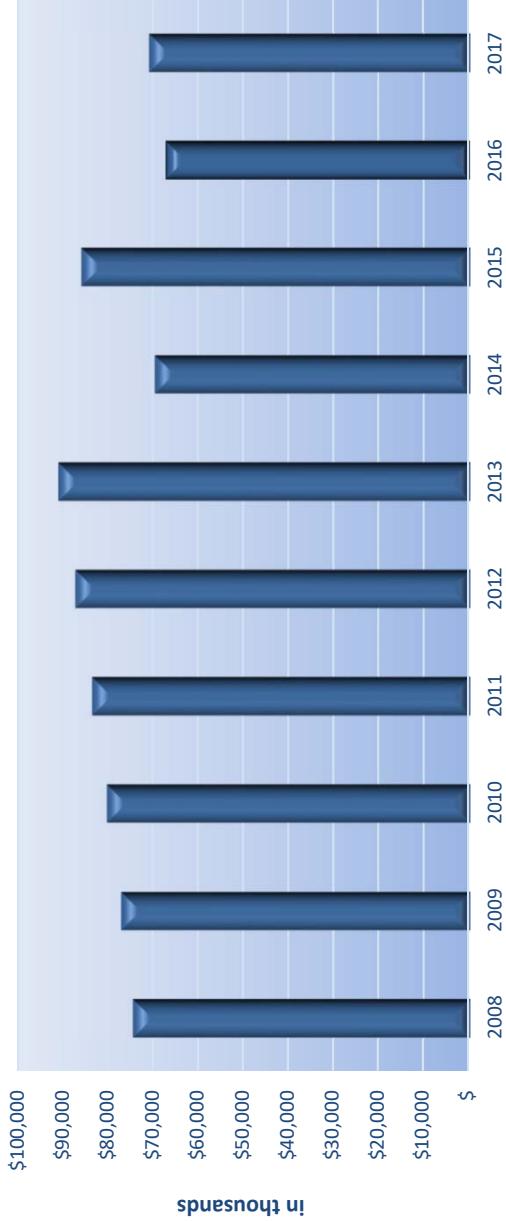
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

Tualatin Valley Fire and Rescue

Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net investment in capital assets	\$ 26,022,160	\$ 26,836,071	\$ 27,397,380	\$ 30,510,984	\$ 30,618,980	\$ 30,971,036	\$ 31,417,412	\$ 30,872,433	\$ 33,700,603	\$ 43,771,971
Restricted	1,321,652	544,419	1,298,395	1,312,282	1,676,044	1,626,185	1,541,173	1,355,457	1,432,449	1,274,655
Unrestricted	46,748,396	49,339,432	51,160,608	51,301,589	54,491,788	57,945,008	36,267,390	53,184,779	31,728,130	25,461,906
Total net position	\$ 74,092,208	\$ 76,719,922	\$ 79,856,383	\$ 83,124,855	\$ 86,786,812	\$ 90,542,229	\$ 69,225,975	\$ 85,412,669	\$ 66,861,182	\$ 70,508,532

Total Net Position



Tualatin Valley Fire and Rescue

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Program Revenues						
Governmental activities:						
Charges for services ^{(1),(2)}	\$ 916,859	\$ 758,476	\$ 587,305	\$ 738,171	\$ 1,322,635	\$ 1,939,665
Operating grants and contributions	277,094	134,753	241,384	278,408	1,086,330	1,161,457
Capital grants and contributions	68,535	432,805	43,950		48,450	
Total primary government program revenues	1,262,488	1,326,034	872,639	1,016,579	2,457,415	2,544,856
General Revenues						
Property taxes	66,146,305	68,254,733	72,601,267	74,905,936	79,303,750	79,853,105
Investment earnings	2,755,890	1,006,351	406,556	299,393	343,772	336,512
Insurance dividends and refunds	646,230	236,921	420,993	655,797	188,074	527,435
Miscellaneous	52,372	116,317	270,443	113,625	224,532	400,202
Total primary government general revenue	69,600,797	69,614,322	73,699,259	75,974,751	80,060,128	81,117,254
Expenses						
Governmental activities:						
Public safety - fire protection	61,874,697	67,371,019	69,649,810	71,961,409	76,438,386	78,142,770
Interest on long-term debt	921,830	950,457	1,785,629	1,761,449	2,417,200	2,315,227
Loss on sale of capital assets	38,671					
Total primary government expenses	62,835,198	68,331,476	71,435,439	73,722,858	78,855,586	80,457,997
Total primary government net revenue/expense	8,028,087	2,618,880	3,136,459	3,268,472	3,661,957	3,204,113
Other Changes in Net Position						
Gain on sale of capital assets		8,834			551,304	583,350
Change in Net Position						
Total primary government	\$ 8,028,087	\$ 2,627,714	\$ 3,136,459	\$ 3,268,472	\$ 3,661,957	\$ 3,755,417

⁽¹⁾ Beginning in 2012, the District expanded contracting for fleet services with several local fire agencies.
⁽²⁾ Beginning in 2017, the District entered into contractual agreements with Washington County Fire District No. 2, the City of Newberg, and Newberg Rural Fire Protection District for fire protection and EMS services.

