

# Comprehensive Annual Financial Report

For the fiscal years ended  
June 30, 2017 and 2016



Tualatin Valley Water District



**Tualatin Valley Water District**



Delivering the Best Water 💧 Service 💧 Value

1850 SW 170th Ave., Beaverton, OR 97003 // phone 503-848-3000 // fax 503-649-2733// [tvwd.org](http://tvwd.org)



***TUALATIN VALLEY WATER DISTRICT***  
***Washington County, Oregon***

***Comprehensive Annual Financial Report***  
***For the Fiscal Years Ended June 30, 2017 and 2016***

***Prepared by***  
***Finance Department***

# **TUALATIN VALLEY WATER DISTRICT**

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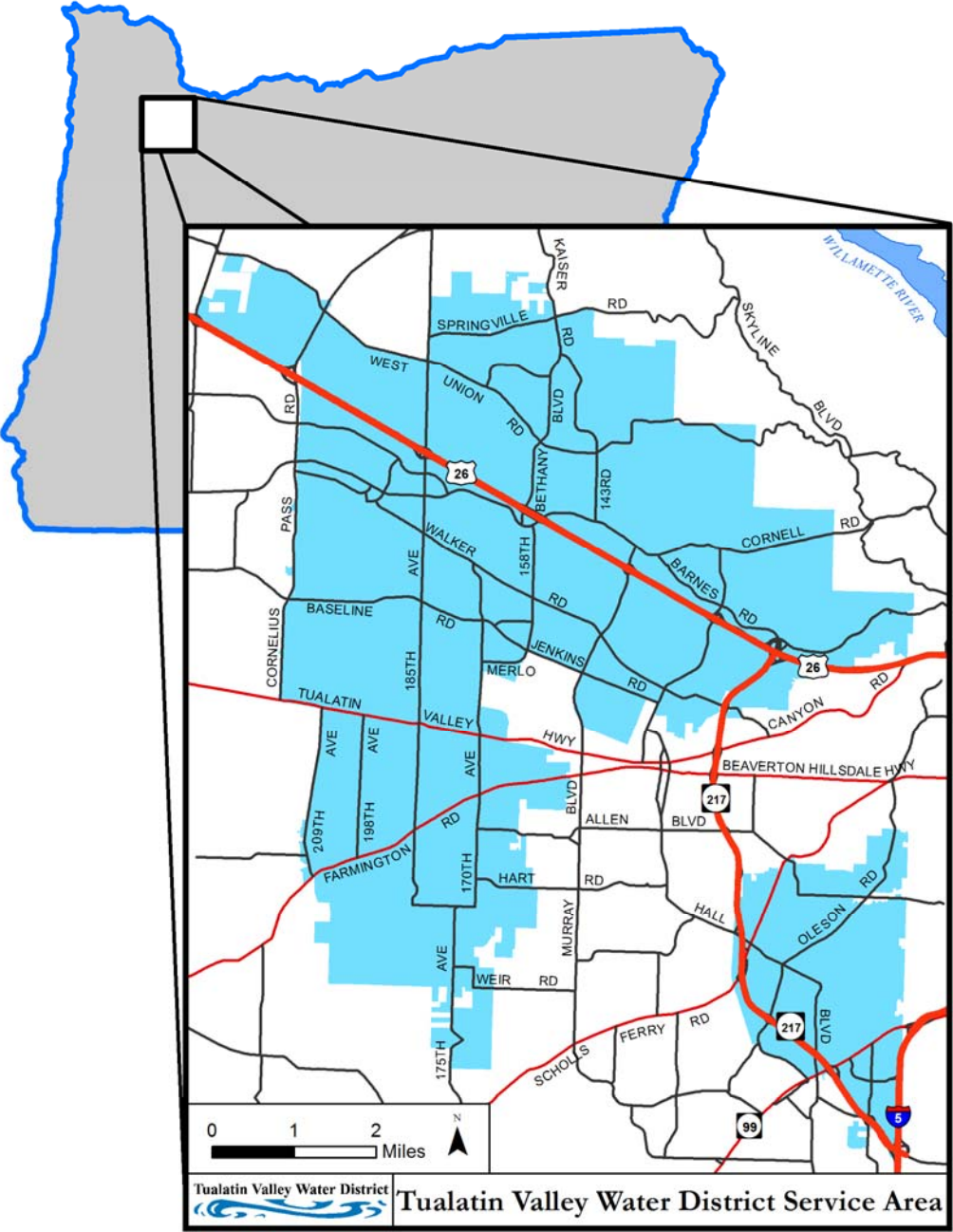
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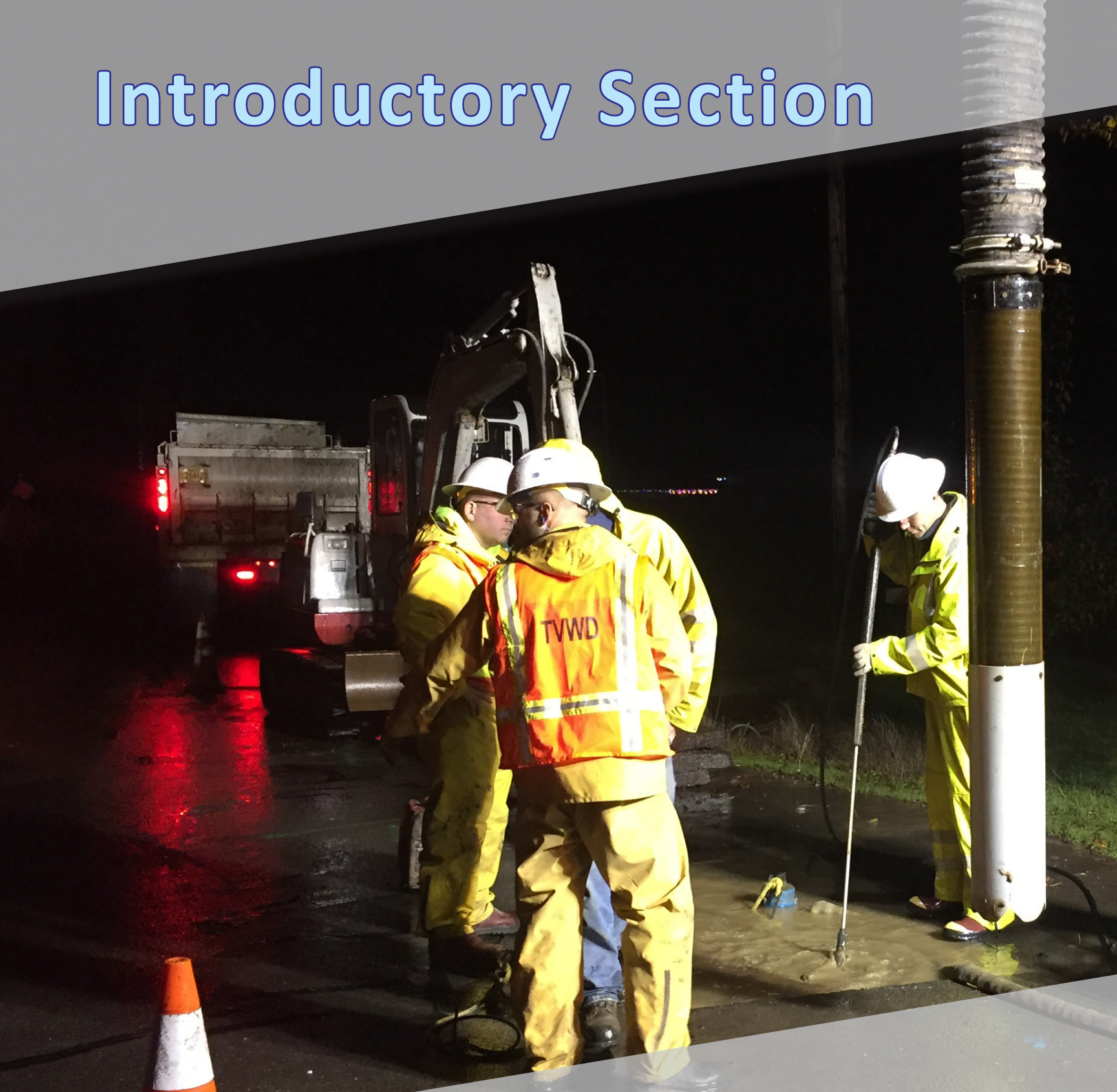
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electronic copy at  
<http://www.tvwd.org/CAFR.pdf>



# Service Area Map of the Tualatin Valley Water District Washington County, Oregon



# Introductory Section



## Mission ♪ Vision ♪ Values

### Our Mission

To provide our community quality water and customer service

### Our Vision

Delivering the Best Water ♪ Service ♪ Value

### Our Values

Reliability ♪ Integrity ♪ Stewardship  
Excellence ♪ Safety

*Pictured: TVWD staff are on call 24 hours a day, 7 days a week to keep water service flowing.*





**TUALATIN VALLEY WATER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2017**

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**COMMISSIONERS AS OF JUNE 30, 2017**

<b><u>NAME, BOARD POSITION</u></b>	<b><u>FOUR YEAR TERMS</u></b>
Dick Schmidt, President	June 30, 2021
James Duggan, Vice President	June 30, 2021
Bernice Bagnall, Treasurer	June 30, 2021
Jim Doane, PE, Secretary	June 30, 2019
Richard Burke, Acting Secretary	June 30, 2019

**REGISTERED AGENT**

Mark Knudson, PE, Chief Executive Officer

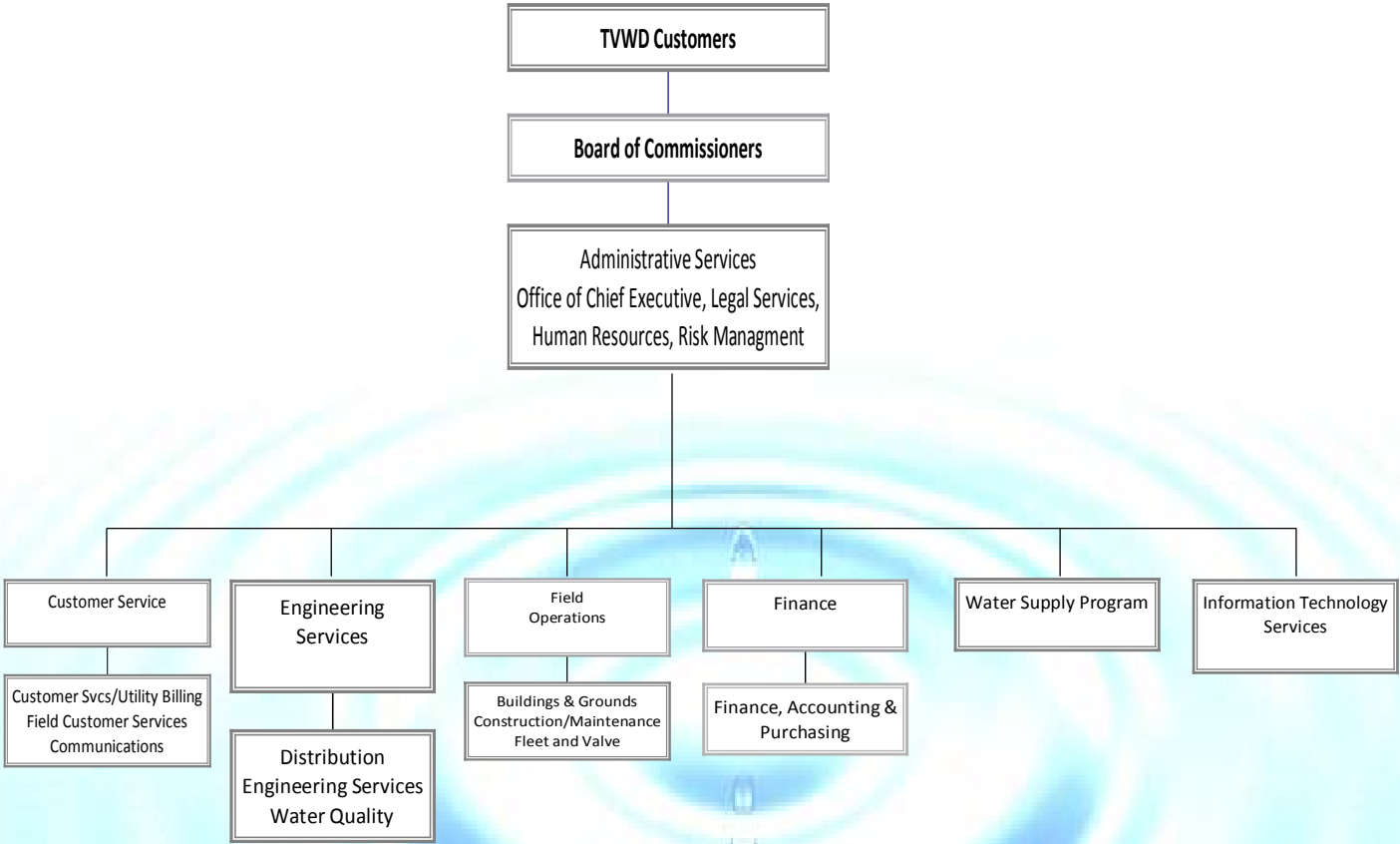
**REGISTERED OFFICE**

1850 SW 170th Avenue  
Beaverton, Oregon 97003

**MANAGERIAL EMPLOYEES**

Mark Knudson, PE, Chief Executive Officer

Clark Balfour, General Counsel  
Paul Matthews, Chief Financial Officer  
Carrie Pak, PE, Chief Engineer  
Andrew Carlstrom, Manager, Customer Service  
Matthew Oglesby, Interim Manager, Operations and Field Services  
David Kraska, PE, Director, Water Supply Program  
Amy Heinlen, Human Resources Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Tualatin Valley Water District  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

## **Tualatin Valley Water District**



Delivering the Best Water  Service  Value

**December 20, 2017**

**To: President Burke and the Board of Commissioners:**

We respectfully submit the Tualatin Valley Water District (the District or TVWD) Comprehensive Annual Financial Report for the fiscal year (FY) ended June 30, 2017. This report was prepared by the District's Finance Department. The District is responsible for the representations contained herein. We believe the data presented to be accurate in all material aspects and that the manner of presentation fairly discloses the financial condition of the District as of June 30, 2017, and the results of operations for FY 2016-17. The District's financial statements have been audited by Moss Adams LLP. The Independent Auditor's Report on the District's financial statements is located in the financial section of this report.

#### **Generally Accepted Accounting Principles in the United States of America (GAAP)**

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report on the financial statements.

#### **Description of the Reporting Entity**

The District changed its name to the Tualatin Valley Water District in 1991, after being formed by the merger of the Wolf Creek Highway Water District and Metzger Water District. Historically, a number of water districts served the area, the oldest of which was founded in 1922. Mergers and consolidations led to the eventual formation of the District. The District is a domestic water supply district operating as authorized by Oregon Revised Statutes (ORS), chapter 264. The District is not a component unit of any other entity as defined by the Governmental Accounting Standards Board.

A five-member Board of Commissioners (Board), elected at-large to overlapping four-year terms, governs the District. The Board sets policy and appoints a Chief Executive Officer (CEO), who is charged with management of the District.

The District is located west of the City of Portland, in suburban Washington County, Oregon. The District serves unincorporated urban areas of Washington County and portions of the cities of Beaverton, Hillsboro, and Tigard. As of June 30, 2017, the District served 62,377 connections and an estimated population of 226,400. Population growth in the District has averaged about 1.3% annually over the past 10 years.

Located in northwestern Oregon, Washington County is one of the counties that comprise the Portland Metropolitan Statistical Area. The early economy of the Washington County area grew as a result of fertile agricultural and timberlands, and its access to the Willamette and Columbia rivers. The area began developing as a suburb of Portland, but has since developed its own economic base, which includes high technology, retail trade, and distribution. Large employers include Intel, Nike, Maxim Integrated Products, Reser's Fine Foods, and Providence Health Systems.

### **Organization and Budget**

As of June 30, 2017 the District is organized into seven departments, including Administrative Services which houses the Chief Executive Officer, General Counsel, and Human Resources. The other departments are Customer Service, Engineering Services, Finance, Information Technology Services, Field Operations, and Water Supply. For the 2015-17 biennium, the District had a total of 133 full-time equivalent positions, an increase of six positions over the 2013-15 biennium. Most of the new positions support the Willamette Water Supply Program (WWSP).

In addition to serving the District's customers, the District provides contracted services to neighboring utilities including utility billing for Clean Water Services; utility billing and meter reading for the City of Beaverton; and management, billing, and maintenance services for Valley View Water District.

The District also provides management and accounting services to the Willamette River Water Coalition (WRWC). WRWC is an entity formed by an intergovernmental agreement of four local government agencies, including the District, which was created to develop and maintain water rights on the Willamette River for regional needs. Financial statements are prepared and reviewed for WRWC as a separate entity. The District reflects its share of the WRWC as investment in joint ventures in the Statements of Net Position.

During FY 2017 the District began to collect and remit right-of-way fees imposed by the cities of Hillsboro, Beaverton, and Tigard for water sales within their corporate boundaries. These fees vary by jurisdiction and range from 3.5% to just over 5% of gross revenues. FY 2017 right-of-way fees were \$337,000. For the 2017-19 biennium, right-of-way fees are budgeted at \$1.6 million and are remitted to the three cities as pass-through revenue.

The District ended FY 2017 in a strong financial position with combined cash reserves and investments of \$99.8 million. This includes resources of \$15.0 million for contingency reserves appropriated in the 2017-19 biennial budget, and \$43.5 million reserved for future appropriation. The District is deliberately retaining a high level of reserves in anticipation of significant investments in the WWSP.

For budgetary information on the 2015-17 biennium please refer to the *Budget Basis Schedules* beginning on page 69.

## District Vision, Mission, & Values

The District's vision, mission, and values are shown below.

<p><b><i>TVWD Vision</i></b> Delivering the Best Water 💧 Service 💧 Value</p> <p><b><i>TVWD Mission</i></b> To Provide Our Community Quality Water and Customer Service</p> <p><b><i>TVWD Values</i></b> Reliability 💧 Integrity 💧 Stewardship 💧 Excellence 💧 Safety</p>
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In 2012 the Board adopted a set of desired results to reinforce its policy objectives and decision-making. TVWD's desired results are analogous to what other organizations may call organizational goals. The District refers to these as desired results to emphasize the District's focus more on the results of actions than the actions themselves. These desired results stem from the District's Vision, Mission and Values and summarize what the District's Board and staff seeks to accomplish through policies and programs.

TUALATIN VALLEY WATER DISTRICT DESIRED RESULTS
1. The water supply meets community needs and expectations.
2. The community is confident in our water, service, and employees.
3. We are good stewards of our financial resources.
4. We are good stewards of natural resources.
5. We are good stewards of our own assets and resources (people & physical assets).

## Strategic Planning and Key Initiatives

A Strategic Core Team consisting of Board members and staff meet prior to the kick-off for each budget process to discuss industry trends, regional issues, District needs, and organizational strengths and challenges. The 16-member Strategic Core Team includes two Commissioners, the Chief Executive Officer, the District's department managers, Human Resources Director, Strategic Planning Coordinator, Risk Management Coordinator, and Communications and Public Affairs Supervisor. This strategic planning process forms the basis for setting the District budget priorities and recommended resource allocations.

In late 2014, the Board adopted the District Initiatives listed on the next page and directed staff to develop the 2015-17 biennial budget prioritizing these efforts. These initiatives are in addition to the development of the long-term water supply on the Willamette River, which the District considers an integral part of its core mission. Additional initiatives were added throughout the biennium in response to changing circumstances.

## BOARD OF COMMISSIONERS DESIRED RESULTS AND KEY INITIATIVES 2015-17

### THE WATER SUPPLY MEETS COMMUNITY NEEDS AND EXPECTATIONS

- 1. Develop & Implement Aging Infrastructure Strategy**
  - Continue to monitor assets & avoid deferral of maintenance.
  - Implement data-driven asset & maintenance management.
  - Confirm appropriate levels of service.

