I. Summary of significant accounting policies

A. Reporting entity

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

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

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

The District is the primary, special purpose government responsible for all fire protection within its service 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. Government-wide and fund financial statements

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

The 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 Funds 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, 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.

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

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

The government-wide financial 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

The governmental fund financial 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 (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. The governmental fund types are maintained using the *modified accrual basis of accounting,* whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for: (1) interfund transactions for services, which are recorded on the accrual basis; (2) interest expense on long-term debt, which is recorded as due; (3) insurance premiums 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* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund, either legally or by Board direction. The principal revenue source is property taxes. Primary expenditures are for public safety. In addition, certain funds budgeted as Special Revenue Funds are reported as part of the General Fund because their primary source of funds are transfers from the General Fund.

- The *Capital Projects Fund*; a capital projects fund type, 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.

Additionally, the District reports the following fund types:

- Non-major governmental funds, including special revenue, debt service and other capital projects funds are reported in the aggregate.

- The *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.

- The *fiduciary funds* account for assets held by the District in a trustee capacity under the terms of formal trust agreements. The District's trust funds are comprised of two pension trust funds; the *Pension Trust Fund*, and the *Volunteer Length of Service Award Plan (LOSAP) Fund*. The *Pension Trust Fund* accounts for the resources for the District's pension plan for employees who retired prior to July 16, 1981, and for the payments to these retirees and beneficiaries thereunder. The principal revenue source is employer contributions. The *Volunteer LOSAP Fund* accounts for the accumulation of resources for the District's Length of Service Award Plan for volunteer firefighters. The principal sources of revenue are employer contributions and earnings on investments.

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

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 Trust, and Volunteer LOSAP Funds, which are budgeted on the accrual basis of accounting. The General Fund and its sub-funds are budgeted as five individual funds. They are combined in the Other Supplementary Information of this report.

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, and 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 defined by directorate levels. The detailed budget document, however, contains more specific detailed information for the above mentioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10 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, and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. The District adopted two budget transfer resolutions during the year ended June 30, 2013. Appropriations lapse at year-end.

E. Assets, liabilities, 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. Short-term investments classified as cash equivalents are carried at amortized cost.

2. Investments

Investments are carried at fair value. Fair value is based on current market prices. Changes in the fair value of investments are recognized as revenue.

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. Accounts are periodically reviewed for collectability. At June 30, 2013, no allowance for doubtful accounts is considered necessary.

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 are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets with an initial cost of more than $5,000 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 and construction in progress 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	4 - 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, as well as issuance costs, are deferred and amortized over the life of the related debt using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial information, bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. 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. Those classifications are:

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.

- 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 the Board.

- Unassigned fund balance is the residual classification of the General Fund. 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 sufficient to meet five months of operating costs in the General Fund.

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 15. Citizens who pay in full by November 15th receive a 3 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 fleet maintenance and occupational health services provided to external agencies and 2) grants and contributions that are restricted to meeting the District's operational or capital requirements of the public safety function.

3. Compensated absences

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. A liability for those amounts is reported in governmental funds only if they have matured as a result of employee retirements or resignations.

Sick Leave

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

G. Retirement plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (OPERS). Contributions to OPERS 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.

The District maintains a closed defined benefit Length of Service Award Plan (LOSAP) for past volunteer firefighters. No further contributions to the defined benefit plan are actuarily required. The District implemented a new defined contribution plan for its current volunteer firefighters during the fiscal year.

II. 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, 2013 was $39,276,100 and the total bank balance was $39,697,144. The District's demand deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Any amounts in excess of FDIC insurance would be secured in accordance with Oregon Revised Statutes 295 under Oregon Public Funds Collateralization Program (PFCP), 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 are 100 percent protected. In general, well capitalized bank depositories are required to pledge collateral valued at least 10 percent of their quarter-end public fund uninsured deposits. Adequately capitalized and undercapitalized depositories are required by ORS 295 to pledge collateral valued at 110 percent of their uninsured public fund deposits.