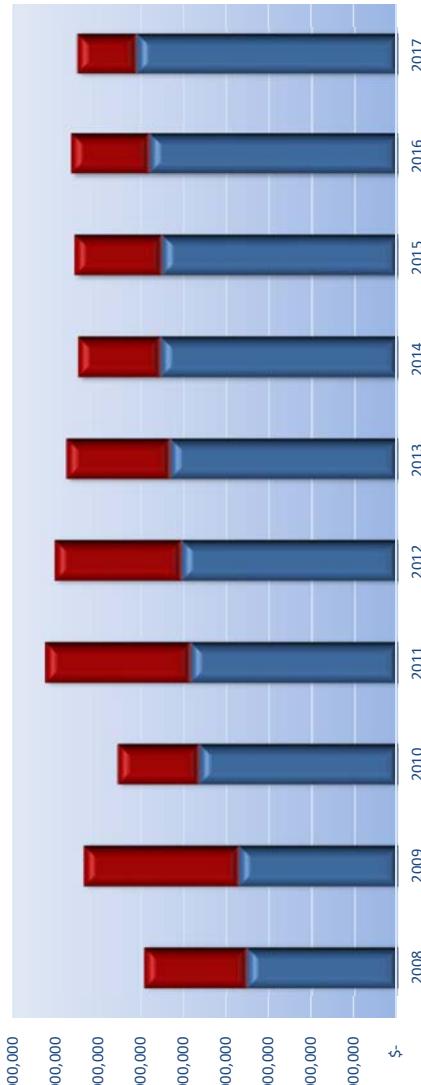
Tualatin Valley Fire and Rescue

Fund Balances, Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

[2] CASE 34300 INVESTIGATION IN 110KV SUBSTATION, LOKTAPU, ASSAM

Fund Balances: Governmental Funds



- General Fund
- All Other Governmental Funds

Tualatin Valley Fire and Rescue

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Tualatin Valley Fire and Rescue

Assessed and Market Value of Taxable Property

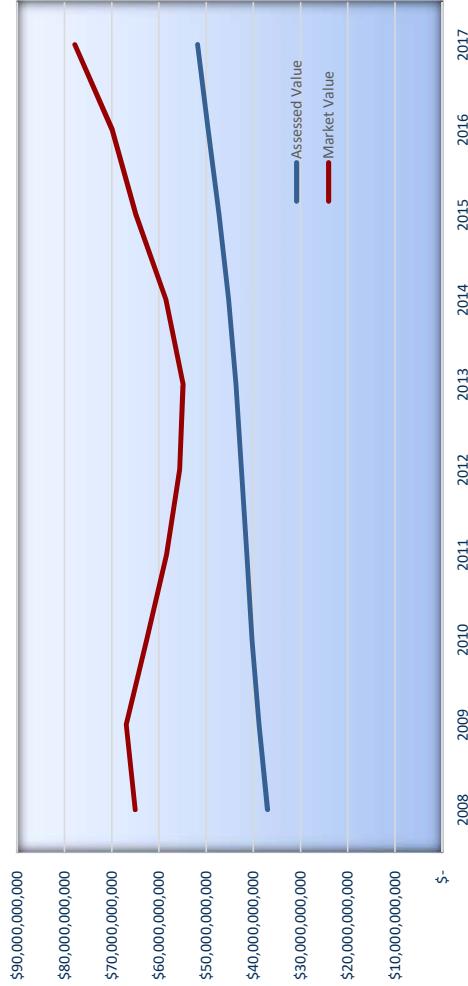
Fiscal Year	Last Ten Fiscal Years									
	Real Property		Personal Property		Mobile Home Property		Utility Property		Total	
	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Total Assessed to Market Value	Total District Tax Rate
2017	\$ 48,857,960,074	\$ 74,802,031,793	\$ 1,508,758,508	\$ 1,533,847,394	\$ 62,197,982	\$ 84,509,484	\$ 1,391,276,864	\$ 1,416,551,352	\$ 77,836,940,023	66.58 % \$2.10
2016 ⁽¹⁾	\$ 46,770,392,287	\$ 66,942,316,620	\$ 1,443,660,193	\$ 1,469,896,613	\$ 49,002,673	\$ 64,618,830	\$ 1,291,141,760	\$ 1,463,290,805	\$ 69,940,122,868	70.35 2.11
2015	\$ 44,577,290,966	\$ 62,081,929,253	\$ 1,339,967,930	\$ 1,376,810,979	\$ 40,553,755	\$ 52,654,310	\$ 1,288,074,094	\$ 1,380,966,990	\$ 47,245,888,745	64,892,361,532
2014	\$ 42,716,027,358	\$ 55,819,620,463	\$ 1,289,133,350	\$ 1,320,709,755	\$ 37,054,528	\$ 48,696,174	\$ 1,198,999,750	\$ 1,316,814,178	\$ 45,241,214,986	58,515,841,178
2013	\$ 41,153,875,254	\$ 52,242,895,589	\$ 1,285,083,148	\$ 1,300,882,754	\$ 37,473,333	\$ 49,143,750	\$ 1,186,894,151	\$ 1,294,538,870	\$ 43,663,325,886	58,887,460,963
2012	\$ 40,033,905,433	\$ 53,094,082,885	\$ 1,242,926,832	\$ 1,254,219,436	\$ 41,878,148	\$ 54,190,090	\$ 1,205,943,990	\$ 1,245,624,000	\$ 42,524,654,403	55,648,116,411
2011	\$ 38,896,351,775	\$ 55,859,041,477	\$ 1,239,530,152	\$ 1,251,419,908	\$ 45,889,216	\$ 59,433,410	\$ 1,209,023,665	\$ 1,214,510,966	\$ 41,390,794,808	58,384,405,761
2010	\$ 37,743,268,296	\$ 60,010,991,508	\$ 1,291,172,910	\$ 1,302,244,097	\$ 54,963,237	\$ 62,488,050	\$ 1,193,592,740	\$ 1,194,549,230	\$ 40,282,997,183	62,570,272,885
2009	\$ 36,352,459,360	\$ 64,462,001,645	\$ 1,365,624,057	\$ 1,375,655,902	\$ 51,551,504	\$ 57,431,190	\$ 1,063,723,000	\$ 1,067,347,629	\$ 38,833,157,921	66,962,436,366
2008	\$ 34,641,993,583	\$ 62,615,731,611	\$ 1,280,664,739	\$ 1,292,853,444	\$ 54,128,069	\$ 59,845,740	\$ 1,020,096,190	\$ 1,073,993,240	\$ 36,996,882,581	57.99 1.84
									\$ 65,042,424,035	