### THE COMMUNITY IS CONFIDENT IN OUR WATER, SERVICE, AND EMPLOYEES

- 2. Review and Revise Board Policies & Provide Policy Training**
  - Review & update Board policies.
  - Develop & implement Board training on policies.
- 3. Develop and Implement Utility Billing Strategy**
  - Develop plan to replace utility billing system.
  - Identify best practices, customer expectations & requirements.
- 4. Address and Communicate Rate-related Issues**
  - Prepare comprehensive rate study & address affordability.
  - Engage customers & community stakeholders.
  - Enhance customer understanding of services & investments.
- 5. Update Communication & Outreach Program**
  - Expand awareness of value of services & preparedness plans.

### WE ARE GOOD STEWARDS OF OUR FINANCIAL RESOURCES

- 6. Review & Revise Employee Benefits Package**
  - Identify & respond to the effects of Affordable Care Act.
- 7. Update Project Management Procedures**
  - Enhance project management standards, tools, cost tracking, and training.
- 8. Implement Key Findings from Information Technology Master Plan**
  - Execute highest priority projects identified in the five-year plan.

### WE ARE GOOD STEWARDS OF NATURAL RESOURCES

- 9. Develop & Implement District Resiliency Policy & Program**
  - Define levels of service in response to extreme events.
  - Strengthen cooperative relationships with other agencies.
  - Promote community and staff preparedness.

### WE ARE GOOD STEWARDS OF OUR OWN ASSETS AND RESOURCES (PEOPLE & PHYSICAL ASSETS)

- 10. Evaluate Organizational Staffing Requirements**
  - Update knowledge, skill & performance requirements.
  - Identify gaps & implement organizational refinements.
- 11. Develop Internal Workforce Training Program**
  - Develop & implement training for evolving workforce.
  - Prepare for future knowledge requirements & leadership.
- 12. Upgrade District-wide Records Management System**
  - Update document retention policies & practices.
  - Evaluate benefits of future electronic records management.



## **Water System, Master Planning, and Future Supply**

### ***Water System***

The District currently has two primary sources of water supply; the City of Portland and the Joint Water Commission (JWC). Together, these two sources provide the District with about 8 billion gallons or 10.7 million CCF (hundred cubic feet) of potable water annually.

The City of Portland water system consists of the Bull Run watershed and Columbia South Shore wellfield. In July 2006, the District entered into a ten-year renewable agreement with the City of Portland that provides for a firm supply of water. The contract was renewed for an additional 10-year term effective July 1, 2016. During FY 2017, the District purchased approximately 70% of its supply from Portland through this agreement.

The Joint Water Commission (JWC) source obtains supplies from the Tualatin and Trask River watersheds with impoundments at Hagg Lake/Scoggins Dam and Barney Reservoir. The JWC is a partnership of the District and the cities of Hillsboro, Forest Grove, and Beaverton. The JWC partnership owns and operates water supply, treatment, and transmission facilities. The District owns 12.5 million gallons per day (MGD) of capacity in the JWC treatment plant and similar capacity in the other JWC assets. The District also owns 35% of Barney Reservoir. During FY 2017, about 30% of the District's water supply came from the JWC.

In addition to these two primary sources, the District has an aquifer storage and recovery (ASR) well at its Grabhorn reservoir site. The Grabhorn ASR facility provides up to 300 million gallons (MG) of treated water storage and can deliver up to 3.0 MGD of water for peak-season supply and emergency use. The District also maintains two back-up wells that provide up to 2.0 MGD for emergency use.

Finally, the District is a member of the Willamette River Water Coalition (WRWC), which has a 130 MGD permitted water right on the Willamette River as a future source. In 2007, the District assigned its water right to the WRWC and the Oregon Water Resources Department issued a Final Order extending WRWC's Willamette River Water Right Permit until October 1, 2047. The District also owns a portion of the Willamette River Water Treatment Plant located in Wilsonville.

The District's transmission and distribution system includes a total of about 787 miles of pipe, with pipelines ranging from 2 to 60 inches in diameter. The District has a total of 24 covered finished water storage reservoirs with a combined storage capacity of 67.46 MG as well as 12 pump stations. All major pump stations and reservoirs are equipped with Supervisory Control and Data Acquisition (SCADA) equipment to monitor and control water system operations. Standby power generation is available for all pump stations by using permanently installed equipment or portable generation units.

In FY 2016 the District completed construction of two trailer-mounted mobile emergency pump stations. This project, delivered in partnership with the City of Tualatin, provides up to 10 MGD of emergency water supply from the Wolf Creek portion of the District's system to the Metzger service area and the City of Tualatin in the event of an extended interruption of supply from the Portland water system.

### ***Master Planning***

The District completed an update to its Water System Master Plan in late 2015. Objectives of the Water System Master Plan included updating the District's population projections and water demand forecasts; evaluating the reliability and seismic resiliency of the water system; documenting and identifying distribution system improvements; and recommending a prioritized capital improvement plan based on the District's level of service goals. The Water System Master Plan also includes an analysis of how the new Willamette water supply will be integrated into the District's water distribution system.

Concurrently, the District completed its Water Management and Conservation Plan (WMCP) as required by the state. Elements of this plan include a description of the District, water rights, supply, conservation, and curtailment plans in the event of supply shortage. The District's WMCP was approved by the Oregon Department of Water Resources in January 2015.

The District's Water System Master Plan is updated approximately every seven to ten years. Between these updates, the District continues to review and revise its projected water system demands and per capita usage. These demand updates are used in long-term supply planning, seasonal demand forecasting, day-to-day operations management, as well as long-term financial planning.

### ***Future Supply – Willamette Water Supply System***

One of the critical priorities for the District is the planning for and construction of facilities for future water supplies to meet projected demands for the next 50 to 100 years. The District is actively working to expand its existing portfolio of water sources with additional supply capacity anticipated to be operational by 2026.

In 2013, the Board of Commissioners selected the Willamette Water Supply System (WWSS) as its preferred future water supply. Key factors driving the Board's decision included the lowest expected overall present value of cost, source reliability, supply redundancy, and finished water quality. The WWSS provides the District the opportunity to construct and own a seismically hardened water supply system that will meet the projected long-term demands of its customers.

To develop the WWSS, the District and the City of Hillsboro formed the Willamette Water Supply Program (WWSP). The District serves as the managing agency for the WWSP. Delivering the WWSS to the partners by 2026 is the sole purpose of the WWSP. The efforts of the WWSP include the necessary planning, design, and construction activities to complete the WWSS.

The City of Hillsboro (Hillsboro) is currently the District's only partner in the WWSP, as Hillsboro also requires an expanded water supply to meet the projected demands of the city's residents and high-tech industries. An intergovernmental agreement between the District and Hillsboro specifies cost shares, with approximately 60% of the expenditures paid by the District and 40% paid by Hillsboro. Partnership cost shares will continue to be refined as WWSS projects, partnership participation, and governance issues are negotiated.

In the future, other partners may join the WWSS. The cities of Beaverton, Tigard, and Tualatin contributed to a preliminary design study to examine the feasibility of their participation in the program. The City of Tualatin has since decided not to join the WWSP partnership.

In addition, the cities of Wilsonville and Sherwood, as current users of the Willamette supply, are participating with the District, Hillsboro, Beaverton, and Tigard in six-party talks, with the goal of establishing long-term agreements for participation in and governance of the WWSS. This current partnership is known as the Willamette Governance Group or WGG.

The WGG is working to establish a Willamette Intake Facility Commission (WIF) to manage the water intake facilities and planned improvements that serve both the current water treatment plant for Wilsonville and Sherwood and the future treatment plant for the WWSS participants. The WGG has targeted completion of a WIF governance agreement early in calendar year 2018. Separate IGAs will be negotiated for other governance needs of the WWSS.

The District continues to refine the scope, schedule, and budget of the WWSP while working on several concurrent program objectives. These objectives include permitting, governance, real estate acquisition, and design and construction of sections of the WWSS transmission pipeline. Some pipeline

projects are being prioritized to be constructed concurrently with planned Washington County road and City of Hillsboro development projects. Installing transmission pipeline segments in coordination with road and other construction has the potential to save millions of dollars in costs, as well as limit impacts to the community and the environment.

FY 2017 highlights include:

1. Submission of a joint application to the U.S. Army Corps of Engineers and Oregon Department of State Lands to seek each agency's approval for temporary and permanent impacts to regulated wetlands and waterways caused by construction of the WWSS. The requested permits will authorize construction within the identified wetlands and waterways and establish avoidance, minimization, and mitigation requirements. The regulatory agencies are reviewing the application and soliciting public comments. Issuance of a permit, with appropriate conditions for environmental protection and mitigation, is anticipated in the first half of 2018.
2. Completed final design and site preparation of a 2.7-mile section of the planned WWSS transmission line along SW 124<sup>th</sup> Avenue and Tonquin Road. This pipeline is being constructed in conjunction with a Washington County road project resulting in significant cost savings. Construction is anticipated to be completed by the end 2018.
3. Completed final design and nearing completion of a 0.5-mile pipeline segment along Kinsman Road in Wilsonville. This project is part of a road project being built by the Oregon Department of Transportation. Construction is anticipated to be completed by the end of 2017.
4. Completed design and began construction of the South Hillsboro Area Pipeline project, a 3.9-mile segment to be built in conjunction with a local road project. The first phase of construction is anticipated to begin in early FY 2018.
5. Ongoing community outreach activities including obtaining over 225 rights-of-entry agreements with property owners along the proposed pipeline route. This access allows WWSP staff to complete wetland, cultural, geotechnical, and other environmental studies on properties that may be needed for construction staging or placement of infrastructure when construction begins.

The WWSP website (<http://www.ourreliablewater.org/>) provides additional information on the WWSS including its history, project maps, current activities to-date, a schedule of upcoming events and other relevant information.

### **Economic and Demographic Trends**

Substantially all of the District's operating revenues are derived from the sale of water to residential, commercial, and industrial customers. Water sales depend in part on: (1) the District's residential population, growth, and water demand; (2) economic conditions that affect production and growth by commercial and industrial customers; (3) weather conditions, which affect the demand for irrigation; and, (4) District water conservation efforts, which are discussed in *Customer Service* on page 17.

Based on the most recent data available, Washington County's population as of July 2017, was estimated to be 590,047 which is about 14% of the population of the state of Oregon. The County's population grew at a rate higher than the growth in population for Oregon state-wide (6.5% compared to 5.4 %) during the five-year period ending July 1, 2016. Washington County's population growth has outpaced growth in the rest of the state for over two decades.

Median household income in Washington County is the highest in Oregon. Based on the most recent US Census data available (2015), the county's median household income is \$66,754 and is almost 30% higher than the state-wide median household income.

Real market value of property in Washington County was \$101.5 billion in FY 2017, an increase of 11.6% from the prior year. Real market value in the County has increased at an annual average rate of 2.8% for the past ten years, and has more than fully recovered from the low point of the financial downturn that began in 2008. The County experienced significant growth in real market value between 2000 and 2006, and has seen a return to stronger growth over the past four years. During the past ten years, real market value has increased 32.0%.

Continuing a strong trend in employment growth over the past several years, the County's unemployment rate decreased from 4.3% in FY 2016 to 3.1% in FY 2017, adding about 6,200 nonfarm jobs during the fiscal year. This is the eighth year in a row of improved employment data. Construction and manufacturing showed the most growth during the past year. Gains were also reported in technical services, trade and transportation, and the education/health sectors of the job market.

In contrast, the state unemployment rate was 3.7% at the end of FY 2017. Therefore, Washington County continues to maintain a stronger employment base as compared to the rest of the state, a trend that has held steady for more than ten years. The District continues to monitor employment trends for implications to operations, customers, and water demand.

Demand for water services provided by the District also continues to show growth in the number of new service connections added each year. As illustrated in Figure 1 below, the total number of water meters serving the District's customers has increased about 1.0% annually over the ten-year period ending June 30, 2017. In FY 2017, the District added 836 new meters for a total of 62,377, an increase of 1.4% over the year ended June 30, 2016.

Approximately 3% of meter connections serve commercial and industrial customers. However, these non-residential customers comprised about 29.5% of the District's retail water usage in FY 2017. Non-residential water use has held steady at between 29% and 31% of total District usage during the past five years.

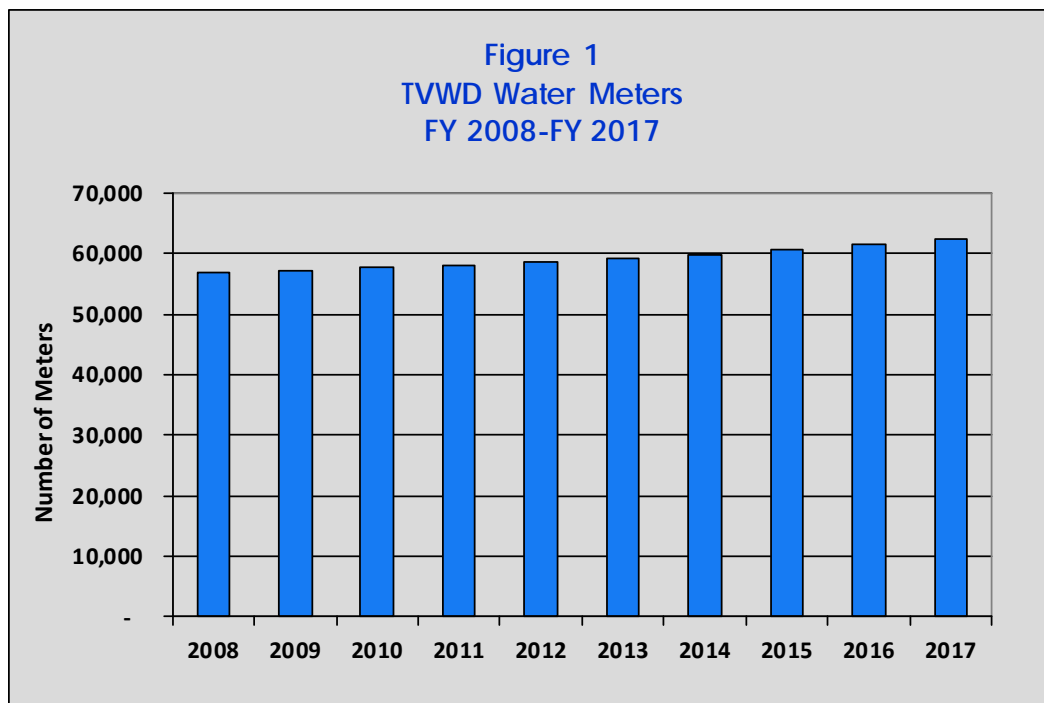
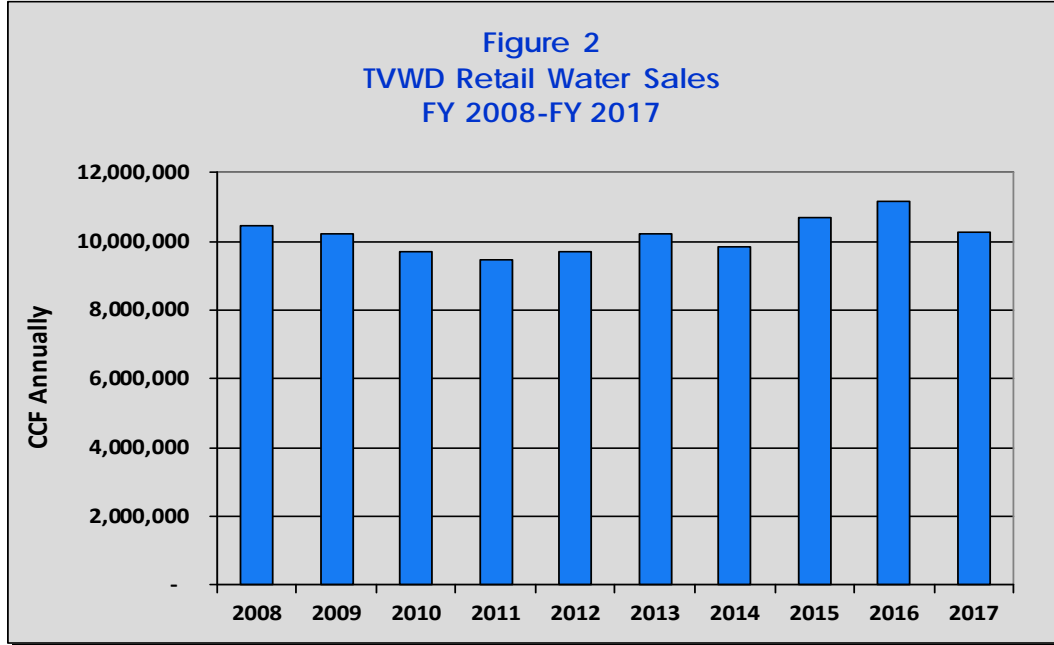


Figure 2 below shows annual retail water sales during the past 10 years. During FY 2017, the District sold 10.3 million CCF of water, a 7.9% decrease from FY 2016. Water demand is affected by weather conditions, conservation, and general business conditions. FY 2017 experienced about a 10% increase in rainfall over the prior year contributing to the decrease in water sales. Over a five-year period, water usage has averaged 10.5 million CCF. District management continues to closely monitor water sales; however, a prior trend of declining total demand appears to have leveled off.



Operating revenues were \$55.5 million in FY 2017 or 5.7% higher than FY 2016. Water sales, which comprise 94.5% of the District operating revenues, increased by \$3.7 million from FY 2016, largely due to annual rate increases for operations and infrastructure investments.

The second largest source of operating revenue is administrative services, which includes contract reimbursements, and other fees such as dispatch charges, fire hydrant permits, backflow device testing, and plan review. This revenue source includes contracted services to Clean Water Services and the City of Beaverton for utility billing and meter reading. The District also provides management, billing, and maintenance services for Valley View Water District and a joint fueling facility with Tualatin Hills Park & Recreation District. Other operating revenue include contract reimbursements from WWSP partners, principally the City of Hillsboro, and right-of-way pass-through fees that were initiated during FY 2017.

A more complete discussion of the District’s financial condition is presented in the Management Discussion and Analysis beginning on page 25.

### FY 2017 in Review

During FY 2017, the District was engaged in a number of ongoing efforts focused on water supply, infrastructure improvements, asset management, services to customers, emergency planning, and financial management. As noted in the *Future Supply* section on page 10, the District’s future direction is highly focused on developing a long-term supply of high-quality and reliable water from the Willamette Water Supply System. The following are brief descriptions of other significant activities that are completed or underway.

1. **Engineering Design and Construction.** The District conducted a number of water system design and construction projects during FY 2017. Additional information can be found on the District's website at <http://www.tvwd.org/resources--projects/ongoing-construction-projects.aspx>. Key projects are summarized below:

a. **Ridgewood View Park Reservoir and Pump Station:** The Ridgewood View Reservoir replaced the District's Hyde Park Reservoir, which had significant structural deficiencies. The project included construction of an 8.0 million-gallon (MG) concrete reservoir, 11 million gallons per day (MGD) pump station and nearly 6,700 feet of welded steel waterline. The reservoir was designed to match the shape of the existing property to maximize storage volume. The reservoir and pump station provide greater reliability and service redundancy for the West Hills area, including Providence St. Vincent Hospital, a critical community facility.

Staff worked closely with the neighborhood and Tualatin Hills Park & Recreation District to mitigate construction impacts and upgrade park facilities. The District is proud to report the project received the Institute for Sustainable Infrastructure's (ISI) Envision™ Gold Award, which is described further in *Sustainability* on page 17.

b. **Grabhorn Reservoir Replacement:** This project involves the demolition of an existing 5.0 MG concrete reservoir that has significant structural deficiencies due to age. The facility will be replaced by a 5.0 MG seismically resilient pre-stressed concrete reservoir within the same general footprint. At the end of FY 2017 project design was well underway, as were efforts to work with affected neighbors to help mitigate construction impacts. Site preparation is anticipated to begin in late 2017 with construction anticipated to be completed in mid-2019.

b. **Lincoln Center Main Replacement:** Completed in FY 2017, this project included the installation of 2,300 ft. of PVC pipeline to replace corroded pipe within a commercial building complex adjacent to Washington Square, which is a major shopping center within the District.

c. **Mains Replacement Program:** In FY 2017, the District replaced over 7,900 feet of water mains. This ongoing program includes a priority replacement schedule based on asset management principles and an objective to minimize service impacts caused by unanticipated leaks and pipeline failures. Most of the work replaces existing water mains that are at risk of failure due to corrosion. Five projects that had costs exceeding \$100,000 were completed in FY 2017, with several other projects currently in design and/or construction.

d. **Joint Water Commission System Improvements:** The District continues to participate in joint projects with the JWC for treatment plant, shared storage, and transmission facilities. Costs are allocated to the JWC partners based on ownership shares, or other agreed upon allocation factors based on the benefit of the capital improvements to each partner.