At June 30, 2013, the District's cash, cash equivalents, and investments are comprised of the following:

Cash on hand	$ 1,163
Cash with county assessors	346,196
Deposits with financial institutions	39,276,100
State of Oregon Local Government Investment Pool	45,404,268
Investments:	
Open-ended mutual funds	592,119
	$ 85,619,846

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

	Governmental Activities	Fiduciary Funds
Cash and cash equivalents:		
Unrestricted	$ 69,821,393	$ 67,009
Restricted	15,139,325	
Investments		592,119
Total cash, cash equivalents, and investments	$ 84,960,718	$ 659,128

The Oregon State Treasury Finance Division administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of or 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.

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, 2013, 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.

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 State of Oregon LGIP. The Pension Trust funds maintain a separate investment policy following fiduciary and trust investment guidelines that allow 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 and other accounts receivable at year end.

C. Capital assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Non-depreciable capital assets				
Land	$ 12,877,726		$ (297,058)	$ 12,580,668
Other capital assets		$ 225,000		225,000
Construction in progress	7,120,032	6,117,762	(582,508)	12,655,286
Total capital assets, not being depreciated	19,997,758	6,342,762	(879,566)	25,460,954
Capital assets, being depreciated:				
Buildings and improvements	53,502,849	25,365	(785,180)	52,743,034
Fire apparatus and other vehicles	26,636,686	1,481,069	(72,769)	28,044,986
Furniture, fixtures, and equipment	8,733,913	411,129	(835,280)	8,309,762
Total capital assets, being depreciated	88,873,448	1,917,563	(1,693,229)	89,097,782
Less accumulated depreciation for:				
Buildings and improvements	(17,020,597)	(1,700,687)	702,399	(18,018,885)
Fire apparatus and other vehicles	(13,532,374)	(1,556,877)	72,769	(15,016,482)
Furniture, fixtures, and equipment	(5,310,838)	(762,501)	830,729	(5,242,610)
Total accumulated depreciation	(35,863,809)	(4,020,065)	1,605,897	(38,277,977)
Total capital assets being depreciated, net	53,009,639	(2,102,502)	(87,332)	50,819,805
Total capital assets, net of depreciation	$ 73,007,397	$ 4,240,260	$ (966,898)	$ 76,280,759

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

D. Interfund receivables, payables, and transfers

Interfund transfers for the year ended June 30, 2013 were as follows:

	Transfer In	Transfer Out
General Fund		$ 500,000
Nonmajor governmental funds	$ 500,000	
	$ 500,000	$ 500,000

The District made transfers from the General Fund to the nonmajor governmental funds in the amount of $500,000 to accumulate resources to fund acquisition and construction costs for new or existing facilities.

For the year ended June 30, 2013, $353,076 was paid into the District's Pension Trust and Volunteer LOSAP Funds (fiduciary funds).

E. Operating leases

The District leases copiers under non-cancelable operating leases. The total cost for these leases amounted to approximately $71,440 for the year ended June 30, 2013. Future payments are due as follows:

Ending June 30,	Amount
2014	$ 68,305
2015	43,357
2016	14,536
	$ 126,198

F. Long-term obligations

1. 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 $20,000,000 issuance of 20-year bonds dated April 11, 2007, with stated interest rates on specific maturities ranging from 4.0 percent to 4.25 percent, the $14,000,000 issuance of 15-year bonds dated March 17, 2009, with stated interest rates ranging from 3.0 percent to 4.375 percent, the $15,000,000 issuance of 20-year bonds dated June 16, 2009, with stated interest rates ranging from 3.0 percent to 4.25 percent and the $23,500,000 issuance of 20-year bonds dated June 2, 2011, with stated interest rates ranging from 2.0 percent to 5.0 percent. All these bond issues were for purposes of funding fire station construction and command center projects, seismic improvements, and to purchase land and fire apparatus. Interest rates vary by respective maturities. The District has no variable rate debt. At June 30, 2013, the District had $5,000,000 of remaining authority to issue bonds.