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

⁽¹⁾ Restated numbers. Original published values from Washington County were incorrect.

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. In addition, the maximum assessed value of a property was limited to a maximum of 3% growth per year. Accordingly, since that date, there is a difference between market value and assessed value.

Assessed Value compared to Market Value



Tualatin Valley Fire and Rescue

Property Tax Rates - Direct and Overlapping Governments (per \$1,000 of Assessed Value)
 Last Ten Fiscal Years
 For Fiscal Years Ended June 30

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Range of property tax rates for direct and overlapping governments per \$1,000 of assessed value	\$ 12.37	\$ 12.11	\$ 12.61	\$ 12.51	\$ 12.59	\$ 12.55	\$ 13.23	\$ 13.10	\$ 12.98	\$ 13.16
	\$ 20.55	\$ 20.96	\$ 21.97	\$ 19.10	\$ 19.59	\$ 19.72	\$ 21.06	\$ 20.99	\$ 20.81	\$ 20.99
Tualatin Valley Fire and Rescue	\$ 1.87	\$ 1.84	\$ 1.90	\$ 1.88	\$ 1.93	\$ 1.91	\$ 1.89	\$ 1.89	\$ 2.11	\$ 2.10
Washington County	3.03	2.98	2.98	2.98	2.97	2.97	2.97	2.84	2.84	2.96
Clackamas County	2.40	2.85	2.86	2.98	3.22	2.86	2.96	2.95	2.95	2.95
City of Beaverton	4.18	4.12	4.20	4.20	4.83	4.24	4.37	4.38	4.33	4.31
City of Durham	1.81	1.82	1.83	1.81	1.82	1.84	1.85	1.83	1.69	1.64
City of King City	1.94	1.94	1.94	2.08	2.08	2.08	2.08	2.08	2.08	2.08
City of Sherwood	3.72	3.54	3.56	4.00	3.96	3.48	3.43	3.46	3.62	3.42
City of Tigard	2.74	2.68	2.72	2.72	3.80	2.94	2.93	2.92	2.92	2.88
City of Tualatin	2.26	2.15	2.18	2.53	2.56	2.56	2.55	2.53	2.52	2.51
City of West Linn	2.12	2.12	2.45	2.45	2.42	2.56	2.56	2.55	2.55	2.54
City of Wilsonville	2.25	2.20	2.17	2.69	2.69	2.12	2.14	2.13	2.10	1.97
Wilsonville Urban Renewal	0.79	0.86	2.42	2.23	2.98	3.41	3.23	3.37	3.31	3.34
Port of Portland	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Tualatin Hills Parks & Recreation District	1.43	1.43	1.73	1.74	1.74	1.73	1.74	1.72	1.62	1.62
Enhanced Sheriff Patrol	1.09	1.31	1.28	1.27	1.25	1.23	1.32	1.32	1.32	1.32
Portland Community College	0.51	0.50	0.63	0.64	0.60	0.67	0.73	0.72	0.59	0.68
Clackamas Community College	0.55	0.55	0.74	0.72	0.70	0.70	0.71	0.70	0.74	0.74
Clackamas ESD	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Multnomah ESD	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
N.W. Regional ESD	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hillsboro School District	2.00	7.10	7.46	7.58	7.47	7.50	7.40	7.42	7.22	7.20
Portland School District	6.53	6.53	6.53	6.53	7.27	7.27	8.36	8.35	8.36	8.33
Beaverton School District	6.74	6.56	6.88	6.78	6.86	6.77	8.05	8.04	7.96	7.92
West Linn / Wilsonville School District	7.57	9.05	9.18	9.34	9.36	9.38	9.32	9.25	9.24	9.23
Newberg School District	8.55	8.30	8.24	8.33	7.46	7.44	7.42	7.51	7.92	7.88
Tigard-Tualatin School District	6.86	7.71	7.68	7.37	7.85	7.41	7.41	7.46	7.46	7.45
Lake Oswego School District	6.85	7.15	7.16	6.90	6.85	6.85	6.84	6.81	6.79	6.81
Canby School District	4.58	6.63	6.91	6.88	4.58	6.74	6.90	6.87	6.82	6.81
Sherwood School District	8.92	8.80	8.92	8.88	9.84	8.82	8.82	8.82	8.82	8.82