During FY 2017, key projects included completing emergency standby power improvements, pump reconditioning, and other facility upgrades. In addition, the JWC is planning a 10 MGD plant expansion of which the District will purchase 2 MGD of capacity. This project is currently in the planning and design phases. Construction is anticipated to begin during the 2017-19 biennium with project completion in 2020.

2. **Information Technology (IT).** The District continues its work on planning and implementing integrated solutions for its information technology infrastructure. FY 2017 highlights include:

- a. **Organizational changes:** The information technology department moved from the finance department to its own department with direct reporting to the CEO. This reflects the importance, priority, and commitment the District is making to information technology.
- b. **Information Technology Master Plan:** The District's 2015 Information Technology Master Plan included recommendations in four categories: IT infrastructure, applications, governance, and staffing. Development of the plan was a District-wide effort involving participation of over 60 staff. The plan included a comprehensive cybersecurity assessment of key IT infrastructure such as customer payment systems and SCADA, which monitors the water distribution system.

The overall goal of the IT Master Plan is to build a solid organizational foundation on which to maintain continuity of service, implement appropriate security measures to preserve the integrity of customer and District data, and support the evolving technology needs of the District and the WWSP.

One of the key initiatives for 2015-17 approved by the Board is to execute the highest priority projects identified in the IT Master Plan. During FY 2017, this work included upgrades to the District's IT network and security, use of software development lifecycle tools, and implementation of an enterprise communications strategy.

- c. **Utility Billing System and Payment Processor Modifications:** The District modified its utility billing system to accommodate new right-of-way fees imposed by the cities of Hillsboro, Beaverton, and Tigard. These fees are shown as a separate line-item on customer bills within the affected service areas.

Since 2015 the District has maintained compliance with the Payment Card Industry (PCI) data security standards (DSS), receiving annually a certificate of compliance from Trustwave, an organization that certifies compliance for major payment card brands.

A PCI-compliant payment solution that processed online transactions and telephone payments through an interactive voice response (IVR) system went live in the fall of 2015. This payment system was originally intended to be an interim solution, to be replaced as part of a customer information system (CIS) project which will replace the District's legacy utility billing system. However, District customers and staff found the performance of both the online payment site and IVR unacceptable; both products had significant usability issues which made it difficult for many customers to pay their water and sewer bills without District staff intervention.

District staff determined that the current web and IVR system vendor was unlikely to make product changes that would improve the current system. In July 2017, the District hired a consultant to assess whether other PCI-compliant third-party solutions could better serve both customers and the District's business needs, which included planning for a new CIS. The assessment found that viable options exist, and that the District could replace the current payment system prior to the CIS implementation. During FY 2017 the District initiated the replacement project, selected a new PCI-compliant payment processor and began implementation. The new online and IVR system went "live" in September 2017. Early results of the payment processor solution have been positive.

3. **Communications.** Many of the communications tools used to promote the District – the Kid’s Conservation Calendar, Water Words newsletters, community outreach events, and the District’s website – continue to be well received. Additional communications activities are listed below.

- a. **Youth Education:** Student participation in the District’s educational programs at area schools and science fairs serve as a popular avenue of outreach. During FY 2017, about 6,000 students attended presentations or participated in District educational events.
- b. **Strategic Communications Plan:** In August 2016, the Board adopted the District’s Strategic Communications Plan. This plan outlines the goals and objectives for the District’s communications and outreach program. This program is designed to effectively reach customers, stakeholders, the media, and District staff. The plan calls for enhanced approaches to communications, including a new website, online videos, and social media applications. Communicating the District’s services and the value of water in the face of increasing rates and investments in capital assets and reliability improvements will be especially important in the years ahead and the new Strategic Communications Plan provides a foundation for this work.
- c. **Key Customer Program:** Work continued during FY 2017 to implement the District’s Key Customer Program. Overall, the District aims to build improved communication channels and a better understanding of Key Customer water needs.

The program currently includes 23 of the District’s largest commercial customers. Objectives of the program include targeted customer outreach and expanded communications for planned service interruptions, capital project impacts, and emergency response. Information is also provided on budget, water rates, system development charges, water quality, and emergency planning.

During the biennial budget development process, members of the Key Customer program are provided information on the budget process and meetings held by the District’s Budget Committee and Board. A similar communication process is used for the Board’s consideration of water rate adjustments. Two members of the Key Customer program served on a Rate Advisory Committee, which developed policy recommendations for the Board on water rate affordability and low-income assistance.

#### 4. **Customer Service**

- a. **Water Conservation:** The District offers residential and commercial customers rebates for purchasing and installing high-efficiency indoor and outdoor water fixtures. These cash rebates are primarily for high-efficiency toilets and irrigation control devices. More than 1,300 high-efficiency device installations were subsidized by the District’s rebate programs during FY 2017.

Indoor water-use assessments are offered to assist customers with identifying opportunities to become more efficient through upgrades to fixtures, equipment, or processes.

The District offers landscape irrigation assessments to help customers maximize the efficiency of irrigation by providing education to implement best practices for system management and incentives to upgrade systems with irrigation timers and other high-efficiency equipment. The District’s Customer Organized Proposal Rebate program provides incentives for customers to undertake water-efficiency projects designed to improve specific commercial processes.



b. **Sustainability:** The District's employees use sustainability principles to guide project implementation. It is important to incorporate customer values in all projects to deliver a clean and reliable water supply. A tool that can be used to guide sustainable decision making was created by the Institute for Sustainable Infrastructure, a not-for-profit education and research organization. This tool, named Envision, provides a framework for evaluating and rating the community, environmental, and economic benefits of infrastructure projects of varying sizes. The District used Envision and received a Gold Award for the Ridgewood View Reservoir and Pump Station project, the first Envision Award given in Oregon. The project was recognized for the reuse of materials as backfill, sustainable landscaping and use of native plants, rehabilitation of a joint park facility, and conducting a strong public outreach/communication effort. The District continues to evaluate options for incorporating sustainability practices for in-District and WWSS infrastructure projects.

5. **Public Safety Planning.** Several projects in the District's Capital Improvement Plan address public safety issues, including structural upgrades to reduce the seismic vulnerability of the District's infrastructure, as well as video surveillance and other security upgrades at District facilities. The District also contributes to vulnerability assessment studies and improvements at the JWC facilities.

In 2016 the District updated its Emergency Response Plan, which encompasses training, response guidelines, and Standard Operating Procedures for various hazards, including seismic events, severe storms, and security threats. Staff training for emergency response continued during FY 2017. The District participates in the Oregon Water/Wastewater Agency Response Network (ORWARN), which is engaged in developing a multi-state response to water-related disasters and strengthening the role of water utilities with the State's Office of Emergency Management. Also during FY 2017, staff participated in the update of the Washington County's Natural Hazard Mitigation Plan.

The District's CEO served as co-chair of the team responsible for preparing the water and wastewater lifelines portion of the Oregon Seismic Resilience Plan, which was presented to the Oregon Legislature in 2013. Since that time, the District's CEO has given numerous presentations on the plan to the media as well as to professional and community groups throughout Oregon, describing potential impacts of a magnitude 9.0 Cascadia Subduction Zone Earthquake and providing recommendations to enhance the seismic resiliency of water and wastewater systems. The 2015 Water System Master Plan update identified the water infrastructure needed to serve many of the community's critical facilities. The proposed capital improvements needed to seismically harden this essential backbone of the District's water system was included in the Master Plan's recommended 50-year capital program. The Board adopted the Master Plan in October 2015.

6. **Legislative Affairs.** During the 2017 Oregon legislative session, the District relied on the Special Districts Association of Oregon (SDAO) and Oregon Water Utility Council (OWUC) to help set the legislative priorities and track proposed bills. District staff also provided analysis in areas such as public contracting and public finance, as well as represent the water industry on committees advising legislative proposals. Looking forward, the District actively monitors Oregon regulatory and legislative affairs to identify possible issues to be considered during the next Oregon legislative session, which will convene in February 2018.

Staff also provides input to state regulatory agencies through participation in various advisory committees, boards, and work groups including the Oregon Water Resources Department. The

District's CEO serves on the board of the Oregon Infrastructure Financing Authority, and the District's Chief Financial Officer serves on Oregon's Municipal Debt Advisory Commission.

Federal legislative efforts are tracked through the American Water Works Association (AWWA), Association of Metropolitan Water Agencies (AMWA) and Government Finance Officer Association (GFOA). Staff actively participates in these organizations, providing input on issues of significance to municipal water providers and public finance.

**7. Financial Activity.** In conformance with its financial planning policies, the District maintains and updates its long-term financial plan, develops a biennial budget and six-year capital improvement program (CIP), maintains a financial reporting system, manages debt and investments, conducts cost-of-service studies, and adjusts its schedule of water rates and charges. Highlights of the District's financial activities during FY 2017 include the following:

- a. **Budget:** FY 2017 was the second year of the District's 2015-17 biennium budget and six-year CIP. The 2015-17 biennial budget appropriation totaled \$361 million for all funds including interfund transfers. Water sales revenue was \$14.4 million above budget and SDCs exceeded the budgeted projection by \$6.8 million. District operating and capital expenditures remained well within plan at the end of the biennium.

During FY 2017, the cities of Beaverton, Hillsboro, and Tigard imposed right-of-way fees on the District. The Board adopted supplemental budgets and appropriation transfers for 2015-17 to fund special payments to remit pass-through revenues to the cities. Appropriations in the amount of \$374,000 were approved to fund these special payments. Resources for the special payments appropriation included right-of-way payments from customers and general operating contingency.

In addition, the Board approved \$200,000 in additional appropriation for the WRWC as authorized by the WRWC governing board. No other significant budget adjustments were made during FY 2017.

Also during FY 2017, the 2017-19 Biennial Budget was developed and adopted by the Board. The budget was developed consistent with the District's long-term financial forecast, which incorporates capital, projected borrowing, and operating requirements, economic and water demand assumptions, revenue estimates, and targets for reserves.

The 2017-19 biennial budget appropriation totals \$461 million for all funds including interfund transfers. The two-year budget for operations increased by 2.3% and the capital portion increased by 106% to over \$172 million to reflect the District's commitment to the WWSP. As the managing agency for the WWSP the District appropriates all expenditures within its budget. The City of Hillsboro, which is the District's partner on the project, pays about 40% of WWSP project costs.

More information on the District's 2017-19 Budget can be found on the District's website Budget Information page at <https://www.tvwd.org/about-us/budget-information.aspx>.

- b. **Water Rates and Charges:** Consistent with the District's financial policy to maintain sufficient and predictable water rates, the Board continues to adopt annual adjustments to rates. Water rates increased 14.5% for all classes of service, effective November 1, 2016. This increase was intended to recover the costs of a 10.3% rate increase for purchased water by the City of Portland and supports the District's investments in infrastructure.

The Board has recognized that the substantial financial requirements of the WWSP will have a significant impact on District ratepayers. Staff was directed to review policy options and affordability of water for customers with limited financial means.

During FY 2017, a fifteen-member Rate Advisory Committee (RAC) comprised of a broad range of residential, commercial, and institutional customers, along with representatives from social service agencies and two members of the TVWD Board, met several times during the summer and fall and recommended a number of policy options to assist low-income customers. The RAC also provided policy advice on other water rate issues

This work by the RAC was completed in the fall of 2016 and resulted in a series of recommendations to the Board. The key recommendations included moving to monthly billing for customers, continuing with the District's Customer Emergency Assistance Program with more promotion of the program's availability, and to consider establishing separate rates for low-income customers. Implementation of some of these recommendations will be part of the new Customer Information System (CIS) project.

In addition, the RAC recommended the Board consider multi-year rate increases to align with the District's biennial budget process, changes to how duplex customers are billed for water services, and improvements for cost recovery for bulk water customers who purchase permits to fill water trucks from fire hydrants.

Work on the RAC recommendations will continue into FY 2018. The CIS project is being scoped to include the RAC recommendations on monthly billing and options for alternative rate structures that offer low-income assistance. In addition, the Board directed staff to develop a two-year water rate recommendations and a public outreach process. That work culminated in September 2017 with the Board adopting rates for the next two years.

## Financial Information

### 1. **Controls.**

- a. **Internal Controls:** The District maintains a system of internal accounting controls that is reviewed annually by management. The controls are designed to safeguard District assets and provide accurate recording of transactions. New controls are evaluated to assure that their value exceeds their cost prior to implementation.
- b. **Purchasing Controls:** The District's Local Contract Review Board (LCRB) Rules were amended in 2013 to reflect changes in Oregon's Public Procurement Statute ORS 279. The LCRB rules are amended as needed to maintain compliance with statutory requirements.

The District's Purchasing Agent reviews all check requests, purchase orders, receipts, and invoices for goods and services over \$10,000 to maintain compliance with the District's rules and ORS 279. All District purchases require a second approval by a supervisor, manager or the Chief Executive Officer based on the amount of the purchase. In addition, unless otherwise purchased through a District issued procurement card, all purchases in excess of \$1,000 require a purchase order.

The District's procurement card program allows designated employees to make routine purchases. Accounting staff also use a procurement card for payment of invoices from vendors who accept this form of payment. The procurement cards enhance control and accountability, and have reduced the need for petty cash, check issuance, and purchase orders. A rebate is provided by the procurement card vendor based on level of expenditures and grace period. The District receives the highest rebate available by selecting a 14-day repayment schedule. During FY 2017, the District received a rebate of \$10,100.

- c. **Budgetary Controls:** The District maintains accounting records by fund. The funds are described in the *Notes to the Basic Financial Statements* beginning on page 41. A budget is prepared biennially, by fund, to control the District's operations. During the budget process, a six-year capital improvement program is revised and adopted. The first two years of the six-year capital improvement program are appropriated in the biennial budget.

A comparison of FY 2016 and FY 2017 actual revenues and expenditures for the 2015-17 Biennial Budget by fund can be found in the budgetary basis schedules in the *Financial Section* beginning on page 69.

2. **FY 2017 Financial Operating Results.** A discussion of the FY 2017 operating results and changes in net position is contained in the Management Discussion & Analysis (MD&A) in the Financial Section beginning on page 25.
3. **Financial Goals and Policies.** The District maintains a comprehensive set of goals and policies to guide the Board and management on decisions that involve significant financial outcomes. These policies address long-term financial planning, capital planning, budgeting, rate setting, debt management, and reserves. Overall, the District's financial policies set forth operating principles for the effective management of financial risk, cost containment, and debt issuance. Where applicable in this Transmittal Letter and MD&A, references are made to the financial policies guiding the District's planning activities and operating results.

## Independent Audit

Oregon Revised Statutes require that the accounts and fiscal affairs of municipal corporations be audited at least once each fiscal year by a certified public accountant. Since FY 2009, the District has contracted with the independent auditing firm of Moss Adams LLP to audit the District's accounts and fiscal affairs. In 2014, the District's Board of Commissioners competitively bid and awarded a new audit services agreement with Moss Adams LLP through FY 2016 with an option for a two-year extension, which the District exercised. The independent auditor's opinion is included in the financial section of this report. The opinion attests that the financial statements present fairly, in all material respects, the financial position of Tualatin Valley Water District as of June 30, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Awards

A number of District staff serve as committee members and officers for national and regional professional organizations. These include the AWWA and its Pacific Northwest Section, Association of Metropolitan Water Agencies, American Backflow Association, Oregon Water/Wastewater Agency Response Network, Special Districts Association of Oregon, and Oregon Government Finance Officers Association.

The District was honored to receive the following awards during FY 2017:

1. *Comprehensive Annual Financial Report.* GFOA awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016. This is the 26<sup>th</sup> consecutive year that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government 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. District management believes this FY 2017 Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement program requirements and will again submit it to the GFOA to determine its eligibility for another certificate.
2. *Biennial Budget.* For the seventh consecutive two-year period, GFOA presented the award for *Distinguished Budget Presentation* to the District for its 2015–2017 Biennial Budget. In order to receive this award, a government must publish a budget document that meets program criteria as a policy document, financial plan, operations guide, and communications device. The award is valid for the two-year period covered by the budget.
3. *Industry Leadership.* The District received the 2017 *Outstanding Special District Program Award* from the Special Districts Association of Oregon (SDAO) for its Ridgewood View Park Reservoir and Pump Station Project. This SDAO award recognizes innovative projects and programs, outstanding public information, public involvement in a decision-making process, and outstanding achievement. The District was acknowledged for the project's design, seismic resiliency, neighborhood communications, and collaborative work with the Tualatin Hills Park & Recreation District.

The District also received a 2017 *Excellence in Communication* award from the Pacific Northwest Section of the AWWA for its innovative 12-month "Kids' Calendar", which features drawings from local elementary school children on ways to conserve and use water wisely.

4. *Sustainability*. For the 12<sup>th</sup> consecutive year, the District was included in the *Leadership Club of the Environmental Protection Agency's Green Power Partnership* for its distinction in offsetting 100% of District electricity usage with Renewable Energy Certificate and carbon offset purchases.

### Acknowledgements

We wish to thank the accounting and management staff for their efforts in preparing this report and for their service throughout the year. We also want to thank you, the members of the Board of Commissioners, for your interest and continuing support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully,



Mark Knudson, P.E.  
Chief Executive Officer



Paul L. Matthews  
Chief Financial Officer

# Financial Section



## Board of Commissioners Sets Policies

TVWD is governed by a five-member Board of Commissioners elected to four-year terms by voters within the District. The Board of Commissioners sets the District's policies and procedures. Board meetings are typically held on the third Wednesday of each month and Board work sessions are typically held on the first Tuesday of each month. Visit [www.tvwd.org](http://www.tvwd.org) for meeting dates and times.

*Pictured: TVWD's Board of Commissioners as of June 30, 2017  
Pictured left to right: Dick Schmidt, Bernice Bagnall, Richard Burke, Jim Duggan, Jim Doane*





## Report of Independent Auditors

The Board of Commissioners  
Tualatin Valley Water District  
Washington County, Oregon

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Tualatin Valley Water District (the District) which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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 an opinion on these basic 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 basic 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 opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Tualatin Valley Water District as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years 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 management's discussion and analysis, schedule of the District's proportionate share of the net pension liability and the schedule of pension plan contributions 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 Information***

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

The accompanying Introductory and Statistical sections are also not a required part of the basic financial statements but are supplementary information provided for purposes of additional analysis. We did not audit or perform any other procedures on this information and express no opinion on it.

## **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 8, 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.



Julie Desimone, Partner  
for Moss Adams LLP  
Portland, Oregon  
December 8, 2017

## **TUALATIN VALLEY WATER DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Tualatin Valley Water District for the fiscal years ended June 30, 2017, and 2016. Readers should consider the information presented here in conjunction with the basic financial statements, the accompanying notes to those financial statements, and the additional information contained in Management's letter of transmittal of this report.