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

Issue Dates	Original Issues	Principal Outstanding at June 30, 2012	Additions	Reductions	Outstanding at June 30, 2013	Due Within One Year	Interest Rates
General Obligation Bonds:							
April 11, 2007	$ 20,000,000	$ 15,000,000		$ (1,000,000)	$ 14,000,000	$ 1,000,000	4.00 - 4.250%
March 17, 2009	14,000,000	11,520,000		(960,000)	10,560,000	960,000	3.00 - 4.375
June 16, 2009	15,000,000	13,315,000		(580,000)	12,735,000	595,000	3.00 - 4.250
June 2, 2011	23,500,000	22,635,000		(880,000)	21,755,000	895,000	2.00 - 5.000
Total General Obligation Bonds		62,470,000		(3,420,000)	59,050,000	3,450,000	
Unamortized Premium		1,481,633		(82,585)	1,399,048	82,585	
	Total	$ 63,951,633		$ (3,502,585)	$ 60,449,048	$ 3,532,585	

Outstanding issues are callable as follows:

April 11, 2007 - at par plus accrued interest beginning April 1, 2017
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

Future bond maturities are as follows:

Ending June 30,	Principal	Interest	Total
2014	$ 3,450,000	$ 2,315,835	$ 5,765,835
2015	3,485,000	2,211,285	5,696,285
2016	3,525,000	2,105,885	5,630,885
2017	3,565,000	1,990,785	5,555,785
2018	3,615,000	1,862,485	5,477,485
2019-2023	19,065,000	7,145,775	26,210,775
2024-2028	16,460,000	3,164,072	19,624,072
2029-2031	5,885,000	447,789	6,332,789
	$ 59,050,000	$ 21,243,911	$ 80,293,911

2. Compensated absences

Compensated absences activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Governmental activities					
Compensated absences	$ 7,122,957	$ 7,008,670	$ (6,722,504)	$ 7,409,123	$ 5,957,003

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, 2013, 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.

G. Reconciliation of Governmental Fund Statements to Entity-wide Statements of Net Position and Activities

Governmental fund balances differ from net position as presented in the 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 in the Governmental Fund Balance Sheet	$ 77,383,409
Items that are not current financial resources or liabilities, and thus are not reported in the fund statements:	
Prepaid items	1,177,103
Other post-employment benefits	53,557
Capital assets, net	76,280,759
Unearned revenue recognized on full accrual basis	3,638,979
Accrued compensated absences	(7,409,123)
Accrued interest payable on long-term debt	(365,884)
Long-term bonded debt	(60,449,048)
Unamortized bond issuance costs	201,568
Net pension obligation	(607,788)
Net position of internal service funds combined with total governmental activities	638,697
Net position in the Statement of Net Position	$ 90,542,229

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

Net changes in fund balances	$ (2,683,096)
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:	
Net increases in capital assets ($7,293,427) less depreciation for the year ($4,020,065)	3,273,362
Property taxes not meeting the measurable and available criteria	(156,409)
Expenditures in the Statement of Activities that do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds	55,594
Certain revenues recognized as measurable and available in the current year	(23,999)
Net increase in accrued compensated absences	(286,166)
Net increase in other post employment benefits	20,971
Net decrease in net pension obligations	45,957
Payments on long-term debt and related expenses	3,510,427
Amounts considered current financial resources and reported in the funds, but which are not considered in the full accrual Statement of Activities:	
Change in net position of internal service fund combined with total governmental activities	(1,224)
Net change in net position	$ 3,755,417

III. Other information

A. Risk management

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

The District's industrial accident insurance policies allow a three-year retrospective annual premium adjustment until claims experience becomes available. Alternatively, the District may annually elect to close out one or more of the open claim years. Claim years for fiscal 2011, 2012 and 2013 remain open The District's maximum liability for premiums related to these three open claim years is approximately $1.7 million which represents the difference between the maximum possible premium less the premium paid. If the claims experience for any of these open claim years is favorable, the District could receive a refund of a portion of the premiums paid.