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. The Washington County figure includes county-wide levies for Co-op Library, Road Improvements, and 9-1 Emergency.

Source: Washington and Clackamas County Assessment and Tax Roll Summaries

Tualatin Valley Fire and Rescue

Principal Taxpayers						
Current Year and Nine Years Ago			All Washington County Property			
Year 2017			Year 2008			
	Rank ⁽¹⁾	Taxable Assessed Value ⁽²⁾	Percentage of Total Taxable Assessed Valuation	Rank ⁽¹⁾	Taxable Assessed Value ⁽²⁾	Percentage of Total Taxable Assessed Valuation
Private enterprises:						
Nike, Inc.	1	\$ 554,903,560	1.07 %	1	\$ 344,981,746	0.93 %
Comcast Corporation	2	349,799,300	0.68			
Pacific Realty Associates	4	247,560,027	0.48	4	179,658,874	0.49
Intel Corporation	6	173,736,260	0.34	6	170,616,681	0.46
PPR Washington Square LLC	7	146,992,934	0.28			
BV Centercell LLC	8	138,496,812	0.27			
Frontier Communications	9	137,936,000	0.27			
LAM Research Corporation	10	111,939,596	0.22			
Verizon Communications			2		244,346,253	0.66
Maxim Integrated Products, Inc.				8	134,951,810	0.36
Sprint Nextel Corporation				9	123,559,664	0.33
Tektronix, Inc.				7	137,497,082	0.37
PS Business Parks				10	98,541,817	0.27
Public utilities:						
Portland General Electric	3	277,292,521	0.54	3	201,752,800	0.55
Northwest Natural Gas Co	5	227,164,170	0.44	5	170,896,690	0.46
All other taxpayers		49,454,372,248	95.41		35,190,079,164	95.12
Total Assessed Value ⁽²⁾		\$ 51,820,193,428	100.00 %		\$ 36,996,882,581	100.00 %

Source: Washington County Department of Assessment and Taxation

⁽¹⁾ Principal taxpayers cover TVF&R's portion in Washington County only.

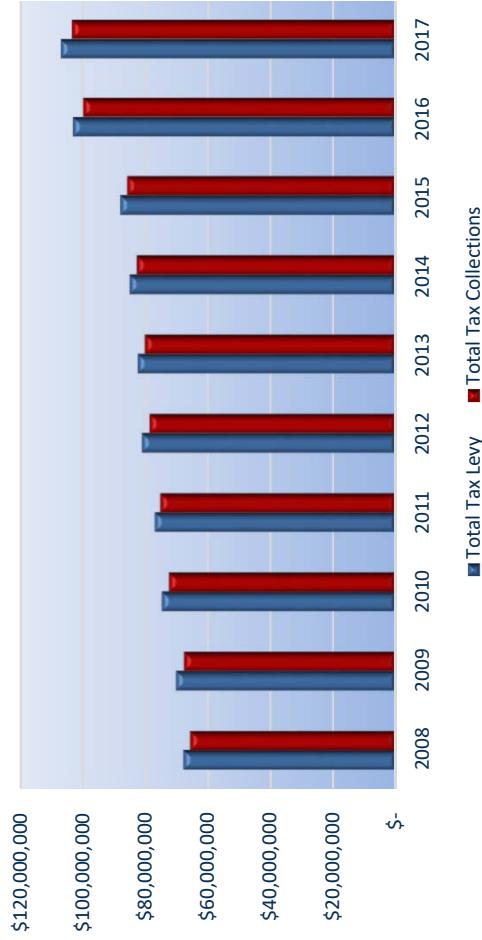
⁽²⁾ Total assessed value is reflective of TVF&R's portion of the totals collectible for Washington, Clackamas and Multnomah counties.