#### **Financial Highlights**

- Total assets and deferred outflows of resources of the District at June 30, 2017, were \$406.8 million and include net capital assets of \$235.3 million; investments in joint ventures of \$41.7 million; non-utility property of \$4.4 million; total current assets of \$117.4 million; and total deferred outflows of resources of \$8.0 million. Overall, total assets and deferred outflows of resources for the District increased 9.0% from FY 2016 and 18.9% since FY 2015.
- The District's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) on June 30, 2017, by \$378.5 million. This amount reflects an increase of \$23.7 million or 6.7% from FY 2016 and 15.8% since FY 2015. For the fiscal year ended June 30, 2017, unrestricted net position in the amount of \$148.3 million includes \$99.8 million in cash and investments that may be used to meet the District's ongoing obligations. This represents an 8.4% increase in year-end cash and investments from FY 2016 and 16.2% since FY 2015.
- At June 30, 2017, net capital assets were \$235.3 million, an increase of 14.0% from FY 2016 and 18.4% since FY 2015. Long-term liabilities total \$16.8 million, an increase of 118.2% from FY 2016 and 1192.3% from FY 2015. These fluctuations are primarily related to pension liabilities. In FY 2017 the District recorded a net pension liability of \$15.2 million compared to \$6.3 million in FY 2016 based on the District's proportionate share of the liability for pension obligations; in FY 2015 the District reported a net pension asset of \$2.2 million.
- Operating revenues for FY 2017 were \$55.5 million, an increase of \$3.0 million or 5.7% from FY 2016 and a 21.4% increase since FY 2015. The FY 2017 increase in operating revenues is largely attributable to rate increases implemented by the District. The District's financial policies dictate that it set rates annually to maintain sufficient revenues to support ongoing operations and current and future capital improvements.
- Total operating expenses for FY 2017 were \$37.8 million reflecting an overall decrease of 5.5%, or \$2.2 million over the previous year. Operating expenses have increased 19.6% since FY 2015. The most significant decrease in FY 2017 is \$1.5 million for pension expense compared to \$4.5 million in FY 2016. Water purchases increased by \$0.7 million in FY 2017. Increases in FY 2016 operating expenses were affected primarily due to an increase in pension expense of \$7.4 million compared to pension credits of \$2.9 million in FY 2015, as well as an increase in purchased water costs of \$1.4 million.
- Overall, the District's operating income was \$17.7 million for FY 2017 as compared to \$12.5 million in FY 2016, and \$14.1 million in FY 2015. Operating revenues continue to exceed the cost of operations as required by the District's financial policies. In FY 2017, the District generated an operating margin of 31.9% as compared to 23.8% in FY 2016 and 30.9% in FY 2015. Recent

increases in operating income are intended to smooth future rate increases required to support the Willamette Water Supply Program and other District capital improvements.

- Total nonoperating revenues (expenses) were (\$0.6) million in FY 2017, an increase in net expense of \$0.2 million from FY 2016.
- The District implemented Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* in FY 2016. GASB 72 established accounting and financial reporting standards related to fair value measurements. Implementation of this standard did not have a significant impact on the District's financial reporting.
- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* in FY 2015. GASB 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic, and demographic gains and losses associated with pension plans. GASB 68 also provides guidance related to the calculation of pension expense (income).

As a result of implementing GASB 68, in FY 2015 beginning net position was restated and was reduced by \$5.0 million to account for measurement of the District's beginning pension liability. In subsequent years, operating expenses have fluctuated significantly as a result of reporting the District's proportionate share of pension expense.

At June 30, 2017 the District reported a net pension liability of \$15.2 million, an increase of \$8.9 million from the net pension liability of \$6.3 million reported in FY 2016. The District reported pension expense of \$1.5 million in FY 2017 compared to pension expense of \$4.5 million in FY 2016. In FY 2015 the District reported a net pension asset of \$2.2 million and negative pension expense of \$2.9 million. For more information, refer to the *Pension Plan* section beginning on page 56 in *Notes to Basic Financial Statements*.

- The District reports its net Other Post Employment Benefit (OPEB) obligation as required by GASB Statement No. 45. The District's net OPEB obligation, the cumulative difference between the pay-as-you-go cost and the annual OPEB cost, is \$1.5 million as compared to \$1.4 million in FY 2016 and \$1.2 million in FY 2015. For more information, refer to *Post Employment Benefits Other Than Pensions* on page 64 in the *Notes to Basic Financial Statements*.
- The District owns several properties that contain water storage reservoirs, pump stations, administrative facilities, and other properties earmarked for future years. Each of these sites is maintained by District staff. No sites owned by the District have been declared as a site needing pollution remediation.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Tualatin Valley Water District's basic financial statements. The District is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District's basic financial statements are comprised of four components; 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows and 4) Notes to Basic Financial Statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The Statements of Net Position present the current and long-term portions of assets and liabilities separately. The change in net position may provide a useful indicator of whether the financial position of the District is improving or deteriorating over time. These statements include all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and obligations to the District's creditors (liabilities). They also provide the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statements of Revenues, Expenses and Changes in Net Position present information showing profitability and credit worthiness as well as how the District's net position changed during the most recent fiscal years. These statements show income and expenses from operations, nonoperating revenues and expenses, and reconcile the change from one fiscal year to the next. These statements measure the success of the District's operations over the past two years and can be used to determine whether the District has successfully recovered its costs through user fees and other charges.

The Statements of Cash Flows are prepared using the direct method and are concerned solely with input and outlay of cash from operating activities, capital and related financing activities and investing activities. These statements also include reconciliations to the Statements of Revenues, Expenses and Changes in Net Position. The primary purpose of these statements is to provide information about the District's cash receipts and cash payments during the reporting periods. They demonstrate where cash came from, what cash was used for, and the change in cash balance during the reporting periods.

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Financial Analysis

### *Net Position*

As noted above, net position may serve over time as a useful indicator of the District's financial condition. As shown in Table 1 on page 28, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$378.5 million on June 30, 2017, and reflects an increase of \$23.7 million or 6.7% over the District's net position at the close of FY 2016 and \$51.8 million or 15.8% since FY 2015.

Net investment in capital assets is by far the largest portion of the District's net position (\$230.2 million or 60.8% of total net position), and includes the District's investment in land, buildings, equipment, reservoirs, and pipelines. The District uses these capital assets to provide water service to customers; consequently, these assets are not available for future spending.

Investment in joint ventures consist of capital improvements the District has participated in funding at the Joint Water Commission (JWC), the Barney Reservoir Joint Ownership Commission (BRJOC), and the Willamette River Water Coalition (WRWC). Losses at JWC and BRJOC consist of depreciation of the plant assets allocated to the partners. The Barney Reservoir is governed by the BRJOC. The JWC and the BRJOC are comprised of the same members, with the addition of Clean Water Services to the BRJOC. The District pays for the cost of potable water from the JWC based on a percentage of the District's rolling 12-months use as a percentage of total water provided to the JWC partners. This percentage drives the allocation of the monthly expenditures of the JWC to the partner agencies.

**Table 1**  
**Net Position (in millions)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Difference 2017-2016</b>	<b>Difference 2017-2015</b>
Current assets	\$ 117.4	\$ 104.7	\$ 95.4	\$ 12.7	\$ 22.0
Net pension asset	-	-	2.2	-	(2.2)
Investments in joint ventures	41.7	41.3	41.1	0.4	0.6
Non-utility property	4.4	4.4	4.0	-	0.4
Capital assets	<u>235.3</u>	<u>221.3</u>	<u>198.7</u>	<u>14.0</u>	<u>36.6</u>
Total Assets	<u>398.8</u>	<u>371.7</u>	<u>341.4</u>	<u>27.1</u>	<u>57.4</u>
Deferred outflows of resources	<u>8.0</u>	<u>1.5</u>	<u>0.8</u>	<u>6.5</u>	<u>7.2</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 406.8</u>	<u>\$ 373.2</u>	<u>\$ 342.2</u>	<u>\$ 33.6</u>	<u>\$ 64.6</u>
Long-term liabilities	\$ 16.8	\$ 7.7	\$ 1.3	\$ 9.1	\$ 15.5
Current liabilities	<u>10.7</u>	<u>9.0</u>	<u>9.8</u>	<u>1.7</u>	<u>0.9</u>
Total Liabilities	<u>27.5</u>	<u>16.7</u>	<u>11.1</u>	<u>10.8</u>	<u>16.4</u>
Deferred inflows of resources	0.8	1.7	4.4	(0.9)	(3.6)
Net investment in capital assets	230.2	217.0	198.7	13.2	31.5
Unrestricted	<u>148.3</u>	<u>137.8</u>	<u>128.0</u>	<u>10.5</u>	<u>20.3</u>
Net Position	<u>\$ 378.5</u>	<u>\$ 354.8</u>	<u>\$ 326.7</u>	<u>\$ 23.7</u>	<u>\$ 51.8</u>

As previously noted, net investment in capital assets represents the largest portion of the District's net position at \$230.2 million. The remaining balance of the District's net position of \$148.3 million is unrestricted and includes \$99.8 million in cash and investments that may be used to meet the District's ongoing obligations to ratepayers and creditors.

### *Change in Net Position*

As shown in Table 2 on the next page, the District's operating, nonoperating, and capital contributions increased total net position by \$23.7 million, an increase of 6.7% from FY 2016 and 15.8% or \$51.8 million since FY 2015. Net position for the District has continued to increase steadily.

The District's increase in net position is due to the combined changes of the following major components:

- The District generated \$55.5 million in operating revenues, an increase from FY 2016 of \$3.0 million or 5.7%, and \$9.8 million or 21.4% increase since FY 2015. The District, in compliance with its financial planning policies, continues to maintain revenue sufficiency by adjusting rates annually. Rate increases are based on cost-of-service principles and an assessment of the revenue required to fund current and future operations and capital improvements.
- Operating expenses, net of capitalized overhead and equipment usage, decreased by 5.5% from \$40 million in FY 2016 to \$37.8 million in FY 2017. Overall, operating expenses have increased 19.6% since FY 2015, primarily resulting from increases in purchased water and labor and benefit expenses due to the implementation of GASB 68. Operations and maintenance expenses decreased by \$0.9 million in FY 2017 and \$1.1 million in FY 2016 or 22% since 2015, primarily from cost savings in general and administrative expenses.
- The District generated operating income of \$17.7 million in FY 2017, which produced an operating margin of 31.9% as compared to 23.8% in FY 2016 and 30.9% in FY 2015. Operating revenues continue to exceed operating expenses as required by District financial policies, and the District remains in a healthy financial condition.
- Total nonoperating revenues (expenses) were (\$0.6) million in FY 2017 as compared to (\$0.4) million in FY 2016 and (\$0.8) million in FY 2015. A significant component of this decrease is a result of capital activities in FY 2017 and of redeeming all debt in FY 2015; consequently, interest payments reduced by \$0.3 million in FY 2016.
- Contributions of capital for FY 2016 were \$6.6 million as compared to \$16.0 million in FY 2016 and \$9.4 million in FY 2015. Capital contributions vary year-to-year based on the level of development activity.
- The cumulative adjustment for the change in accounting principle in FY 2015 is a reduction of beginning net position due to the implementation of GASB 68.

**TABLE 2**  
**Change in Net Position (in millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Difference 2017-2016</u>	<u>Difference 2017-2015</u>
<b>OPERATING REVENUES</b>					
Water and other services	\$ 55.5	\$ 52.5	\$ 45.7	\$ 3.0	\$ 9.80
<b>OPERATING EXPENSES</b>					
Water purchased	9.7	9.1	7.7	0.7	2.0
Labor and benefits	17.5	19.9	11.7	(2.3)	5.8
Operations and maintenance	7.1	8.0	9.1	(1.0)	(2.0)
Depreciation expense	6.9	6.1	5.9	0.8	1.0
Less: labor, overhead, and equipment capitalized	(3.4)	(3.1)	(2.8)	(0.4)	(0.6)
<i>Total Operating Expense</i>	<u>37.8</u>	<u>40.0</u>	<u>31.6</u>	<u>(2.2)</u>	<u>6.2</u>
<b>OPERATING INCOME</b>	17.7	12.5	14.1	5.2	3.6
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Discontinued capital projects	-	(0.4)	(0.4)	0.4	0.4
Loss in equity in joint ventures	(0.7)	(0.8)	(0.7)	0.1	-
Interest income	1.1	0.7	0.6	0.4	0.5
Unrealized gain/(loss) on investments	(0.4)	0.1	0.1	(0.5)	(0.5)
Interest expense	-	-	(0.3)	-	0.3
Disposal of capital assets, net	(0.6)	-	(0.1)	(0.6)	(0.5)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(0.6)</u>	<u>(0.4)</u>	<u>(0.8)</u>	<u>(0.2)</u>	<u>0.2</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>6.6</u>	<u>16.0</u>	<u>9.4</u>	<u>(9.4)</u>	<u>(2.8)</u>
<b>CHANGES IN NET POSITION</b>	23.7	28.1	22.7	(4.4)	1.0
<b>NET POSITION, Beginning of year</b>	354.8	326.7	309.0	28.1	45.8
<i>Adjustment for change in accounting principle</i>	-	-	(5.0)	-	5.0
<b>NET ASSETS, Beginning of Year, as restated</b>	<u>354.8</u>	<u>326.7</u>	<u>304.0</u>	<u>28.1</u>	<u>50.8</u>
<b>NET POSITION, End of year</b>	<u>\$ 378.5</u>	<u>\$ 354.8</u>	<u>\$ 326.7</u>	<u>\$ 23.7</u>	<u>\$ 51.8</u>

Operating Revenues. Water sales, which comprised 94.5% of the District operating revenues in FY 2017, increased by \$3.8 million from FY 2016. Water sales have increased by \$11.4 million or 27.9% since 2015, largely because of rate increases to cover operating costs and infrastructure needs. Other operating revenues were \$3.0 million in FY 2017, a decrease of \$0.8 million from FY 2016 and a decrease of \$1.7 million from FY 2015.

Other operating revenues consist of reimbursements from other agencies for contractual services performed by the District for services such as ongoing utility billing and meter reading services, system operations and management in addition to service fees, permits, and other miscellaneous revenue. The District has also been reimbursed by other agencies for one-time projects, which contribute to fluctuations in revenue. Reimbursements from ongoing contracts have been \$1.5 million in each of the fiscal years 2017, 2016, and 2015. Service fees and permits were \$0.7 million in FY 2017 and FY 2016, an increase of \$0.2 million from FY 2015. In FY 2017 the cities of Hillsboro, Beaverton, and Tigard assessed right-of-way fees based on water revenue from customers who live within their municipal boundaries. Other operating revenue includes \$0.2 million from those customers to fund those fees.



**Table 3**  
**Total Revenues and Total Expenses FY 2017 - 2015 (in millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Difference 2017-2016</u>	<u>Difference 2017-2015</u>
Operating Revenues	\$ 55.5	\$ 52.5	\$ 45.7	\$ 3.0	\$ 9.80
Non-Operating Revenues	1.1	0.7	0.6	0.4	0.50
Contributed Capital	6.6	16.0	9.4	(9.4)	(2.80)
<b>Total Revenues</b>	<u>\$ 63.2</u>	<u>\$ 69.2</u>	<u>\$ 55.7</u>	<u>\$ (6.0)</u>	<u>7.5</u>
Operating Expenses	37.8	40.0	31.6	(2.2)	6.20
Non-Operating Expenses	1.7	1.1	1.4	0.6	0.30
<b>Total Expenses</b>	<u>39.5</u>	<u>41.1</u>	<u>33.0</u>	<u>(1.6)</u>	<u>6.5</u>
<b>Change in Net Position</b>	<u>\$ 23.7</u>	<u>\$ 28.1</u>	<u>\$ 22.7</u>	<u>\$ (4.4)</u>	<u>\$ 1.0</u>

### Capital Asset and Debt Administration

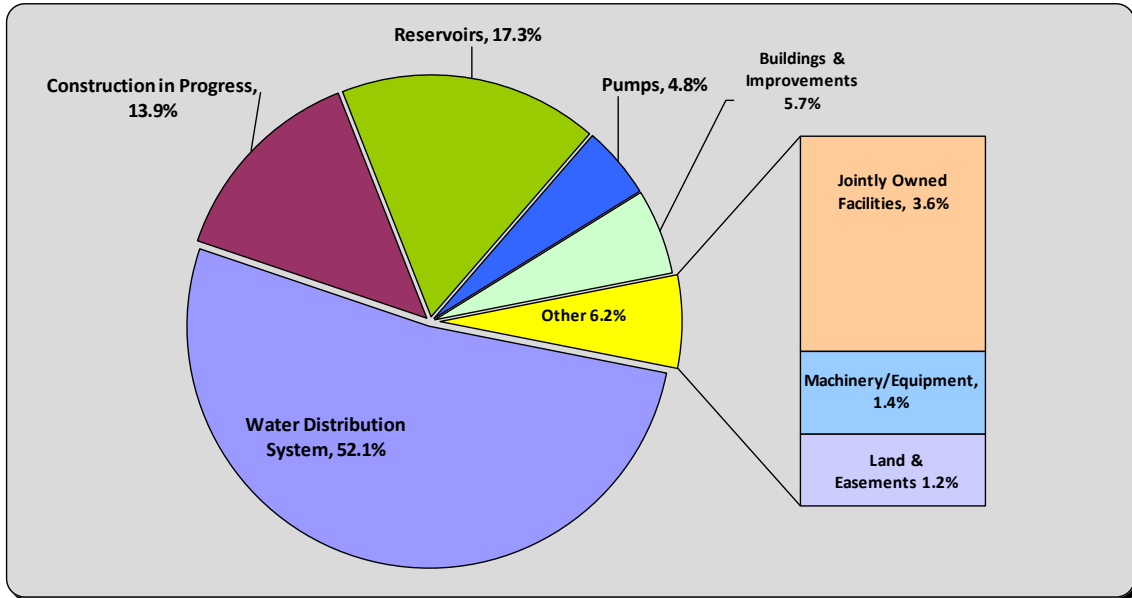
#### *Joint Ventures and Capital Assets Activity*

The District continues to report on investment in joint ventures pertaining to its interests in the JWC, BRJOC, and the WRWC. Losses recorded by the JWC related to the District were \$0.3 million for FY 2017, \$0.5 million for FY 2016, and \$0.4 million for FY 2015. This reflects the ongoing annual depreciation of the JWC treatment, storage, and transmission facilities. The BRJOC recorded losses of \$0.3 million for each of fiscal years 2017, 2016, and 2015. The WRWC recorded losses of \$0.08 million, \$0.08 million, and \$0.01 million in fiscal years 2015, 2016, and 2017 respectively. See page 52 in *Notes to Basic Financial Statements* for additional information on the District's investment in joint ventures.

The District's net investment in capital assets as of June 30, 2017, amounts to \$230.2 million. The District's capital assets include \$35.5 million in non-depreciable land, easements and construction in progress; and \$305.8 million (before depreciation) in buildings, reservoirs, pipelines, pump stations, office, automotive, and construction equipment. Overall, net capital assets increased \$13.2 million or about 6.1% from FY 2016, and \$31.5 million or 15.9% since FY 2015. This net increase indicates the District continues to invest in its infrastructure over and above the depreciation each year. Additional information on the District's capital assets can be found in the *Notes to Basic Financial Statements* on pages 54 and 55.

Figure 3 shows the District's capital asset categories and their percentage portion of the District's total capital asset value in FY 2017.

**Figure 3**  
**Distribution of Utility Plant in Service**  
**FY 2017**



### *Long-Term Debt Activity*

The District had no bonded indebtedness at June 30, 2017, 2016, and 2015.

### **Requests for Information**

The financial report is designed to provide a general overview of Tualatin Valley Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information can be addressed to the Chief Financial Officer, Tualatin Valley Water District, 1850 SW 170<sup>th</sup> Avenue, Beaverton, Oregon 97003.

# Basic Financial Statements



## Safeguarding the Quality of Our Water

TVWD and our partners continually test your water supply for approximately 200 contaminants. Sampling is conducted at various locations at the water sources, the water treatment plants, and within the distribution system.