B. Related party transactions

The District contracts with Washington County Consolidated Communications Agency (WCCCA), an ORS 190 entity, which is an intergovernmental entity created by agreement of local governments. WCCCA functions as a 911 dispatch agency. The District is a participating member of the agreement. During the year ended June 30, 2013, the District paid $1,555,067 to WCCCA for dispatch fees.

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 in an amount ranging from 4.0 percent to 5.0 percent of base wages. The District made a similar match of 4.0 percent for non-bargaining employees. The District's contribution during fiscal year 2013 was $1,356,538, of which $1,006,073 was made for the bargaining unit employees.

D. Employee retirement systems and pension plans

1. Oregon Public Employees Retirement System (PERS)

Plan Description - The Oregon Public Employees Retirement System (PERS or "the System") provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges, and school districts. For the District and state agencies, community colleges, school districts, and political subdivisions that have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 283A, and Internal Revenue Code 401(a) by the Public Employees Retirement Board. The Board has the authority under state statutes to amend the Plan's benefits and contribution rates. PERS issues financial reports, available to the public, that include financial statements and required supplementary information. The reports can be obtained from the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700, or by calling 503-598-7377.

The Plan offers retirement and disability benefits, post-employment healthcare benefits, annual cost of living increases, and death benefits to Plan members and beneficiaries. Benefits differ depending upon employee entry date. PERS Tier One and Tier Two plans, and the Oregon Public Service Employee's

Retirement Plan (OPSRP) established for public employees hired after August 29, 2003, are established by state statutes to provide benefits for state and local governments and their employees. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature.

Funding Policy - The required employee contribution of six percent is paid by the District as a result of a collective bargaining agreement. The employee's six percent contribution is required to be remitted to the Individual Account Program (IAP) for all eligible employees under the ORS 238A Individual Account Program plan. The District also contributes the remaining amounts necessary to pay benefits when due. The employer rate adopted by the PERS board based on the December 31, 2009 actuarial valuation for the District for fiscal year 2011-12 and 2012-13 was 15.11 percent for Tier One and Tier Two employees. For OPSRP employees, the District remitted contributions based on employee class. The OPSRP contribution rates were 6.67 percent for general service employees and 9.38 percent for police and fire employees.

Annual Pension Cost - The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees. The District's contributions to PERS were approximately $8,243,000 for 2013, $8,015,000 for 2012, and $6,446,000 for 2011, equal to the required contributions each year.

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. Administrative costs are paid with plan assets and consist primarily of professional services.

The Plan is maintained for three retired employees and three 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. Investments consist primarily of investments in the Oregon Local Government Investment Pool and open-end mutual funds.

Actuarial Methods and Assumptions - The total actuarial present value of accumulated plan benefits as of June 30, 2012, the date of the latest actuarial valuation, was $2,803,775. All benefits are vested. Significant actuarial assumptions used in the valuation included (a) rate of return of 2.0 percent (reduced from 3.5 percent in the previous valuation), (b) cost of living increases of 2 percent for the 1976 Plan retirees and 1.0 to 3.5 percent for 1973 Plan retirees, and (c) mortality based upon static table pursuant to IRS Treasury Regulation §1.430(h)(3)-1 for valuation dates occurring in 2012. Because all pension participants are retired, the actuarial valuation of liabilities was performed by discounting expected future cash flows at the assumed rate of interest earned by assets. Unfunded liabilities are amortized over a 9-year open amortization period.

Funded Status - Based on the June 30, 2012 actuarial valuation, the annual pension costs for June 30, 2013, are $265,970. The Net Pension Obligation (NPO) as of June 30, 2013 is estimated at $658,416. Pension benefits for retirees and beneficiaries for future years will be made on a pay-as-you-go basis. As benefits are paid over the remaining lifetime of the current participants, it is expected that the Net Pension Obligation will trend toward zero over the remaining lifetime of the current participants.