Tualatin Valley Fire and Rescue

Fiscal Year	Total Tax Levy	Property Tax Levies and Collections				
		Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2017	\$ 106,867,213	\$ 101,985,120	95.43%	\$ 1,358,642	\$ 103,343,762	96.70 %
2016	102,942,662	98,293,871	95.48	1,378,066	99,671,937	96.82
2015	87,970,033	83,994,211	95.48	1,694,488	85,688,699	97.41
2014	84,922,515	80,738,959	95.07	1,824,068	82,563,027	97.22
2013	82,413,293	78,548,654	95.31	1,446,400	79,995,054	97.07
2012	81,106,617	76,988,839	94.92	1,481,752	78,470,591	96.75
2011	76,954,903	72,714,192	94.49	2,365,805	75,079,997	97.56
2010	74,662,973	70,399,625	94.29	1,930,985	72,330,610	96.88
2009	70,168,538	66,017,433	94.08	1,498,114	67,515,547	96.22
2008	67,886,825	64,345,840	94.78	1,288,336	65,634,176	96.68

Source: District financial statements, current and prior years

Total Tax Levy compared to Total Tax Collected



Tualatin Valley Fire and Rescue

Ratio of Net General Bonded Debt to Assessed Value and General Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	Assessed Value ⁽¹⁾	Gross Bonded Debt ⁽²⁾	Monies Available ⁽²⁾	Net General Bonded Debt ⁽²⁾	Ratio of Net General Bonded Debt to Assessed Value	General Bonded Debt Per Capita ⁽³⁾	Percentage of Personal Income ⁽³⁾
2017	\$ 51,820,193,428	\$ 51,115,737	\$ 1,274,655	\$ 49,841,082	0.10 %	104.03	0.20 %
2016	49,554,196,913	55,560,104	1,432,449	54,127,655	0.11	120.98	0.23
2015	47,245,888,745	59,844,471	1,355,457	58,489,014	0.12	131.64	0.25
2014	45,241,214,986	56,916,463	1,541,173	55,375,250	0.12	126.48	0.26
2013	43,663,325,886	60,449,048	1,606,709	58,842,339	0.13	135.70	0.29
2012	42,524,654,403	63,951,633	1,604,149	62,347,484	0.15	145.03	0.31
2011	41,390,794,808	67,429,218	1,240,387	66,188,831	0.16	154.47	0.35
2010	40,282,997,183	45,225,280	1,207,841	44,017,439	0.11	104.66	0.26
2009	38,833,157,921	47,360,402	544,418	46,815,984	0.12	110.82	0.27
2008	36,996,882,581	20,417,235	1,321,652	19,095,583	0.05	48.27	0.11

Sources:

(1) Washington, Clackamas, and Multnomah County Assessment and Taxation Departments

(2) District financial statements, current and prior years

(3) See the Schedule of Demographic and Economic Statistics for personal income and population data

Tualatin Valley Fire and Rescue

Computation of Overlapping Net Direct Debt June 30, 2017

Jurisdiction	Net Direct Debt Outstanding ⁽¹⁾	Percentage Applicable to District	Amount Applicable to District
City of Beaverton	\$ 34,567,076	100.00 %	\$ 34,565,694
City of Durham	330,000	99.99	329,956
City of Hillsboro	45,250,000	0.11	49,006
City of Sherwood	25,323,701	99.99	25,320,460
City of Tigard	22,427,479	100.00	22,426,492
City of Tualatin	6,054,594	99.99	6,053,964
City of West Linn	15,940,000	100.00	15,940,000
Clackamas Community College	102,608,913	24.22	24,855,880
Clackamas County	155,330,136	18.55	28,818,711
Clackamas County ESD	22,820,637	18.16	4,143,566
Clackamas County SD 31 (West Linn/Wilsonville)	229,668,066	100.00	229,667,377
Clackamas County SD 71 (Lake Oswego)	90,618,476	5.85	5,301,362
Clackamas County SD 86 (Canby)	60,820,573	13.53	8,229,449
Columbia County SD 11 (Scappoose)	27,780,000	0.21	59,310
Metro Service District	183,510,000	27.18	49,880,587
Multnomah County	143,743,241	0.88	1,268,247
Multnomah County SD 11 (Portland)	665,077,068	1.41	9,348,323
Portland Community College	302,090,000	29.67	89,635,239
Rivergrove Water District 14J	627,528	18.38	115,337
Tualatin Hills Park & Recreation District	82,524,818	98.81	81,545,084
Valley View Water District	1,621,692	100.00	1,621,692
Washington County	232,130,277	72.13	167,428,373
Washington County Enhanced Patrol Dist.	75,877	98.49	74,732
Washington County SD 11 (Hillsboro 7 Bd)	4,006,806	13.27	531,723
Washington County SD 11 (Hillsboro)	238,850,000	13.20	31,518,407
Washington County SD 23 (Tigard-Tualatin)	269,654,318	99.90	269,374,147
Washington County SD 48J (Beaverton)	1,065,719,613	95.28	1,015,426,173
Washington County SD 88J (Sherwood)	220,719,911	99.27	219,098,062
Willamette ESD	9,961,880	0.42	41,641
Yamhill County SD 29J (Newberg)	47,534,029	4.26	2,023,381
Subtotal overlapping debt			2,344,692,375
District direct debt			51,115,737
Total direct and overlapping debt			\$ 2,395,808,112