*Pictured: Water quality samples are tested at a certified laboratory*





**TUALATIN VALLEY WATER DISTRICT**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 40,057,371	\$ 41,833,403
Investments	59,787,040	50,246,270
Accounts receivable, net	15,354,961	11,135,081
Deposits	29,927	45,423
Accrued interest receivable	177,686	122,280
Materials and supplies	1,817,782	1,077,071
Prepaid expenses	179,284	203,236
<i>Total Current Assets</i>	<u>117,404,051</u>	<u>104,662,764</u>
<i>Noncurrent Assets:</i>		
INVESTMENT IN JOINT VENTURES	41,645,885	41,244,282
NON-UTILITY PROPERTY	4,413,857	4,413,857
LAND, EASEMENTS & OTHER NON-DEPRECIABLE ASSETS	35,445,700	51,528,604
UTILITY PLANT IN SERVICE, at cost, less accumulated depreciation	<u>199,851,158</u>	<u>169,795,460</u>
<i>Total Noncurrent Assets</i>	<u>281,356,600</u>	<u>266,982,203</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Pension	<u>8,020,484</u>	<u>1,549,422</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 406,781,135</u>	<u>\$ 373,194,389</u>

*Continued on next page*

The accompanying notes are an integral part of the financial statements.

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ 7,974,409	\$ 7,052,937
Retainage payable	358,413	131,702
Accrued payroll and related expenses	1,158,521	975,852
Accrued compensated absences	915,118	826,364
Deposits from developers	<u>343,305</u>	<u>38,911</u>
<i>Total Current Liabilities</i>	<u>10,749,766</u>	<u>9,025,766</u>
<i>Long-Term liabilities, net of current portion</i>		
Net pension liability	15,179,892	6,290,514
Net other post-employment benefits obligation	1,470,389	1,378,507
Accrued rent	<u>120,309</u>	<u>-</u>
<i>Total Long-Term Liabilities</i>	<u>16,770,590</u>	<u>7,669,021</u>
<i>Total Liabilities</i>	27,520,356	16,694,787
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	<u>776,696</u>	<u>1,740,932</u>
<b>NET POSITION</b>		
Net investment in capital assets	230,170,738	217,006,685
Unrestricted	<u>148,313,345</u>	<u>137,751,985</u>
<i>Total Net Position</i>	<u>378,484,083</u>	<u>354,758,670</u>
<i>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</i>	<u>\$ 406,781,135</u>	<u>\$ 373,194,389</u>

*Continued from previous page*

**Tualatin Valley Water District**



Delivering the Best Water  Service  Value



**TUALATIN VALLEY WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES</b>		
Water service	\$ 52,461,679	\$ 48,728,635
Administrative services	3,027,714	3,764,144
<i>Total Operating Revenues</i>	55,489,393	52,492,779
 <b>OPERATING EXPENSES</b>		
Water purchased	9,693,035	9,051,685
Labor and benefits	17,532,715	19,870,765
Maintenance and repairs	1,557,932	1,336,820
General and administrative	5,194,113	6,348,825
Electricity and other utilities	146,444	134,865
Supplies	196,007	218,756
Depreciation and amortization expense	6,860,994	6,110,033
Less: overhead and equipment usage expenses capitalized to water distribution system	(3,377,130)	(3,064,622)
<i>Total Operating Expenses</i>	37,804,110	40,007,127
<b>OPERATING INCOME</b>	17,685,283	12,485,652
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Discontinued capital projects	(17,527)	(416,646)
Gain (loss) in equity in joint ventures	(656,837)	(831,663)
Interest income	1,080,484	700,524
Unrealized gain (loss) on investments	(440,187)	95,015
Interest expense	-	(2,194)
Disposal of capital assets, net	(556,624)	(4,874)
<i>Total Nonoperating Revenues (Expenses)</i>	(590,691)	(459,838)
 <b>CAPITAL CONTRIBUTIONS</b>	6,630,821	16,055,052
<b>CHANGES IN NET POSITION</b>	23,725,413	28,080,866
<b>NET POSITION, beginning of year</b>	354,758,670	326,677,804
<b>NET POSITION, End of year</b>	\$ 378,484,083	\$ 354,758,670

The accompanying notes are an integral part of the financial statements.

**TUALATIN VALLEY WATER DISTRICT**

*STATEMENTS OF CASH FLOWS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 48,241,800	\$ 45,753,093
Receipts from administrative services	3,027,714	3,764,144
Payments to suppliers for goods and services	(12,858,668)	(14,686,806)
Payments from (to) other entities	319,890	(9,396)
Payments to employees for services	(15,715,330)	(14,908,457)
<i>Net cash provided by (used for) operating activities</i>	23,015,406	19,912,578
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(19,767,050)	(27,496,368)
Proceeds from the sale of assets	286,514	20,288
Capital contributions	4,703,419	13,904,804
Principal paid on bonds	-	-
Interest paid	-	(2,194)
<i>Net cash provided by (used for) capital and related financing activities</i>	(14,777,117)	(13,573,470)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sales and maturities of investments	24,000,000	15,000,000
Purchase of investments	(33,980,959)	(21,099,561)
Interest on investments	1,025,078	774,812
Investment in joint ventures	(1,058,440)	(943,856)
<i>Net cash provided by (used for) investing activities</i>	(10,014,321)	(6,268,605)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,776,032)	70,503
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	41,833,403	41,762,900
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 40,057,371	\$ 41,833,403

*Continued on next page*

The accompanying notes are an integral part of the financial statements.

	<u>2017</u>	<u>2016</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 17,685,283	\$ 12,485,652
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	6,860,994	6,110,033
Pension expense	1,454,080	4,484,157
Changes in operating accounts:		
Accounts receivable	(4,219,879)	(2,975,541)
Inventory of materials and supplies	(740,711)	(69,963)
Prepaid expenses	23,952	(76,706)
Accounts and retainage payable	1,148,183	(422,899)
Accrued payroll liabilities	271,423	324,005
Long-term contracts payable	-	(90,909)
Other postemployment obligations	91,882	154,145
Deposits	319,890	(9,396)
Accrued rent	120,309	-
Net Cash From Operating Activities	<u>\$ 23,015,406</u>	<u>\$ 19,912,578</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Capital assets contributed by customers	\$ 1,927,402	\$ 2,150,248
Net loss in investment in joint ventures	(666,719)	(731,663)
Unrealized gain (loss) due to change of investment portfolio valuation	(440,187)	95,015

Continued from previous page

The accompanying notes are an integral part of the financial statements.

**Tualatin Valley Water District**



Delivering the Best Water  Service  Value

## **TUALATIN VALLEY WATER DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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#### **DESCRIPTION OF THE DISTRICT**

##### ***The District***

Tualatin Valley Water District (the District) is organized for the purpose of furnishing potable water to its residents and local businesses. The Board of Commissioners consists of five members as provided under Oregon Revised Statutes (ORS) 264. In May 1991, the District changed its name to Tualatin Valley Water District after the merger of the Metzger Water District and the Wolf Creek Highway Water District was completed.

The principal sources of working capital are revenues from water service, interest earnings, capital contributions from customers and developers for meters and distribution lines, and revenue from contract reimbursements from partner agencies. Working capital is expended primarily for operations, additions to utility plant in service, and investments in joint ventures.

The District purchases approximately 60-70% of its water supply from the City of Portland. A ten-year agreement with the City of Portland to purchase water was approved by the District Board of Commissioners in April 2006, and signed by the Board President on June 7, 2006. This agreement was amended and renewed during fiscal year 2016 and is renewable in June 2026, and every ten years thereafter, unless notice is provided by either party.

The District is also supplied by the Joint Water Commission (JWC) and the Barney Reservoir Joint Ownership Commission (BRJOC) for the remainder of its water supply. There is a Water Service Agreement among the cities of Hillsboro, Forest Grove, and Beaverton and the District. These parties jointly own, in varying amounts, raw water storage, surface water rights, raw water pump stations, water treatment plants, reservoirs and transmission facilities, for the purpose of supplying potable water to each of the parties. The duration of the agreement is perpetual.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Accounting***

Tualatin Valley Water District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting and accounting principles applicable to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

The statements of the District are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

##### ***Reporting Entity***

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

## **TUALATIN VALLEY WATER DISTRICT**

### *NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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A Board of Commissioners elected directly by the citizens residing in the District governs Tualatin Valley Water District making the entity, by definition, a primary government.

The District has ownership positions in three joint ventures. One is a source of water, the Barney Reservoir Joint Ownership Commission (BRJOC). The second is for treatment and distribution of water, the Joint Water Commission (JWC). The third is the Willamette River Water Coalition (WRWC), to coordinate water rights on the Willamette River. The District reports its share of income or loss on these Joint Ventures using the equity method.

The BRJOC is a joint venture of the District and four other entities consisting of Clean Water Services and the cities of Hillsboro, Beaverton, and Forest Grove. The financial statements may be obtained from City of Hillsboro, Finance Department, 150 East Main Street, Fifth Floor, Hillsboro, Oregon 97123.

The JWC is a joint venture of the District, and the cities of Hillsboro, Beaverton, and Forest Grove. The financial statements may be obtained from City of Hillsboro, Finance Department, 150 East Main Street, Fifth Floor, Hillsboro, Oregon 97123.

The WRWC is a joint venture of the District and the cities of Sherwood, Tigard, and Tualatin. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170<sup>th</sup> Avenue, Beaverton, OR 97003.

#### *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation. Total net position was not affected by these reclassifications.

#### *Operating Revenues, Non-Operating Revenues, Operating Expenses, and Non-Operating Expenses*

The District has defined operating revenues to include all service charges and other applicable charges directly attributable to providing potable water as water service. Management services, construction plan review, dispatch and backflow fees, and other related activities are defined as administrative services.

Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization, but excludes capital-related personnel services which are capitalized.

Non-operating revenues are revenues of the District not directly attributable to the services provided. This includes investment interest, capital contributions, gain (loss) on sale of capital assets, and property taxes.

Non-operating expenses are defined as those expenses that are not directly attributable to the operation of the District, such as the loss in equity on the Joint Venture assets.

#### *Capital Contributions*

Capital contributions consist primarily of meter installation fees, system development charges, contributions by developers for meter and pipe installation, and payments from local agencies for capital improvements undertaken by the District directly benefiting those agencies.

## **TUALATIN VALLEY WATER DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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#### ***Cash and Cash Equivalents and Investments***

The District applies the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires governmental entities to report certain investments at fair value in the Statements of Net Position.

Investments are valued at fair value at June 30. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical instruments in active markets. Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

The District is restricted by State of Oregon statutes in the types of investments that can be made. Statutes authorize the District to invest in obligations of the U.S. Treasury; agencies, and instrumentalities of the U.S.; states of Oregon, Washington, Idaho, and California; various interest-bearing bonds of municipalities; commercial paper rated P-2 and better by Moody's Investors Services or A-2 and better by Standard and Poor's Corporation; bankers' acceptances; and the Oregon State Treasurer's Local Government Investment Pool (LGIP). Certain other investment types, which are not listed here, are also authorized. In the event different ratings are provided on an individual security by Moody's and Standard and Poor's, the lowest rating must meet the District's investment policy requirements.

The District explicitly states the gains and losses as separate disclosures in the Statements of Revenues, Expenses and Changes in Net Position.

#### ***Cash Equivalents/Statements of Cash Flows***

For purposes of the Statements of Cash Flows, cash and cash equivalents include short-term (original maturity of three months or less) highly liquid investments that are readily converted into known amounts of cash or so near maturity they present insignificant risk of changes in value as a result of changes in interest rates.

#### ***Accounts Receivable***

Revenues are recorded when earned. Most billings are rendered on a bi-monthly cycle but some commercial billings are rendered on a monthly cycle. The District accrues estimated revenue for water used by customers, but not yet billed. An allowance for doubtful accounts is reviewed periodically for adequacy using a five-year averaging of write-offs to water sales applied to the expected sales for the coming year.

#### ***Materials and Supplies***

Inventory of materials and supplies is stated at cost using average cost, and is charged against operations as used.

#### ***Non-Utility Property***

Non-utility property consists of land, structures and other property owned by the District but not used in utility service. Non-utility property is stated at cost, which includes labor, materials and direct and indirect costs.

## **TUALATIN VALLEY WATER DISTRICT**

### *NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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#### *Utility Plant in Service*

Utility plant in service is stated at cost. Costs include labor, materials and related indirect costs, such as engineering and transportation. Contributed assets are recorded at acquisition value at the time received. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets as follows:

	<u>Years</u>
Buildings and water distribution system	50
Reservoirs	35-50
Pumps	10-30
Machinery and equipment	3-20

Expenditures for major additions, improvements, and replacements are capitalized for amounts in excess of \$7,500. Normal maintenance and repairs are charged to operations as incurred.

#### *Net Position*

The District's net position consists of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted components of net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and capital-related accounts payable. Restricted net position components consist of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates. The District does not have any such restrictions on net position. Unrestricted components consist of all other net positions not included in the above categories.

#### *Deferred Inflow and Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report 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 then.

#### *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



## **TUALATIN VALLEY WATER DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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#### *Use of Estimates*

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 reporting amounts of certain assets, liabilities, deferred outflows of resources, revenues, and expenses as of, and for the years ended June 30, 2017 and 2016. Actual results may differ from such estimates.

#### *Accrued Compensated Absences*

All permanent full-time and permanent part-time employees are entitled to paid vacations. Vacation leave is computed on the basis of years of service and is accrued bi-weekly. Employees may accrue a maximum of either two years or 240 hours of vacation time. The District's liability for accrued vacation and compensatory time is reported as a current liability in the financial statements, as amounts paid each year for compensated absences tend to approximate the annual accrual.

#### *Adoption of new GASB Pronouncements*

In February 2015, GASB issued *Statement No. 72, Fair Value Measurement and Application*. This statement establishes a framework for measuring fair value and establishes a reporting hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The District adopted the provisions of this statement effective June 30, 2016.

In February 2016, GASB issued *Statement No.82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addressed issues related to the presentation of certain payroll-related measures, the selection of assumptions, and the classification of payments made by employers to satisfy employee contributions. The District adopted the provisions of the statement effective June 30, 2017.

## **BUDGETARY PROCESS AND FUND DESCRIPTIONS**

#### *Budget*

Pursuant to Oregon Local Budget Law, ORS Chapter 294.305 through 294.565, the District manages its operations through fund accounting. A biennial operating budget is adopted on odd-numbered years for all funds. The budget is adopted on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available to finance expenditures of the current period). Expenses are generally recognized when the related liability has been incurred. The exception is interest on general long-term debt, which is recognized when due.

In the budget process, a proposed budget is presented to the Budget Committee at an advertised meeting that is open to the public. The Budget Committee consists of the Board of Commissioners and five citizens appointed by the Board who are electors within the District. Citizen appointments to the Budget Committee are for four-year terms. Once the Budget Committee has approved a budget, a financial summary, together with a notice of public hearing, is prepared and published in a newspaper of general circulation in the District. At the public hearing the Board of Commissioners considers the budget and further public testimony prior to adoption.

The Board adopts the budget by resolution making appropriations by major functional categories for all funds for two fiscal years. Appropriations lapse at the end of the second fiscal year of the biennium on June 30.

## **TUALATIN VALLEY WATER DISTRICT**

### *NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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Major functional categories identify the legal level of budgetary control above which expenditures are not authorized. The major functional categories are personnel services, materials and services, capital outlay, special payments, debt service, inter-fund transfers, and operating contingency. The Board of Commissioners may select a lower level of appropriations than the budget committee in which case the legal level of appropriation is stated in the appropriation resolution. The expenditure budget is adopted by major functional categories in the appropriation resolution. Administrative staff may not amend the adopted budget.

The Board of Commissioners may transfer from one functional category to another by resolution, but it may not increase total appropriations outside of the budget process. In the event of an unforeseen pressing need for expenditures or if unforeseen funds become available during the year, the Board of Commissioners may increase appropriations by adopting a supplemental budget. If the estimated expenditures in the supplemental budget are 10% or less than the related appropriation from the adopted biennial budget, the Board of Commissioners can adopt the supplemental budget at a regular meeting that has been advertised. The advertising must be in a newspaper of general circulation not less than five days prior to the meeting. If the proposed adjustments are more than 10%, the supplemental budget shall be heard in a public hearing and the advertisement must contain a summary of changes proposed.

#### *Funds*

The District uses the following budgetary funds to account for its activities:

##### *General Fund*

This fund is used to account for the financial resources of the District that are not accounted for in other funds. Principal sources of revenue are water sales, service fees, and interest earnings. Primary expenditures are for water purchases, system maintenance, and general administration.

##### *Capital Improvement Fund*

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The primary revenue sources are transfers from other funds, capital contributions, and interest earnings.

##### *Water Supply Program Fund*

This fund is used to account for financial transactions used to develop the Willamette Water Supply System in partnership with the City of Hillsboro. Payments from the City of Hillsboro are classified as contributed capital in the budgetary schedule but are eliminated in the statements of revenues, expenses and changes in net position as they are payments for the City of Hillsboro's ownership share of capital assets and are not part of the District's net position.

##### *Capital Reserve Fund*

This fund is used to hold resources for current and future capital improvements and water supply projects. Principal sources of revenue are system development charges, capital contributions and transfers from other funds.

##### *Customer Emergency Assistance Fund*

This fund is used to account for the resources, administration and customer payments for those customers who qualify for emergency assistance.

## TUALATIN VALLEY WATER DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

#### CASH AND INVESTMENTS

The District maintains substantially all investments in one pool. Earnings are allocated to the funds based on the portion of the pool held on a daily basis. Investments earned an average yield of 1.09% in 2017 and 0.79% in 2016.

	2017	2016
<b>Cash and cash equivalents</b>	\$ 40,057,371	\$ 41,833,403
<b>Investments</b>	59,787,040	50,246,270
<i>Total Cash and Cash Equivalents and Investments</i>	\$ 99,844,411	\$ 92,079,673

	2017	2016
<b>Cash and cash equivalents</b>		
Cash on hand	\$ 1,000	\$ 1,000
Checking and money market accounts	478,584	721,002
Oregon State Treasurer's Short-Term Investment Fund	39,577,787	41,111,401
<i>Total Cash and Cash Equivalents</i>	\$ 40,057,371	\$ 41,833,403

#### Interest Rate Risk Disclosure:

As of June 30, the District held the following investments:

	Ratings: Moody's/S&P	2017 Effective Duration in years	2017	2016
<b>Investments</b>				
US Government securities				
Federal Home Loan Banks	Aaa/AA+	1.62	\$ 8,989,680	\$ 4,003,120
Federal National Mortgage Association	Aaa/AA+	2.04	4,949,500	3,010,350
Federal Home Loan Mortgage Corporation	Aaa/AA+	2.04	4,979,500	3,005,670
Federal Farm Credit Banks	Aaa/AA+	1.98	7,924,060	5,000,100
Corporate Bonds	AA+,AA,AA-,AAA/Aa1,Aa2,Aa	0.85	12,005,490	13,089,940
US Treasury Notes		0.95	20,938,810	22,137,090
<i>Total Investments</i>		0.85	\$ 59,787,040	\$ 50,246,270

The "effective duration in years" calculation assumes that all investments are held until maturity.

The District classifies its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of June 30, 2017:

- US Government Treasury notes are valued using quoted market prices (Level 1 inputs).
- US Government securities and corporate bonds are valued using observable inputs (Level 2 inputs).

## **TUALATIN VALLEY WATER DISTRICT**

### *NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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As a means of limiting its exposure to fair value losses from rising interest rates, the District's investment policy has various limitations. The first priority is to invest in maturities that match liquidity needs of the District. At least one month's estimated cash operating requirements will be maintained in the Local Government Investment Pool (LGIP). Thereafter, the District's target is to maintain maturities within the following parameters:

<b><i>Term</i></b>	<b><i>Minimum Allocation</i></b>
	<b><i>% of Total</i></b>
Under 30 days	10%
Under one year	25%
Under five years	100%

Further, the District shall target the weighted average maturity of the total investment pool to one year which includes both cash and core investments. The weighted average maturity of the total funds shall not exceed twenty-four months.

The LGIP is part of the Oregon Short-Term Fund, which is maintained by the Treasurer of the State of Oregon. Participation by local governments is voluntary. The State's investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested, as a prudent investor would, exercising reasonable care, skill, and caution. At June 30, 2017 the fair value of the District's position in the LGIP was equal to 100.57% of the value of the pool shares. Separate financial statements for the LGIP are available from the Oregon State Treasurer. The credit quality of the LGIP is unrated as to credit risk. The weighted composite rating of holdings in the LGIP fund equals the S&P AA rating.