The Plan does not issue stand-alone financial reports.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	$ 265,970	118.0%	$ 658,416
2012	259,220	126.0	706,834
2011	341,918	99.0	774,259

Annual Pension Cost and Net Pension Obligation, June 30, 2013:

	Pension Trust Fund
Annual Required Contribution	$ 336,733
Interest on NPO	14,137
Adjustment to Annual Required Contribution	(84,900)
Annual Pension Cost	265,970
Contributions - actuarially projected	(314,388)
Increase (decrease) in Net Pension Obligation	(48,418)
Net Pension Obligation - beginning of year	706,834
Net Pension Obligation - end of year	$ 658,416

Condensed Statement of Net Position, June 30, 2013:

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	$
NET POSITION	
Held in trust for pension benefits	$

Changes in Net Position for the year ended June 30, 2013:

	Pension Trust Fund
ADDITIONS	
Employer contributions	$ 329,069
DEDUCTIONS	
Benefits	329,376
Change in net position	(307)
Total net position, July 1, 2012	307
Total net position, June 30, 2013	$

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 effective January 1, 2012, administered by the Oregon Fire District Directors Association. The District maintains a closed defined benefit plan for 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.

Actuarial Methods and Assumptions - The June 30, 2012 actuarial valuation, the latest available, included rate of return of five percent and mortality based upon a static table for annuitants described in Treasury Regulation §1.430(h)(3)-1 for valuation dates occurring in 2012. Because the 1992 program no longer has active participants, and therefore no normal cost, the Entry age Normal was the sole method used in the current valuation. Assets are actuarially valued at market value. Under this method, the actuarial gains or losses, as they occur, reduce or increase the Unfunded Actuarial Accrued Liability while leaving the Normal Cost unchanged.

The actuarially determined annual required contribution in fiscal year 2013 was $0. The District made a contribution of $24,007 to the defined contribution plan. There is no explicit assumption for future inflation, as benefits are not tied to inflation.

Funded Status and Funding Progress – Based on the June 30, 2012 actuarial valuation, the District's actuarial accrued liability (AAL) at June 30, 2013, for benefits was $534,531 and the actuarial value of assets was $615,701, resulting in an unfunded actuarial accrued asset of $81,170. 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.

The plan does not issue stand-alone financial reports.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2013	$ 2,461	0.0%	$ (50,628)
2012	(26)	N/A	(53,089)
2011	61,426	64.0	548

Annual Pension Cost and Net Pension Obligation, June 30, 2013:

	Volunteer LOSAP Fund
Annual Required Contribution	
Interest on NPO	$ (2,654)
Adjustment for NPO	5,115
Annual Pension Cost	2,461
Contributions	
Decrease in Net Pension Obligation (Asset)	2,461
Net Pension Obligation (Asset) - beginning of year	(53,089)
Net Pension Obligation (Asset) - end of year	$ (50,628)

Condensed Statement of Net Position, June 30, 2013:

	Volunteer LOSAP Fund
ASSETS	
Cash and cash equivalents	$ 67,009
Investments	592,119
Total assets	659,128
NET POSITION	
Held in trust for pension benefits	$ 659,128

Condensed Statement of Changes in Net Position, for the year ended June 30, 2013:

	Volunteer LOSAP Fund
ADDITIONS	
Contributions:	
Employer	$ 24,007
Investment earnings:	
Net increase in the fair value of investments	74,252
Total additions	98,259
DEDUCTIONS	
Benefits	54,751
Total deductions	54,751
Change in net position	43,508
Total net position, July 1, 2012	615,620
Total net position, June 30, 2013	$ 659,128