Note: ⁽¹⁾ Net direct debt includes General Obligation Bonds and Full Faith and Credit Bonds minus any fully Self-Supporting Unlimited-tax GO Bonds and self-supporting Full Faith and Credit Debt.

Source: Oregon State Treasury, Debt Management Division

Tualatin Valley Fire and Rescue

Legal Debt Margin Information

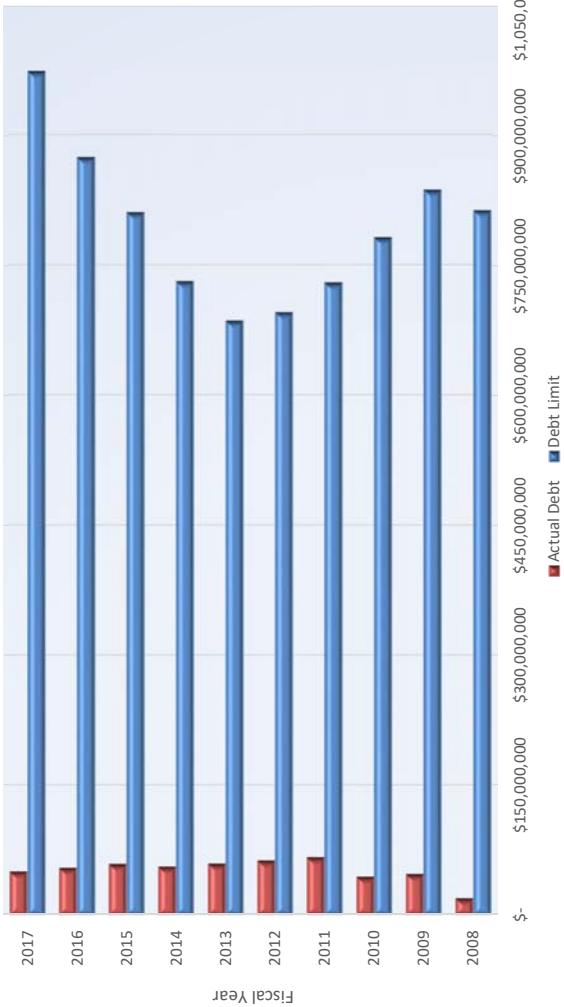
June 30, 2017

Real market value of District property	\$ 77,836,940,023
Debt limit under ORS 478.410(2) (1.25% of the real market value)	\$ 972,961,750
Amount of debt applicable to debt limit:	
Gross bonded debt outstanding	\$ 51,115,737
Assets in Debt Service Fund available for debt service	<u>\$ (1,274,655)</u>
Total amount of debt applicable to debt limit	<u>\$ 49,841,082</u>
Legal debt margin	<u><u>\$ 923,120,668</u></u>
Total net debt applicable to the limit as a percentage of debt limit	5.12%

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017
Debt Limit	\$13,030,300	\$ 837,030,455	\$ 782,128,411	\$ 729,805,072	\$ 695,601,455	\$ 686,093,262	\$ 731,448,015	\$ 811,154,519	\$ 874,251,536	\$ 972,961,750
Total net debt applicable to limit	<u>19,095,583</u>	<u>46,815,384</u>	<u>44,017,439</u>	<u>66,188,831</u>	<u>62,347,484</u>	<u>58,842,339</u>	<u>55,375,290</u>	<u>58,489,014</u>	<u>54,127,635</u>	<u>49,841,082</u>
Legal debt margin	<u><u>\$ 793,934,717</u></u>	<u><u>\$ 790,214,471</u></u>	<u><u>\$ 738,110,972</u></u>	<u><u>\$ 663,616,241</u></u>	<u><u>\$ 633,253,971</u></u>	<u><u>\$ 627,250,923</u></u>	<u><u>\$ 676,072,725</u></u>	<u><u>\$ 752,665,505</u></u>	<u><u>\$ 820,123,881</u></u>	<u><u>\$ 923,120,668</u></u>
Total net debt applicable to the limit as a percentage of debt limit	2.35%	5.59%	5.63%	9.07%	8.96%	8.58%	7.57%	7.21%	6.19%	5.12%

⁽¹⁾ Restated numbers. Original published values from Washington County were incorrect.