The maximum amount of investments to be placed in the LGIP by an Oregon local government is limited by Oregon Statute to \$47,390,998. This amount increases by the US City Average Consumer Price Index annually on September 1. The limit can be temporarily exceeded for ten consecutive business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

The District's policy, which adheres to State of Oregon law, is to limit its investments to the following: U.S. Treasury and Agency obligations; municipal and corporate debt, which must be rated AA- or Aa3 or better by Standard and Poor's Corporation and Moody's Investors Service; commercial paper, which must be rated A1 or P1 or better by Standard and Poor's Corporation and Moody's Investors Service; the Local Government Investment Pool; and bankers acceptances. In the event different ratings are provided on an individual security by Moody's and Standard and Poor's, the lowest rating must meet the District's investment policy requirements.

#### ***Custodial Credit Risk:***

At June 30, 2017 the book balance of the District's bank deposits (checking accounts) is \$478,584 and the bank balance is \$2,431,414. The difference is due to transactions in process. Of the deposit balance, \$250,000 is insured by Federal Deposit Insurance Corporation (FDIC). As required by Oregon Revised Statutes, deposits in excess of federal depository insurance are held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

**TUALATIN VALLEY WATER DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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**ACCOUNTS RECEIVABLE**

	<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>
Water usage charges receivable	\$ 2,250,777	\$ 1,970,886
Unbilled water usage revenue accrued	7,376,645	6,897,642
Other receivables	6,027,631	2,533,353
	15,655,053	11,401,881
Allowance for doubtful accounts	<u>(300,092)</u>	<u>(266,800)</u>
<i>Total Accounts Receivable, net</i>	<u>\$ 15,354,961</u>	<u>\$ 11,135,081</u>

**ACCOUNTS PAYABLE**

	<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>
Operating-related	3,206,702	2,867,260
Capital-related	4,767,707	4,185,677
	<u>\$ 7,974,409</u>	<u>\$ 7,052,937</u>

## **TUALATIN VALLEY WATER DISTRICT**

### *NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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#### **INVESTMENT IN JOINT VENTURES**

##### *Joint Water Commission*

The Joint Water Commission (JWC) was organized under ORS 190 and established an agreement among the District and the cities of Hillsboro, Beaverton, and Forest Grove. The JWC is governed by three members from each venturer. The purpose of the JWC is to operate raw water intake facilities, a water treatment plant, storage, and transmission facilities.

Operating and maintenance is determined on a unit basis and each joint venturer is charged based on the number of units of water diverted into its separate system. Net income or loss is allocated to the respective joint venturers by the following percentages:

Tualatin Valley Water District	16.67 %
City of Beaverton	25.0
City of Hillsboro	45.0
City of Forest Grove	13.33

##### *Barney Reservoir Joint Ownership Commission*

The Barney Reservoir Joint Ownership Commission (BRJOC) was organized under ORS 190 and established an agreement among the District, Clean Water Services, and the cities of Hillsboro, Forest Grove, and Beaverton. The purpose of the BRJOC is to own and operate the J.W. Barney Reservoir.

All operating expenses, capital asset acquisitions and net income or loss are allocated to the respective joint venturers by the following percentages:

Tualatin Valley Water District	35.0 %
Clean Water Services	10.0
City of Beaverton	21.5
City of Hillsboro	31.0
City of Forest Grove	2.5

**TUALATIN VALLEY WATER DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

*Willamette River Water Coalition*

The Willamette River Water Coalition (the Coalition) was organized under ORS 190 and established an agreement among the District and the cities of Tigard, Tualatin, and Sherwood. The Coalition is governed by a four-member board, with one member appointed by each member jurisdiction. The purpose of the Coalition is to preserve access to the Willamette River as a potential municipal and industrial water source.

Operation and maintenance expense is determined on a unit basis by the Coalition. Each joint venturers' apportioned share of the general administration expenses is determined by the following formula: one half of the administrative costs for the fiscal year is divided evenly among the Coalition's membership, the second half of the total administrative cost of the fiscal year is divided among the Coalition membership according to their percentage share of the total number of water meters served by the members of the Coalition as of January 1 of the preceding fiscal year. The following percentages were in effect at June 30, 2017:

City of Tigard	20.31	%
City of Tualatin	7.25	
City of Sherwood	6.29	
Tualatin Valley Water District	66.15	

The WRWC also funded part of the cost of developing a governance structure for the future Willamette Intake Facility Commission and the future Willamette Water Supply System Commission. Costs for developing the governance structure are allocated to the participating members as follows: one half is divided evenly amongst the participants and the second half is divided according to their proportionate share of water meters served by all members of the governance group. During FY 2017, the City of Tualatin withdrew from the governance group.

The District's investment in joint ventures is summarized as follows:

	<u><i>Joint Water Commission</i></u>	<u><i>Barney Reservoir Joint Venture</i></u>	<u><i>Willamette River Water Coalition</i></u>	<u><i>Total</i></u>
Investment in joint ventures at June 30, 2015	\$ 32,112,203	\$ 8,987,462	\$ 32,424	\$ 41,132,089
Investment	871,481	4,313	68,062	943,856
Income (loss) for the year	<u>(480,311)</u>	<u>(273,841)</u>	<u>(77,511)</u>	<u>(831,663)</u>
Investment in joint ventures at June 30, 2016	32,503,373	8,717,934	22,975	41,244,282
Investment	979,072	16,522	62,846	1,058,440
Income (loss) for the year	<u>(303,010)</u>	<u>(272,263)</u>	<u>(81,564)</u>	<u>(656,837)</u>
Investment in joint ventures at June 30, 2017	<u>\$ 33,179,435</u>	<u>\$ 8,462,193</u>	<u>\$ 4,257</u>	<u>\$ 41,645,885</u>

**TUALATIN VALLEY WATER DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

**UTILITY PLANT IN SERVICE**

The components of Utility Plant in Service for the year ended June 30, 2017 were as follows:

	<i>Balance July 1, 2016</i>	<i>Additions</i>	<i>Transfers</i>	<i>Disposals</i>	<i>Balance June 30, 2017</i>
Capital assets, not being depreciated:					
Land and easements	\$ 3,201,081	\$ -	\$ 395,756	\$ (729,848)	\$ 2,866,989
Construction in progress	48,327,523	19,767,049	(35,498,334)	(17,527)	32,578,711
<i>Total Capital Assets, not being depreciated</i>	51,528,604	19,767,049	(35,102,578)	(747,375)	35,445,700
Capital assets, being depreciated:					
Buildings and improvements	13,645,793	-	6,623,808	-	20,269,601
Investment in joint facilities	12,079,443	-	-	-	12,079,443
Water distribution system	186,217,867	1,927,402	9,115,163	(490,388)	196,770,044
Reservoirs	34,031,547	-	17,622,606	(203,054)	51,451,099
Pumps	15,303,761	-	464,062	(10,060)	15,757,763
Machinery and equipment	8,657,263	-	1,276,939	(437,117)	9,497,085
<i>Total Capital Assets, being depreciated</i>	269,935,674	1,927,402	35,102,578	(1,140,619)	305,825,035
Less accumulated depreciation for:					
Buildings and improvements	(6,122,178)	(704,436)	-	-	(6,826,614)
Investment in joint facilities	(3,333,448)	(253,341)	-	-	(3,586,789)
Water distribution system	(70,878,441)	(3,758,483)	-	401,075	(74,235,849)
Reservoirs	(9,846,244)	(1,033,931)	-	188,538	(10,691,637)
Pumps	(4,008,027)	(390,453)	-	10,060	(4,388,420)
Machinery and equipment	(5,951,876)	(720,350)	-	427,658	(6,244,568)
<i>Total accumulated depreciation</i>	(100,140,214)	(6,860,994)	-	1,027,331	(105,973,877)
<i>Total Capital Assets, being depreciated, net</i>	169,795,460	(4,933,592)	35,102,578	(113,288)	199,851,158
<i>Total Capital Assets, net</i>	\$ 221,324,064	\$14,833,457	\$ -	\$ (860,663)	\$ 235,296,858



**TUALATIN VALLEY WATER DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

The components of Utility Plant in Service for the year ended June 30, 2016, were as follows:

	<i>Balance July 1, 2015</i>	<i>Additions</i>	<i>Transfers</i>	<i>Disposals</i>	<i>Balance June 30, 2016</i>
Capital assets, not being depreciated:					
Land and easements	\$ 3,186,038	\$ -	\$ 15,043	\$ -	\$ 3,201,081
Construction in progress	28,378,308	27,049,336	(6,683,475)	(416,646)	48,327,523
<i>Total Capital Assets,         not being depreciated</i>	31,564,346	27,049,336	(6,668,432)	(416,646)	51,528,604
Capital assets, being depreciated:					
Buildings and improvements	13,664,575	-	-	(18,782)	13,645,793
Investment in joint facilities	12,079,443	-	-	-	12,079,443
Water distribution system	179,343,448	2,150,251	4,806,502	(82,334)	186,217,867
Reservoirs	34,031,547	-	-	-	34,031,547
Pumps	13,688,667	-	1,660,333	(45,239)	15,303,761
Machinery and equipment	8,795,606	-	201,597	(339,940)	8,657,263
<i>Total Capital Assets,         being depreciated</i>	261,603,286	2,150,251	6,668,432	(486,295)	269,935,674
Less accumulated depreciation for:					
Buildings and improvements	(5,675,602)	(465,358)	-	18,782	(6,122,178)
Investment in joint facilities	(3,080,107)	(253,341)	-	-	(3,333,448)
Water distribution system	(67,425,892)	(3,524,156)	-	71,607	(70,878,441)
Reservoirs	(9,107,703)	(738,541)	-	-	(9,846,244)
Pumps	(3,690,780)	(362,486)	-	45,239	(4,008,027)
Machinery and equipment	(5,511,228)	(766,151)	-	325,503	(5,951,876)
<i>Total accumulated depreciation</i>	(94,491,312)	(6,110,033)	-	461,131	(100,140,214)
<i>Total Capital Assets,         being depreciated, net</i>	167,111,974	(3,959,782)	6,668,432	(25,164)	169,795,460
<i>Total Capital Assets, net</i>	\$ 198,676,320	\$23,089,554	\$ -	\$(441,810)	\$ 221,324,064

**TUALATIN VALLEY WATER DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

**LONG-TERM LIABILITIES**

Changes in the District’s long-term liabilities for the year ended June 30, 2017 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Due within</i>
	<i>July 1, 2016</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2017</i>	<i>one year</i>
Net pension liability	\$ 6,290,514	\$ 9,902,180	\$ (1,012,802)	\$ 15,179,892	\$ -
Net other post-employment benefit obligation	1,378,507	160,526	(68,644)	1,470,389	-
Accrued rent	-	246,992	(126,684)	120,308	-
	<u>\$ 7,669,021</u>	<u>\$ 10,309,698</u>	<u>\$ (1,208,130)</u>	<u>\$ 16,770,589</u>	<u>\$ -</u>

Changes in the District’s long-term liabilities for the year ended June 30, 2016 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Due within</i>
	<i>July 1, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2016</i>	<i>one year</i>
Contracts payable	\$ 90,909	\$ -	\$ (90,909)	\$ -	\$ -
Net pension liability	-	7,094,544	(804,030)	6,290,514	-
Net other post-employment benefit obligation	1,224,362	220,637	(66,492)	1,378,507	-
	<u>\$ 1,315,271</u>	<u>\$ 7,315,181</u>	<u>\$ (961,431)</u>	<u>\$ 7,669,021</u>	<u>\$ -</u>

Contracts payable, pension and other post-employment benefit obligations are liquidated by the general fund. Accrued rent is liquidated by the Willamette Water Supply Fund.

**PENSION PLANS**

*Public Employees Retirement System (PERS)*

**Plan Description** – Employees of the District are provided with pensions through Oregon Public Employees Retirement System (OPERS). All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

*Benefits provided under Chapter 238-Tier One / Tier Two:*

1. *Pension Benefits.* The OPERS retirement allowance is payable monthly for life. It may be selected from 13 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 (2.0 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 (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

## TUALATIN VALLEY WATER DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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2. *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:
  - Member was employed by an OPERS employer at the time of death,
  - Member died within 120 days after termination of OPERS-covered employment,
  - Member died as a result of injury sustained while employed in a OPERS-covered job, or
  - Member was on an official leave of absence from an OPERS-covered job at the time of death.
3. *Disability Benefits.* A member with 10 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 OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.
4. *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 adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

#### *Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB):*

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

*General Service:* 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.

A member of the OPSRP pension program becomes 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.

2. *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.
3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. *Benefit Changes After Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

## TUALATIN VALLEY WATER DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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#### Contributions

OPERS 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 OPERS Defined Benefit Plan and the Other Post-Employment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The state of Oregon and certain schools, community colleges, and political subdivisions (including the District) have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were approximately \$1,098,000. The rates in effect for the fiscal year ended June 30, 2017 were: (1) Tier1/Tier 2 –13.13 percent, and (2) OPSRP general service – 7.77 percent.

#### Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017 were set using the projected unit credit actuarial cost method. For the 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), (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 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) 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 16 years.

#### Actuarial Methods and Assumptions:

Valuation Date	December 31, 2014, rolled forward to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Long Term Rate of Return	7.5 percent
Projected Salary Increases	3.5 percent
Cost of Living Adjustments	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. <b>Active members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

## **TUALATIN VALLEY WATER DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 ending on December 31, 2014.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. 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 pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Depletion Date Projection*

GASB Statement No. 68 (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 (fair market value of assets) 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 asset values. 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 judgment.

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

- OPERS 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 assumptions.
- 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 OPERS Board's 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.

## TUALATIN VALLEY WATER DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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#### *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 PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. 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. For more information, see OPERS' audited financial statements at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

#### *Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	<u><b>1% Decrease (6.5%)</b></u>	<u><b>Discount Rate (7.5%)</b></u>	<u><b>1% Increase (8.5%)</b></u>
Proportionate share of the net pension liability	\$24,510,465	\$ 15,179,892	\$7,381,166

#### *Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

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

At June 30, 2017 and 2016, the District reported a liability of \$15,179,892 and \$6,290,514, respectively for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At June 30, 2017 and 2016 the District's proportionate share was 0.10111622 and 0.10956294 percent, respectively.

For the years ended June 30, 2017 and 2016 the District recognized pension expense of \$1,454,080 and \$4,484,157 respectively.

**TUALATIN VALLEY WATER DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

At June 30, 2017 and 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<i>Balance</i>		<i>Balance</i>	
	<i>June 30, 2017</i>		<i>June 30, 2016</i>	
	<i>Deferred</i>	<i>Deferred</i>	<i>Deferred</i>	<i>Deferred</i>
	<i>Outflow of</i>	<i>Inflow of</i>	<i>Outflow of</i>	<i>Inflow of</i>
	<i>Resources</i>	<i>Resources</i>	<i>Resources</i>	<i>Resources</i>
Difference between expected and actual experience	\$ 502,217	\$ -	\$ 339,216	\$ -
Net difference between projected and actual earnings on investments	2,998,910	-	-	1,318,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	183,635	776,696	197,404	422,298
Changes of assumptions	3,237,506	-	-	-
Contributions made subsequent to measurement date	1,098,216	-	1,012,802	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 8,020,484</u>	<u>\$ 776,696</u>	<u>\$ 1,549,422</u>	<u>\$ 1,740,932</u>

\$1,098,216 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ended</i>	
<i>June 30:</i>	
2018	\$ 1,058,762
2019	1,058,762
2020	2,173,990
2021	1,639,577
2022	214,481

*Payable to OPERS*

At June 30, 2017 and 2016 the District's payable to OPERS for defined benefit contributions was approximately \$83,000 and \$123,000, respectively. These amounts represent legally required contributions to the plan for services incurred in that fiscal year.

*Changes in Plan Provisions During the Measurement Period*

There were no changes in plan provisions during the measurement period.

## **TUALATIN VALLEY WATER DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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#### **DEFINED CONTRIBUTION PLANS**

##### ***Individual Account Program***

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and for Tier One/Tier Two members active after January 1, 2004. 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 OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. Employees contributed approximately \$600,000 for the year ended June 30, 2017.

##### ***401(k) Defined Contribution Retirement Plan***

The District has a defined contribution retirement plan (the plan) created in accordance with Internal Revenue Code Section 401(k), which is managed by independent plan administrators. All full-time District employees are eligible to participate in the plan. The District matches contributions up to 3% of gross wages to the plan after six months of employment. Employees may not withdraw funds until age 59 ½, death, or financial hardship. Benefit terms, including contributions, are established and may be amended by the Board of Commissioners.

The plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to plan participants. Accordingly, these plan assets and related liability are not recorded in the District's basic financial statements.

Employees are immediately vested in all contributions to the plan and on earnings on those contributions.

For the years ended June 30, 2017 and 2016 employees contributed approximately \$659,000 and \$584,000, and the District recognized expense of approximately \$283,000 and \$269,000, respectively.

##### ***457 (b) Deferred Compensation Plan***

The District has a Deferred Compensation Plan (the plan) created in accordance with Internal Revenue Code Section 457(b), which is managed by independent plan administrators. All full-time District employees are eligible to participate in the plan. Employees are not required to contribute but may elect to do so. The District does not contribute to the plan. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. Benefit terms, including contribution requirements, are established and may be amended by the Board of Commissioners.

The plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to plan participants. Accordingly, these plan assets and the related liability are not recorded in the District's basic financial statements. Employees are immediately vested in all contributions to the plan. At June 30, 2017 and 2016 the District's liability for pensions related to this plan was \$11,500 and \$6,500 respectively.



# TUALATIN VALLEY WATER DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

### POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

#### District Plan

##### Plan Description

The District is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65. The District's Health Benefit Plan, medical, dental, and vision insurance is available to active and retired employees as well as their qualified dependents as a single employer defined benefit plan. Retirees pay 100% of the premium and coverage may lapse if their premium is unpaid. The number of plan participants on the actuarial valuation is as follows:

Active participants	122
Retired employees	<u>6</u>
Total participants	<u>128</u>

##### Funding Policy

The District collects insurance premiums from retirees each month and then pays health insurance premiums to the insurance company at tiered rates. The required contributions to the plan include the employer's pay-as-you-go amount, amounts paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary.

##### Annual Required Contribution

The District's annual required contribution was approximately \$183,000 and \$241,000 for the fiscal years ended June 30, 2017 and 2016, respectively. The following significant actuarial assumptions were used in the valuation:

Latest Actuarial Valuation Update	June 30, 2017 with results have been projected on a "no loss/no gain" basis.
Discount rate	4.5%
Inflation rate	3.0%
Actuarial Cost Method	Projected Unit Credit with linear proration to decrement
Amortization Method	Level percentage of pay for 30 years based on an open group
Amortization Period	30 years for all periods
Accrued Liability Discount Rate	4.5% per annum, unfunded
Healthcare Cost Trend Rate	9.0% for FY 2016 trending down to 5.0% in 2025

The plan does not issue its own financial statements.

##### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost calculation is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 over an open 30-year period.