E. Other post-employment benefits (OPEB)

1. Health Benefit Retiree Program

Plan Description - The District's Health Benefit Retiree Program was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The District accounts for the resources and expenditures associated with funding this single-employer program through the Retiree Medical Insurance Stipend Fund. The District's Health Benefit Retiree Program has two components: the Explicit Benefit Plan and the Self-Pay Health Plan. The Explicit Benefit Plan is comprised of several 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. This plan was closed effective July 1, 2000, to current active employees. 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, based upon past contractual arrangements with the District's bargaining unit, the District currently pays amounts for medical insurance for retirees until they reach 65 years of age. This benefit was determined by the retiring employee's years of service and ranges from $50 to $100 per month. A similar arrangement was extended to the retired non-bargaining employees. Under the Self-Pay Health Plan, the District makes no contributions. As of June 30, 2013, the date of the most recent actuarial valuation, there were 111 active employees and 43 retirees and surviving spouses included in the Health Benefit Retiree Program.

Annual OPEB Cost and Net OPEB Obligation - 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 within 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 obligation at the end of the year:

	Retiree Medical Insurance Stipend Fund
Annual Required Contribution	$ 101,358
Interest on NPO	(978)
Adjustment for NPO	1,663
Annual OPEB Cost	102,043
Expected Contributions	(123,014)
Increase (Decrease) in Net Pension Obligation	(20,971)
Net Pension Obligation (Asset) - beginning of year	(32,586)
Net Pension Obligation (Asset) - end of year	$ (53,557)

The District's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2013 were as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2013	$ 102,043	120.55%	$ (53,557)
2012	149,205	101.05	(32,586)
2011	148,455	124.01	(31,014)

Funded Status and Funding Progress - As of June 30, 2013, the District's actuarial accrued liability (AAL) for benefits was $1,391,312, and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,391,312 on a covered payroll of $9,758,266. 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. Under this method, the District adopted the Level Dollar alternative to apply the EAN method, where the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants in such a way that annual costs are expected to remain level. The actuarial assumptions included a discount rate of three percent and a 35 percent assumption of participants who elect medical coverage at retirement. They also assume medical and vision premiums would increase at 6.5 percent inflation for 2014, grading down to an annual rate of five percent over three years, which is consistent with expectations for long-term health care cost inflation. An open period was used for the medical portion of the plan and a closed period was used to amortize the unfunded liability attributed to the stipend. There is no explicit assumption for future

inflation, as benefits are not tied to inflation. The demographic assumptions, such as mortality rates, disability incidence 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 (OPERS) 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 OPERS. 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 reside with the Oregon Legislature. The plan is closed to new entrants hired on or after August 29, 2003. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OPERS, PO Box 23700, Tigard, OR 97281-37400.

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 up to $60 shall be paid from the RHIA toward the monthly cost of health insurance for eligible PERS members. 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 OPERS, and the District currently contributes .59 percent of annual covered Tier 1 and Tier 2 payroll and .50 percent of OPSRP payroll. The OPERS 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, 2013, 2012, and 2011 were approximately $218,000, $236,000, and $112,000 respectively.

3. Retiree Health Plan for Local 1660 Members

Plan Description – Tualatin Valley Fire & Rescue (TVF&R) contributes to the IAFF Local 1660 Union health Trust, a cost-sharing multiple-employer defined benefit postemployment 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, P.O. 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, retires 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 $1,180 per month for medical coverage and $145 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 on-going 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 specifically for retiree benefits for the plan years ended June 30, 2013, 2012 and 2011 were $4,780, $5,460, and $8,940 respectively, which equaled the required contributions as negotiated for each year.

4. Commitments and contingencies

As of June 30, 2013, the District is committed under various accepted bid agreements and contracts for approximately $2,430,000 for goods, services and construction of facilities.

The District received funding for the majority of costs of nine firefighter positions through a two-year grant which requires the District provide a third year match to fully fund the nine positions a year beyond the two-year grant period which ended May 1, 2013. The District's commitment for these firefighting positions is estimated at approximately $1,200,000 mostly during the 2013-14 year.

5. Subsequent event

On July 23, 2013, the Board voted to authorize the District to enter into a construction contract for the construction of Station 68 in the amount of $3,800,000. The construction of this station is anticipated to be completed by June, 2014.