Source: District financial statements and Oregon Revised Statutes
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Tualatin Valley Fire and Rescue

Demographic and Economic Statistics Last Ten Fiscal Years						
Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	Total Personal Income (in thousands) ⁽³⁾	School Enrollment ⁽³⁾	Unemployment ⁽⁴⁾	
2017	491,376	⁽⁵⁾ \$ 51,909	\$ 25,506,837	57,592	3.10 %	
2016	459,234	51,909	23,838,402	56,519	4.10	
2015	454,598	51,909	23,597,728	56,036	4.60	
2014	450,008	49,553	22,299,246	57,221	5.90	
2013	445,464	46,123	20,546,136	57,147	6.60	
2012	440,966	46,508	20,508,447	56,410	6.90	
2011	436,513	44,011	19,211,374	56,768	7.70	
2010	432,106	40,950	17,694,741	55,672	9.15	
2009	427,346	41,079	17,554,952	54,519	7.68	
2008	422,987	43,438	18,373,719	54,480	4.42	

⁽¹⁾ Portland State University/TVFR Planning Department

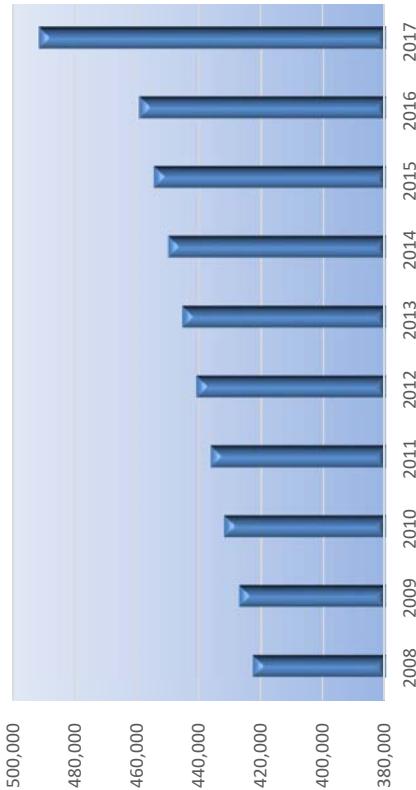
⁽²⁾ Bureau of Economic Analysis (Washington County Only) - all years restated to reflect change in source that supplies more reliable data. Latest information through 2015 (reported March 2016).

⁽³⁾ Oregon Dept of Education (Beaverton, Sherwood and Tigard/Tualatin School Districts)

⁽⁴⁾ State of Oregon Employment Department (Washington County). Prior to 2016 - Bureau of Labor Statistics, estimated (Washington County Only)

⁽⁵⁾ Includes all area served. District 446,375, former Washington County Fire District 2 - 14,939; and city of Newberg and Newberg Rural Fire Protection District - 30,062 (under contract).

Population Served



Tualatin Valley Fire and Rescue

	Major Employment Industries		
	Current Year and Nine Years Ago		
	2017 ⁽¹⁾	2008	
	Annual Average ⁽²⁾	% of Total	
Natural Resources & Mining	3,237	1%	3,643
Construction	14,806	5%	14,242
Manufacturing			1%
Wood Products	1,023		1,395
Fabricated Metal Products	3,455		3,029
Food	1,928		1,655
Plastics and Rubber Products	2,117		1,919
Computer Products	28,390		26,046
Machinery	4,275		3,451
Other	7,315		7,444
Total Manufacturing	48,503	17%	44,939
Trade, Transportation, and Utilities			18%
Wholesale	13,359		17,240
Retail	31,139		29,612
Transportation, Warehousing, and Utilities	4,567		3,810
Total Trade, Transportation, and Utilities	49,065	17%	50,662
Information			20%
Publishing	2,986		3,428
Telecommunications	2,216		2,130
Other (Broadcasting, ISP's, etc.)	2,236		2,439
Total Information	7,438	3%	7,997
Financial Activities			3%
Finance and Insurance	10,699		10,367
Real Estate	3,698		3,523
Total Financial Activities	14,397	5%	13,890
Professional & Business Services			6%
Education	54,004	19%	35,091
Health & Social Assistance	5,160	2%	4,455
Leisure & Hospitality	28,036	10%	22,246
Other Services	25,593	9%	20,760
Private Non-Classified	9,946	4%	7,682
Total All Government	45	0%	102
Total Employment	22,949	8%	22,063
	<u><u>283,179</u></u>	<u><u>100%</u></u>	<u><u>247,742</u></u>
			100%

⁽¹⁾ Fiscal Year 2017 information includes data through 12/31/2016.

⁽²⁾ Based on annual calendar year data as fiscal year data is unavailable.

Source: Oregon Employment Department Labor Market Information System (OLMIS) - Washington County.

Tualatin Valley Fire and Rescue

Function	Full-Time Equivalent Employees by Function Last Ten Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire and Rescue Service	305	307	319	325	330	340	344	346	351	423
Fire Prevention and Training	40	43	37	25	22	23	24	24	24	23
Administrative and Support	67	67	76	93	89	92	90	103	115	111
Total	412	417	432	443	441	455	458	473	490	557⁽¹⁾

Source: Tualatin Valley Fire and Rescue Human Resources records

⁽¹⁾ The increase is partially due to 13 FTEs added with the annexation of Washington County Fire District 2 and 26 FTEs added with the contracts with City of Newberg and Newberg Rural Fire Protection District.