**TUALATIN VALLEY WATER DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

The annual OPEB cost and net OPEB obligation at June 30, 2017, 2016, and 2015, were as follows:

	<b><i>June 30,</i></b> <b><i>2017</i></b>	<b><i>June 30,</i></b> <b><i>2016</i></b>	<b><i>June 30,</i></b> <b><i>2015</i></b>
Annual required contribution	\$ 183,121	\$ 240,707	\$ 296,844
Interest on net OPEB obligation	62,033	55,096	46,283
Adjustment to Annual required contribution	<u>(84,628)</u>	<u>(75,166)</u>	<u>(63,142)</u>
Annual OPEB cost	160,526	220,637	279,985
Contributions made	<u>(68,644)</u>	<u>(66,492)</u>	<u>(84,136)</u>
Increase in net OPEB obligation	91,882	154,145	195,849
Net OPEB obligation, beginning of year	<u>1,378,507</u>	<u>1,224,362</u>	<u>1,028,513</u>
Net OPEB obligation, end of year	<u><u>\$ 1,470,389</u></u>	<u><u>\$ 1,378,507</u></u>	<u><u>\$ 1,224,362</u></u>
Percent of Annual OPEB cost contributed	42.8%	30.1%	30.1%

The funded status of the plan at June 30, 2016, 2015, and 2014, was as follows:

	<b><i>June 30,</i></b> <b><i>2016</i></b>	<b><i>June 30,</i></b> <b><i>2015</i></b>	<b><i>June 30,</i></b> <b><i>2014</i></b>
Actuarial accrued liability (AAL)	\$1,451,112	\$1,537,894	\$2,018,955
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>1,451,112</u>	<u>1,537,894</u>	<u>2,018,955</u>
Funded ratio	0.0%	0.0%	0.0%
Covered payroll (active plan members)	10,192,351	9,895,487	8,920,273
UAAL as a percentage of covered payroll	14.2%	15.5%	22.6%

Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

***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 other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. 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 after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

## **TUALATIN VALLEY WATER DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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#### *Funding policy*

Because 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 require 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 Retirement Health Insurance Account 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 OPERS, currently 0.53% of annual covered payroll for tier 1 and tier 2 employees and 0.45% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 and 2016 were approximately \$51,000 and \$47,000, equaling the required contributions each year.

#### **RISK MANAGEMENT**

The District contracts with an insurance broker to negotiate and place insurance coverage on its behalf. The District's liability, property, and workers' compensation insurance is placed with Special District's Insurance Services (SDIS). SDIS is an insurance pool designed specifically for special districts within the state of Oregon. The District's claims have not exceeded coverage in any of the last three years.

## **TUALATIN VALLEY WATER DISTRICT**

### *NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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#### **OPERATING LEASE**

During the year ended June 30, 2016 the District entered into a lease agreement to rent certain premises. The lease is for eleven years and terminates in 2027. The City of Hillsboro reimburses the District for approximately 40% of the rent payments. Rent payments are scheduled to increase by 3% each year. Future minimum payments under this lease are as follows:

	<u><b>Future Rental Payments</b></u>
2018	\$ 173,407
2019	178,609
2020	183,968
2021	189,487
Thereafter	<u>1,185,535</u>
	<u>\$ 1,911,006</u>

#### **COMMITMENTS**

A ten-year renewable agreement with the City of Portland was approved by the Board of Commissioners in April 2006, and signed by the Board President on June 7, 2006. The agreement provides for a firm supply of water and obligates the District to purchase an average of 13.16 million gallons per day (MGD) or pay Portland for water not taken. The agreement was amended in September 2015 to clarify various terms, especially regarding summer water usage. The agreement was renewed effective July 1, 2016.

Water purchase costs are determined annually based on Portland's Bureau of Water Works operating requirements under an enterprise method of accounting, including a return on invested capital and depreciation. The water purchase costs reflect Portland's total cost as allocated to the District and Portland's other customers in proportion to each customer's use of Portland's water system. These costs were \$1.139 and \$1.033 per CCF for the years ended June 30, 2017 and 2016, respectively.

The District also has an agreement with the City of Portland which provides for use of 88.5% of the sixty-inch gravity flow water line from Portland, commonly referred to as the Washington County Supply Line (WCSL). Under the agreement, the District must make specified payments to fund its proportionate share of maintenance costs incurred by the City of Portland on the water main. These maintenance costs are included in operating expenses as water purchase costs. These costs were approximately \$26,000 and \$142,000 for the years ending June 30, 2017 and 2016, respectively. The City of Tualatin has an agreement with the District to purchase 20.34% of the District's obligation from the WCSL. The City of Portland bills the City of Tualatin for the water it uses and the District bills the City of Tualatin for its share of the maintenance costs.

The District has rights to receive up to 12.5 MGD of water through the JWC. The cost of water taken from the JWC is an allocation of JWC's costs over the aggregate volume taken by the JWC members. The District also may lease available capacity of the JWC Treatment Plant and available storage capacity at Hagg Lake from the other JWC parties under the terms of the JWC ownership agreement. For FY 2017 the District leased 2 MGD of treatment capacity but did not lease storage capacity from the JWC.

**TUALATIN VALLEY WATER DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS*

*YEARS ENDED JUNE 30, 2017 AND 2016*

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In 2007, the Oregon Water Resources Department confirmed the District’s assignment of its 1973, 130 MGD Willamette River water right permit, to the WRWC. However, if the District terminates membership in the WRWC, any undeveloped rights will revert to the District.

The District has entered into a contract for the design and building of a reservoir to replace the existing Grabhorn reservoir. Phase 1 of the contract is for \$0.8 million.

The JWC had outstanding construction and service commitments of approximately \$5.4 million at June 30, 2017. The District’s share of those commitments is approximately \$0.9 million.

The District has entered into an agreement with the City of Hillsboro regarding water supply along the 124<sup>th</sup> Avenue pipeline project. The agreement expires when the Willamette Water Supply System is complete and begins potable water delivery, anticipated to be in 2026. The agreement obligates the District to pay its share of construction costs for a temporary connection and for water used in furtherance of this agreement.

The District has entered into several contracts related to the Willamette Water Supply Program (WWSP), as noted below. Approximately 40% of the costs related to these contracts are recoverable from the City of Hillsboro.

<b><i>Contract Services</i></b>	<b><i>Contract Amount</i></b>	<b><i>Contract Remaining</i></b>
Water system Improvements	\$11.4 million	\$9.0 million
Design, bidding phase and services during construction	31.0	26.2
Pipeline construction	7.6	3.1
Permitting Services	2.1	0.8
Program Management Services	6.1	0.7
Design	2.8	0.7
Real Estate Support Services	0.7	0.5
Other services	2.8	0.7
	<u>\$64.5</u>	<u>\$41.7</u>

In July 2015, the District entered into a ten-year contract for program management services for the WWSP. Services for the year ended June 30, 2018 are estimated at approximately \$6.1 million and are included in the table above. Fees for subsequent years are to be determined.

*Other Commitments*

All other contracts are small in nature, less than \$0.5 million each. The aggregate of the other open construction contracts is in total less than \$2.0 million.

**Tualatin Valley Water District**



Delivering the Best Water  Service  Value

# Required Supplementary Information



## Rate Advisory Committee

In 2016, the Board of Commissioners appointed 15 volunteers to serve on a Rate Advisory Committee (RAC) for the District. The RAC was a limited-duration committee that met in the summer and fall of 2016 to advise the Board on a number of important policy issues, including policies related to the affordability of water bills for low-income customers.

*Pictured: A Rate Advisory Committee meeting*





## TUALATIN VALLEY WATER DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY

LAST FOUR FISCAL YEARS<sup>[1]</sup>

#### *Oregon Public Employee Retirement Pension Plan (OPERS)*

<b>Year Ending</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension (asset)/liability	0.1011%	0.1096%	0.0981%	0.0981%
District's proportionate share of the net pension (asset)/liability	\$15,179,892	\$6,290,514	\$(2,222,862)	\$5,004,420
District's covered payroll	\$10,006,337	\$9,433,995	\$9,452,076	\$8,942,987
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	151.70%	66.68%	-23.52%	55.96%
Plan fiduciary net position as a percentage of the total pension (asset)/liability	80.50%	91.90%	103.60%	n/a

#### **NOTES TO SCHEDULE**

##### *Changes in Benefit Terms*

Senate Bill 822 was enacted during the 2013 Oregon regular legislative session to lower the cap on the cost-of-living adjustment (COLA) from 2 percent to 1.5 percent for 2013, and eliminated the tax remedy benefit for recipients who do not pay Oregon state income taxes because they do not reside in Oregon. Senate Bill 861 was enacted during the 2013 Oregon special legislative session, further lowering the post-retirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. The combined impact of these Senate Bills is reflected in the June 30, 2014 total pension liability, resulting in a net pension asset reported by the District for fiscal year 2015.

The Oregon Supreme Court (Court) ruled in *Moro v. State of Oregon* on April 30, 2015 that certain provisions of Senate Bill 822 and Senate Bill 861 were unconstitutional. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The impact of the Court's decision is reflected in the June 30, 2015 total pension liability, which contributes to the net pension liability reported by the District for fiscal year 2016.

##### *Changes in Assumptions*

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability, which contributes to the net pension liability reported by the District for FY 2017. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

<sup>[1]</sup> Ten-year trend information required by GASB Statement 68 will be presented prospectively.

Source: OPERS actuarial reports and District data.

## TUALATIN VALLEY WATER DISTRICT

### SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

LAST FOUR FISCAL YEARS<sup>[1]</sup>

*Oregon Public Employee Retirement Pension Plan (OPERS)*

<b>Year Ending</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 1,098,216	1,012,802	804,030	771,452
Contributions in relation to the contractually required contributions	<u>(1,098,216)</u>	<u>(1,012,802)</u>	<u>(804,030)</u>	<u>(771,452)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,006,337	\$ 9,958,904	\$ 9,452,076	\$ 8,942,987
Contributions as a percentage of covered payroll	10.98%	10.17%	8.51%	8.63%

#### NOTES TO SCHEDULE

*Actuarial Assumptions and Methods Used to Actuarially Determine Contributions* <sup>[2]</sup> :

Actuarial Valuation	December 31, 2013	December 31, 2011
Effective	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Projected Unit Credit
Actuarial valuation method:	Market Value	Market Value
Actuarial assumption:		
Inflation rate	2.75 percent	2.75 percent
Projected salary increases	3.75 percent	3.75 percent
Investment rate of return	7.75 percent	8.00 percent

<sup>[1]</sup> Ten-year trend information required by GASB Statement 68 will be presented prospectively.

<sup>[2]</sup> Actuarial data provided by the actuary for OPERS.

Source: OPERS actuarial reports and District data.

# Budgetary Basis Schedules



## Creating A Reliable Drinking Water Future

TVWD and the City of Hillsboro are partnering to develop the mid-Willamette River at Wilsonville as an additional water supply source. When completed in 2026, this will be one of Oregon's most seismically resilient drinking water systems—built to protect public health and survive natural disasters so that critical water services can be restored rapidly. Construction is underway. This project provides jobs for local construction workers, material suppliers, and supporting services. For more information, visit [www.OurReliableWater.org](http://www.OurReliableWater.org).

*Pictured: Contractors install pipe for the Willamette Water Supply Program*



**TUALATIN VALLEY WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -**  
**GENERAL FUND**  
**FOR THE BIENNIUM ENDED JUNE 30, 2017**

	<b>Budget for the 2015-17 Biennium</b>			<b>Actual Results</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Revisions</b>	<b>Final</b>	<b>First Year FY 2015-16</b>	<b>Second Year FY 2016-17</b>	<b>Total</b>	
<b>REVENUES:</b>							
Water sales	\$ 86,321,456	\$ -	\$ 86,321,456	\$ 48,728,635	\$ 52,461,679	\$ 101,190,314	\$ 14,868,858
Service fees	911,500	-	911,500	677,640	638,160	1,315,800	404,300
Interest on investments	268,728	-	268,728	237,549	293,057	530,606	261,878
Other revenues	3,350,600	-	3,350,600	1,788,369	2,015,397	3,803,766	453,166
Rights-of way fees	-	173,000	173,000	-	241,891	241,891	68,891
Construction revenue from other funds	10,501,975	-	10,501,975	3,064,622	3,377,130	6,441,752	(4,060,223)
<b>Total Revenues</b>	<b>101,354,259</b>	<b>173,000</b>	<b>101,527,259</b>	<b>54,496,815</b>	<b>59,027,314</b>	<b>113,524,129</b>	<b>11,996,870</b>
<b>TRANSFERS FROM OTHER FUNDS:</b>							
Capital Improvement Fund	1,584,345	-	1,584,345	-	-	-	(1,584,345)
<b>BEGINNING FUND BALANCE</b>							
	60,044,843	-	60,044,843	64,612,128	31,806,103	64,612,128	4,567,285
	<u>\$ 162,983,447</u>	<u>\$ 173,000</u>	<u>\$ 163,156,447</u>	<u>\$ 119,108,943</u>	<u>\$ 90,833,417</u>	<u>\$ 178,136,257</u>	<u>\$ 14,979,810</u>
<b>EXPENDITURES:</b>							
Personnel services	\$ 33,988,944	\$ -	\$ 33,988,944	\$ 15,232,463	15,986,753	\$ 31,219,216	\$ 2,769,728
Materials and services	32,731,336	-	32,731,336	14,256,673	15,646,220	29,902,893	2,828,443
Capital outlay	791,100	-	791,100	5,094	451,691	456,785	334,315
Special payments	-	374,000	374,000	-	336,823	336,823	37,177
Operating contingencies	10,008,000	(201,000)	9,807,000	-	-	-	9,807,000
<b>Total Expenditures</b>	<b>77,519,380</b>	<b>173,000</b>	<b>77,692,380</b>	<b>29,494,230</b>	<b>32,421,487</b>	<b>61,915,717</b>	<b>15,776,663</b>
<b>TRANSFERS TO OTHER FUNDS:</b>							
Capital Reserve Fund	84,830,750	-	84,830,750	57,788,610	27,042,140	84,830,750	-
Construction Fund	-	-	-	-	-	-	-
Water Supply Program Fund	-	-	-	-	-	-	-
Customer Emergency Assistance Fund	40,000	-	40,000	20,000	-	20,000	20,000
<b>Total Transfers</b>	<b>84,870,750</b>	<b>-</b>	<b>84,870,750</b>	<b>57,808,610</b>	<b>27,042,140</b>	<b>84,850,750</b>	<b>20,000</b>
<b>Total Expenditures and Transfers</b>	<b>162,390,130</b>	<b>173,000</b>	<b>162,563,130</b>	<b>87,302,840</b>	<b>59,463,627</b>	<b>146,766,467</b>	<b>15,796,663</b>
<b>ENDING FUND BALANCE</b>							
	593,317	-	593,317	31,806,103	31,369,790	31,369,790	(30,776,473)
	<u>\$ 162,983,447</u>	<u>\$ 173,000</u>	<u>\$ 163,156,447</u>	<u>\$ 119,108,943</u>	<u>\$ 90,833,417</u>	<u>\$ 178,136,257</u>	<u>\$ (14,979,810)</u>

**TUALATIN VALLEY WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -**  
**CAPITAL IMPROVEMENT FUND**  
**FOR THE BIENNIUM ENDED JUNE 30, 2017**

	<b>Budget for the 2015-17 Biennium</b>		<b>Actual Results</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>First Year FY 2015-16</b>	<b>Second Year FY 2016-17</b>	<b>Total</b>	
<b>REVENUES</b>						
Interest on investments	\$ -	\$ -	89,633	\$ 9,055	\$ 98,688	\$ 98,688
Contributed capital	-	-	48,011	-	48,011	48,011
<i>Total Revenues</i>	-	-	137,644	9,055	146,699	146,699
<b>TRANSFERS FROM OTHER FUNDS:</b>						
Capital Reserve Fund	34,530,152	34,530,152	-	5,146,339	5,146,339	(29,383,813)
<b>BEGINNING FUND BALANCE</b>	<u>23,227,183</u>	<u>23,227,183</u>	<u>20,994,493</u>	<u>2,935,546</u>	<u>20,994,493</u>	<u>(2,232,690)</u>
	<u>\$ 57,757,335</u>	<u>\$ 57,757,335</u>	<u>\$ 21,132,137</u>	<u>\$ 8,090,940</u>	<u>\$ 26,287,531</u>	<u>\$ (31,469,804)</u>
<b>EXPENDITURES:</b>						
Capital outlay	\$ 32,945,807	\$ 32,945,807	\$ 18,196,591	\$ 8,090,940	\$ 26,287,531	\$ 6,658,276
<b>TRANSFERS TO OTHER FUNDS:</b>						
General Fund	1,584,345	1,584,345	-	-	-	1,584,345
Capital Reserve Fund	23,227,183	23,227,183	-	-	-	23,227,183
<i>Total Transfers</i>	24,811,528	24,811,528	-	-	-	24,811,528
<i>Total Expenditures and Transfers</i>	57,757,335	57,757,335	18,196,591	8,090,940	26,287,531	31,469,804
<b>ENDING FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>2,935,546</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,757,335</u>	<u>\$ 57,757,335</u>	<u>\$ 21,132,137</u>	<u>\$ 8,090,940</u>	<u>\$ 26,287,531</u>	<u>\$ 31,469,804</u>

**TUALATIN VALLEY WATER DISTRICT**

*SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -*

*WATER SUPPLY PROGRAM FUND*

*FOR THE BIENNIUM ENDED JUNE 30, 2017*

	<b>Budget for the 2015-17 Biennium</b>		<b>Actual Results</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>First Year FY 2015-16</b>	<b>Second Year FY 2016-17</b>	<b>Total</b>	
<b>REVENUES</b>						
Contributed capital	\$ 22,780,200	\$ 22,780,200	\$ 3,627,279	\$ 10,265,406	\$ 13,892,685	\$ (8,887,515)
Other revenues	2,883,100	2,883,100	1,306,078	411,509	1,717,587	(1,165,513)
<i>Total Revenues</i>	25,663,300	25,663,300	4,933,357	10,676,915	15,610,272	(10,053,028)
<b>TRANSFERS FROM OTHER FUNDS:</b>						
Capital Reserve Fund	40,139,870	40,139,870	7,179,963	15,716,413	22,896,376	(17,243,494)
<b>BEGINNING FUND BALANCE</b>	-	-	-	-	-	-
	<u>\$ 65,803,170</u>	<u>\$ 65,803,170</u>	<u>\$ 12,113,320</u>	<u>\$ 26,393,328</u>	<u>\$ 38,506,648</u>	<u>\$ (27,296,522)</u>
<b>EXPENDITURES:</b>						
Materials and services	\$ 7,392,540	\$ 7,392,540	\$ 2,818,636	\$ 667,785	\$ 3,486,421	\$ 3,906,119
Capital outlay	49,810,630	49,810,630	9,294,684	25,725,543	35,020,227	14,790,403
Operating contingencies	8,600,000	8,600,000	-	-	-	8,600,000
<i>Total Expenditures</i>	65,803,170	65,803,170	12,113,320	26,393,328	38,506,648	27,296,522
<b>ENDING FUND BALANCE</b>	-	-	-	-	-	-
	<u>\$ 65,803,170</u>	<u>\$ 65,803,170</u>	<u>\$ 12,113,320</u>	<u>\$ 26,393,328</u>	<u>\$ 38,506,648</u>	<u>\$ 27,296,522</u>

**TUALATIN VALLEY WATER DISTRICT**

*SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -*

*CAPITAL RESERVE FUND*

*FOR THE BIENNIUM ENDED JUNE 30, 2017*

	<i>Budget for the 2015-17 Biennium</i>		<i>Actual Results</i>			<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>First Year</i>	<i>Second Year</i>	<i>Total</i>	
			<i>FY 2015-16</i>	<i>FY 2016-17</i>		
<b>REVENUES</b>						
Contributed capital	\$ 2,889,000	\$ 2,889,000	\$ 1,252,464	\$ 957,756	\$ 2,210,220	\$ (678,780)
System development charges	10,136,000	10,136,000	8,977,050	7,981,382	16,958,432	\$ 6,822,432
Interest on investments	792,386	792,386	373,204	777,348	1,150,552	358,166
<i>Total Revenues</i>	13,817,386	13,817,386	10,602,718	9,716,486	20,319,204	6,501,818
<b>TRANSFERS FROM OTHER FUNDS:</b>						
General Fund	84,830,750	84,830,750	57,788,610	27,042,140	84,830,750	-
Capital Improvement Fund	23,227,183	23,227,183	-	-	-	(23,227,183)
<i>Total Transfers</i>	108,057,933	108,057,933	57,788,610	27,042,140	84,830,750	(23,227,183)
<i>Total Revenues and Transfers</i>	121,875,319	121,875,319	68,391,328	36,758,626	105,149,954	(16,725,365)
<b>BEGINNING FUND BALANCE</b>	-	-	-	61,211,365	-	-
	<u>\$ 121,875,319</u>	<u>\$ 121,875,319</u>	<u>\$ 68,391,328</u>	<u>\$ 97,969,991</u>	<u>\$ 105,149,954</u>	<u>\$ (16,725,365)</u>
<b>TRANSFERS TO OTHER FUNDS:</b>						
Capital Improvement Fund	\$ 34,530,152	\$ 34,530,152	\$ -	\$ 5,146,339	\$ 5,146,339	\$ 29,383,813
Water Supply Fund	40,139,870	40,139,870	7,179,963	15,716,413	22,896,376	17,243,494
<i>Total Transfers</i>	74,670,022	74,670,022	7,179,963	20,862,752	28,042,715	46,627,307
<b>ENDING FUND BALANCE</b>	47,205,297	47,205,297	61,211,365	77,107,239	77,107,239	(29,901,942)
	<u>\$ 121,875,319</u>	<u>\$ 121,875,319</u>	<u>\$ 68,391,328</u>	<u>\$ 97,969,991</u>	<u>\$ 105,149,954</u>	<u>\$ 16,725,365</u>