Tualatin Valley Fire and Rescue

Operating Indicators by Function

Last Ten Calendar Years

Function	Year						Year		
	2009	2010	2011	2012	2013	2014	2015	2016	2017 est
Public Safety:									
Code Enforcement									
Inspections (not including night)	3,358	3,788	3,023	2,470	3,906	(1)	4,483	3,814	4,891
Re-Inspections	2,763	2,661	1,739	1,483	2,371	2,882	2,586	2,696	2,500
Night inspections	189	165	111	122	211	174	286	198	200
Violations Found	4,537	4,232	2,852	2,571	4,021	4,918	4,178	4,209	4,000
Incident Response									
Dispatched as:									
1 - Fire, Explosion	4,079	3,564	3,293	3,282	3,597	3,460	3,776	3,977	4,549
3 - EMS/Rescue Call	24,092	24,671	25,539	27,119	28,737	29,829	32,062	36,036	41,447
4 - Hazardous Condition	532	543	526	630	662	783	767	933	1,468
5 - Service Call	1,241	918	937	1,081	1,209	1,260	1,334	1,547	2,224
6 - Good Intent	224	266	154	271	342	304	386	418	610
9 - Other Situation	341	422	435	443	539	497	551	597	825
Total Responses	<u>30,509</u>	<u>30,384</u>	<u>30,884</u>	<u>32,826</u>	<u>35,086</u>	<u>36,133</u>	<u>38,876</u>	<u>43,508</u>	<u>51,123</u>
Situations found:									
1 - Fire, Explosion	898	784	880	987	1,028	999	1,294	1,199	1,371
2 - Overpressure	59	47	63	87	86	59	28	40	14
3 - EMS/Rescue Call	18,425	19,288	19,516	21,160	22,244	23,460	26,231	29,693	34,255
4 - Hazardous Condition	745	747	757	805	915	1,113	1,065	1,274	1,818
5 - Service Call	2,046	1,851	2,021	1,984	2,567	2,496	2,502	3,054	3,918
6 - Good Intent	5,768	5,457	5,855	5,918	6,156	6,013	5,681	5,866	6,864
7 - False Call	2,519	2,178	1,749	1,846	2,050	1,942	2,058	2,366	2,808
8 - Natural Condition	13	2	5	4	7	23	10	7	102
9 - Other Situation	<u>36</u>	<u>30</u>	<u>38</u>	<u>35</u>	<u>33</u>	<u>28</u>	<u>7</u>	<u>9</u>	<u>4</u>
Total Responses	<u>30,509</u>	<u>30,384</u>	<u>30,884</u>	<u>32,826</u>	<u>35,086</u>	<u>36,133</u>	<u>38,876</u>	<u>43,508</u>	<u>51,154</u>

(1) Additional inspection personnel were added to the District, which resulted in a greater number and type of inspections being performed.

Tualatin Valley Fire and Rescue

Function	Capital Asset Statistics by Function						
	Last Ten Fiscal Years						
	2008	2009	2010	2011	2012	2013	2014
Public Safety:							
Number of Stations	22	23 ⁽¹⁾	23	23	21 ⁽²⁾	21	21
Equipment: ⁽¹⁾							
Aerial/Truck/Platform	4	5	5	5	3	4	4
Antique Fire Equipment	3	3	3	3	2	3	3
Brush Rig	8	9	9	9	8	9	12 ⁽³⁾
Cars	4	4	3	3	4	4	4
Elevated Waterway							
HazMat	3	3	3	3	5	5	5
Medic Unit							
Mobile Command Unit	1	1	1	1	1	1	1
Pumper/Engine	37	35	30	30	30	30	30 ⁽⁵⁾
Rehab Unit							
Technical Rescue	6	4	6	6	7	7	7
Tiller							
Water Tender	7	7	7	7	6	9	9
						21	22 ⁽⁴⁾
							22
							22

(1) Station 50 placed into service.

(2) Volunteer Stations 358 and 359 no longer staffed or used.

(3) Three additional Cars were placed into service.

(4) Station 70 placed into service.

(5) In 2017, the imminent annexation of District 2 added 2 brush rigs, 4 engines and 4 water tenders.





Independent Auditor's Report on Compliance and Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Oregon State Regulations





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS**

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Board of Directors
Tualatin Valley Fire and Rescue
Tigard, 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, Tigard, Oregon (the District), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS (Continued)**

Page 2

COMPLIANCE (continued)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except for the following:

- The Grants Fund reported a deficit fund balance of \$30,773.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

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

Talbot, Korola & Wanrich, LLC

Lake Oswego, Oregon
October 20, 2017