**TUALATIN VALLEY WATER DISTRICT**

*SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -*

*CUSTOMER EMERGENCY ASSISTANCE FUND*

*FOR THE BIENNIUM ENDED JUNE 30, 2017*

	<b>Budget for the 2015-17 Biennium</b>		<b>Actual Results</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>First Year FY 2015-16</b>	<b>Second Year FY 2016-17</b>	<b>Total</b>	
<b>REVENUES</b>						
Contributions	\$ 21,840	\$ 21,840	\$ 12,347	\$ 7,269	\$ 19,616	\$ (2,224)
Interest on investments	-	-	138	115	253	253
<i>Total Revenues</i>	21,840	21,840	12,485	7,384	19,869	(1,971)
<b>TRANSFERS FROM OTHER FUNDS:</b>						
General Fund	40,000	40,000	20,000	-	20,000	(20,000)
<b>BEGINNING FUND BALANCE</b>	-	-	-	14,708	-	-
	<u>\$ 61,840</u>	<u>\$ 61,840</u>	<u>\$ 32,485</u>	<u>\$ 22,092</u>	<u>\$ 39,869</u>	<u>\$ (21,971)</u>
<b>EXPENDITURES:</b>						
Materials and services	\$ 61,840	\$ 61,840	\$ 17,777	\$ 15,486	\$ 33,263	\$ 28,577
<i>Total Expenditures</i>	61,840	61,840	17,777	15,486	33,263	28,577
<b>ENDING FUND BALANCE</b>	-	-	14,708	6,606	6,606	(6,606)
	<u>\$ 61,840</u>	<u>\$ 61,840</u>	<u>\$ 32,485</u>	<u>\$ 22,092</u>	<u>\$ 39,869</u>	<u>\$ 21,971</u>

**TUALATIN VALLEY WATER DISTRICT**  
**RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)**  
**TO THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**BUDGETARY BASIS**

	<u>Total revenue</u>	<u>Total expenditures</u>	<u>Net</u>
General Fund	\$ 55,650,184	\$ 32,421,487	\$ 23,228,697
Capital Improvement Fund	9,055	8,090,940	(8,081,885)
Water Supply Program Fund	10,676,915	26,393,328	(15,716,413)
Capital Reserve Fund	9,716,486	-	9,716,486
Customer Emergency Assistance Fund	7,384	15,486	(8,102)
	<u>\$ 76,060,024</u>	<u>\$ 66,921,241</u>	<u>9,138,783</u>

**ADD (DEDUCT) ITEMS TO RECONCILE TO CHANGES  
IN NET POSITION ON A FINANCIAL REPORTING BASIS**

Contributed capital for infrastructure (mains and hydrants)	1,927,402
Labor, overhead, and equipment capitalized	3,377,130
Discontinued capital projects	(17,527)
Capital outlay	34,268,175
Partner share of capital outlay	(14,501,125)
Depreciation	(6,860,994)
Gain/(loss) on disposal of capital assets	(843,136)
Change in joint venture valuation	(656,837)
Unrealized gain/(loss) on investments	(440,187)
Pension expense	(1,454,080)
Other postemployment benefits	(91,882)
Amortization of lease	(120,309)
<b>CHANGES IN NET POSITION</b>	<u>\$ 23,725,413</u>

# Statistical Section



## Providing Reliable Fire Protection

Firefighters rely on our water system to protect the community from fires 24 hours a day, seven days a week. A well-maintained and reliable water system is critical to protect the community and keep insurance rates low. The reliability of a water system also influences new home construction and decisions by businesses to locate in a community. TVWD provides the water infrastructure necessary to provide life-saving fire protection to our community.

*Pictured: A Tualatin Valley Fire and Rescue firefighter battles a house fire  
Photo courtesy of Tualatin Valley Fire and Rescue*



**TUALATIN VALLEY WATER DISTRICT**  
*STATISTICAL SECTION*

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This part of Tualatin Valley Water District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the District's overall financial health.

<b>Contents</b>	Page
<b>Financial Trends</b>	<b>77</b>
<p>These schedules contain trend information to help the reader understand how the District's financial performance and economic stability have changed over time.</p>	
<b>Revenue Capacity</b>	<b>87</b>
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, the District water rate.</p>	
<b>Debt Capacity</b>	<b>93</b>
<p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and its ability to issue additional debt in the future.</p>	
<b>Demographic and Economic Information</b>	<b>96</b>
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
<b>Operating Information</b>	<b>98</b>
<p>These schedules contain service 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.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**Tualatin Valley Water District**



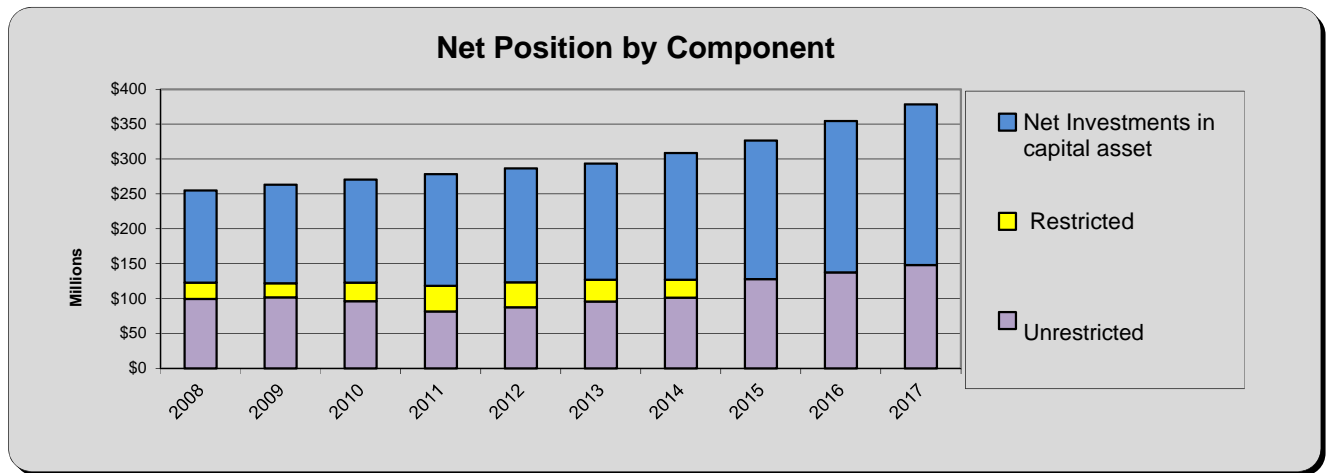
Delivering the Best Water  Service  Value

**TUALATIN VALLEY WATER DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**

	<i>Fiscal Year</i>				
	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
<b>Net Position by component</b>			<i>Restated</i>		
<b>Net Investments in capital assets <sup>[1]</sup></b>	\$230,170,738	\$217,006,685	\$198,676,321	\$181,750,385	\$166,466,059
<b>Restricted</b>	-	-	-	25,645,024	31,236,587
<b>Unrestricted</b>	148,313,345	137,751,985	128,001,483	101,601,802	95,902,217
<b>Total Net Position</b>	<u>\$378,484,083</u>	<u>\$354,758,670</u>	<u>\$326,677,804</u>	<u>\$308,997,211</u>	<u>\$293,604,863</u>

	<i>Fiscal Year</i>				
	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
<b>Net Position by component</b>					
<b>Net Investments in capital assets <sup>[1]</sup></b>	\$163,330,667	\$160,366,537	\$147,674,566	\$141,275,227	\$131,855,102
<b>Restricted</b>	35,706,625	36,631,312	26,598,574	20,283,142	23,494,332
<b>Unrestricted</b>	87,796,319	81,840,445	96,533,227	101,807,972	99,747,823
<b>Total Net Position</b>	<u>\$286,833,611</u>	<u>\$278,838,294</u>	<u>\$270,806,367</u>	<u>\$263,366,341</u>	<u>\$255,097,257</u>

<sup>[1]</sup> In 2011, debt was reclassified from capital assets to unrestricted net position due to the nature of related debt



Source: Derived from audited financial statements

**TUALATIN VALLEY WATER DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>Restated 2015 <sup>[1]</sup></u>
<b>OPERATING REVENUES:</b>			
Water service	\$52,461,679	\$48,728,635	\$41,025,195
Computer service	-	-	-
Administrative service	3,027,714	3,764,144	4,689,194
<i>Total Operating Revenues</i>	55,489,393	52,492,779	45,714,389
<b>OPERATING EXPENSES:</b>			
Water purchased	9,693,035	9,051,685	7,713,786
Labor and fringe benefits	17,532,715	19,870,765	11,747,960
Maintenance and repairs	1,557,932	1,336,820	1,496,431
General and administrative	5,194,113	6,348,825	7,186,365
Electricity and other utilities	146,444	134,865	119,964
Supplies	196,007	218,756	272,876
Depreciation and amortization expense	6,860,994	6,110,033	5,880,723
Less capitalized overhead	(3,377,130)	(3,064,622)	(2,816,946)
<i>Total Operating Expenses</i>	37,804,110	40,007,127	31,601,159
<b>OPERATING INCOME (LOSS)</b>	17,685,283	12,485,652	14,113,230
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Miscellaneous income	-	-	-
Discontinued capital projects	(17,527)	(416,646)	(383,121)
Loss in equity in joint ventures	(656,837)	(831,663)	(714,847)
Interest income	1,080,484	700,524	592,861
Unrealized gain (loss) due to changes in market valuation of investments	(440,187)	95,015	69,654
Interest expense	-	(2,194)	(281,156)
Disposal of capital assets, net	(556,624)	(4,874)	(100,384)
<i>Total Non-Operating Revenues (Expenses)</i>	(590,691)	(459,838)	(816,993)
<b>CAPITAL CONTRIBUTIONS</b>	6,630,821	16,055,052	9,392,435
<b>CHANGE IN NET POSITION</b>	23,725,413	28,080,866	22,688,672
<b>NET POSITION, beginning of year</b>	354,758,670	326,677,804	308,997,211
<b>Restatement for change in accounting principle</b>	-	-	(5,008,079)
<b>NET POSITION, end of year</b>	<u>\$378,484,083</u>	<u>\$354,758,670</u>	<u>\$326,677,804</u>

<sup>[1]</sup>2015 restated to reflect implementation of GASB No. 68  
Source: Tualatin Valley Water District Annual Financial Statements and Records.

Continued on next page



<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$35,013,145	\$34,169,338	\$30,666,849	\$29,471,827	\$27,832,036	\$27,907,216	\$28,161,719
-	-	-	-	-	-	32,595
2,515,514	2,002,197	1,869,734	1,961,254	1,762,604	2,095,227	2,397,058
37,528,659	36,171,535	32,536,583	31,433,081	29,594,640	30,002,443	30,591,372
7,461,754	7,584,712	7,436,547	7,015,039	8,874,338	8,565,723	7,756,612
14,047,903	13,364,417	11,959,160	11,549,552	9,605,069	9,864,684	8,879,018
1,534,727	1,773,526	1,730,707	1,488,583	1,631,005	1,881,873	1,070,325
4,218,566	3,332,570	2,717,783	2,628,427	2,171,316	1,933,890	2,016,571
122,282	103,543	112,650	113,891	96,947	92,227	87,569
197,191	234,592	265,488	427,467	214,587	391,732	342,248
5,414,179	5,222,171	5,001,243	4,910,680	4,535,758	4,315,057	4,163,527
(2,899,203)	(2,217,408)	(1,739,985)	(1,326,567)	(1,252,574)	(1,006,639)	(1,014,493)
30,097,399	29,398,123	27,483,593	26,807,073	25,876,446	26,038,547	23,301,377
7,431,260	6,773,412	5,052,990	4,626,008	3,718,194	3,963,896	7,289,995
-	-	-	-	-	-	707,869
(1,036)	(5,325,088)	-	-	-	-	-
(658,349)	(759,993)	(735,005)	(807,963)	(697,426)	(819,468)	(732,352)
553,807	590,380	654,826	800,107	998,373	2,410,656	3,556,094
292,396	(329,057)	(102,247)	-	-	-	-
(317,717)	(368,902)	(479,586)	(539,575)	(602,248)	(788,082)	(720,387)
(116,322)	(37,846)	(480,284)	(2,415)	(81,124)	(31,974)	(32,311)
(247,221)	(6,230,506)	(1,142,296)	(549,846)	(382,425)	771,132	2,778,913
8,208,309	6,228,346	4,084,623	3,955,765	4,104,257	3,534,056	6,866,475
15,392,348	6,771,252	7,995,317	8,031,927	7,440,026	8,269,084	16,935,383
293,604,863	286,833,611	278,838,294	270,806,367	263,366,341	255,097,257	238,161,874
-	-	-	-	-	-	-
<b>\$308,997,211</b>	<b>\$293,604,863</b>	<b>\$286,833,611</b>	<b>\$278,838,294</b>	<b>\$270,806,367</b>	<b>\$263,366,341</b>	<b>\$255,097,257</b>

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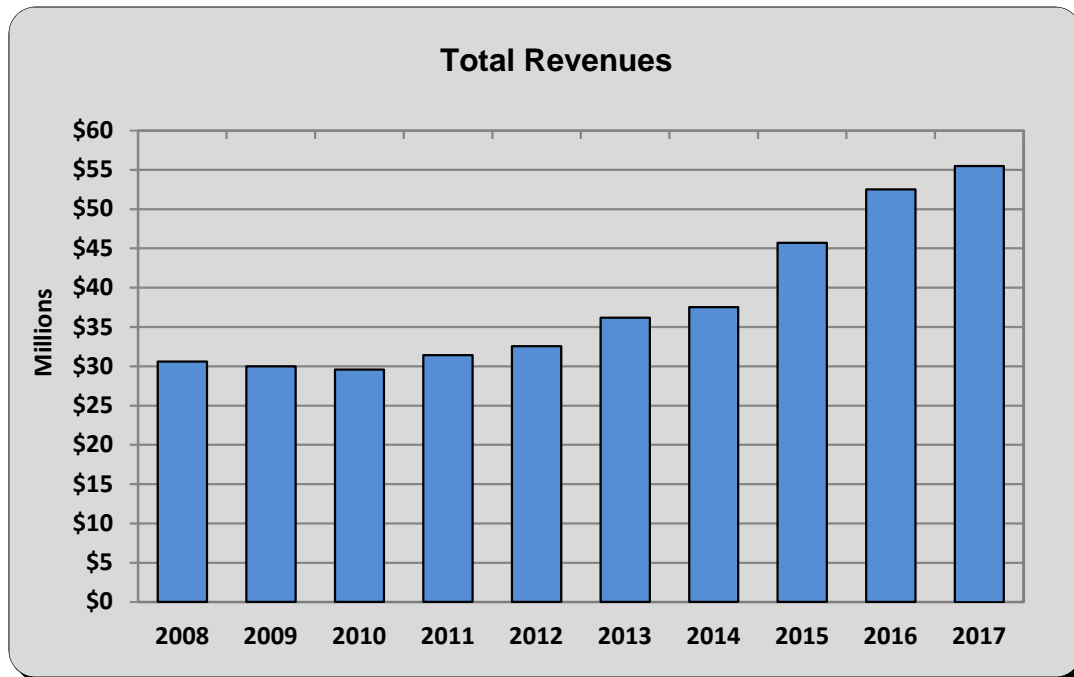
**Tualatin Valley Water District**



Delivering the Best Water  Service  Value

**TUALATIN VALLEY WATER DISTRICT**  
**OPERATING REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

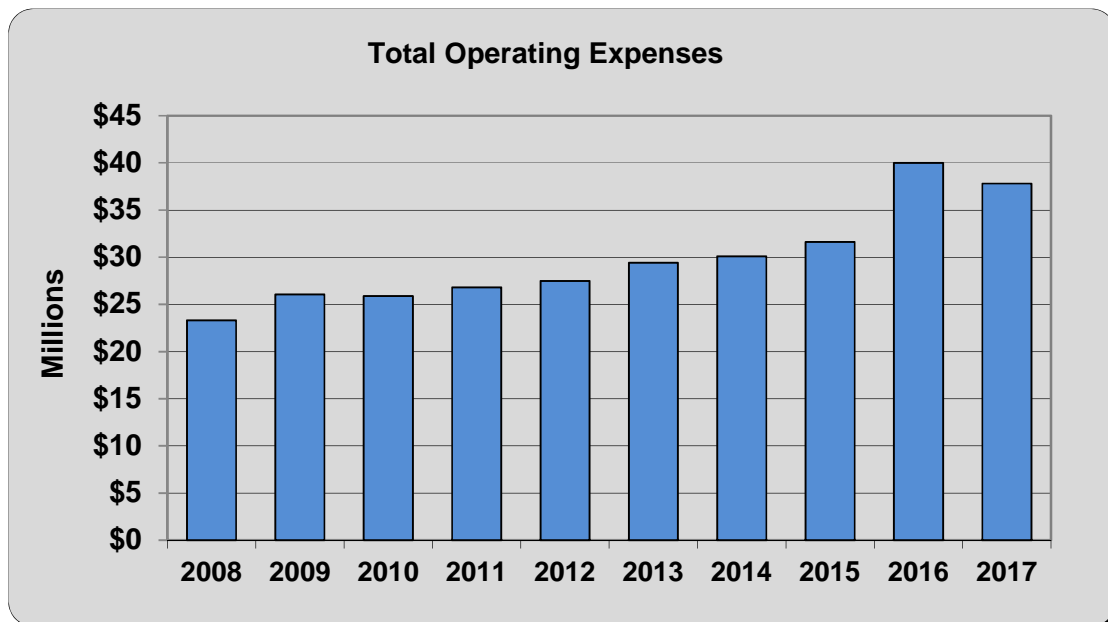
<b>Year Ended June 30,</b>	<b>Water Service</b>	<b>Computer Services</b>	<b>Administrative Services</b>	<b>Total</b>
2017	\$ 52,461,679	\$ -	\$ 3,027,714	\$ 55,489,393
2016	48,728,635	-	3,764,144	52,492,779
2015	41,025,195	-	4,689,194	45,714,389
2014	35,013,145	-	2,515,514	37,528,659
2013	34,169,338	-	2,002,197	36,171,535
2012	30,666,849	-	1,869,734	32,536,583
2011	29,471,827	-	1,961,254	31,433,081
2010	27,832,036	-	1,762,604	29,594,640
2009	27,907,216	-	2,095,227	30,002,443
2008	28,161,719	32,595	2,397,058	30,591,372



Source: Derived from audited financial statements

**TUALATIN VALLEY WATER DISTRICT**  
**OPERATING EXPENSES**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year Ending June 30,</b>	<b>Water Purchased</b>	<b>Labor and Fringe Benefits</b>	<b>Maintenance and Repairs</b>	<b>General and Administrative</b>	<b>Electricity and Other Utilities</b>
2017	\$9,693,035	\$17,532,715	\$1,557,932	\$5,194,113	\$146,444
2016	9,051,685	19,870,765	1,336,820	6,348,825	134,865
2015	7,713,786	11,747,960	1,496,431	7,186,365	119,964
2014	7,461,754	14,047,903	1,534,727	4,218,566	122,282
2013	7,584,712	13,364,417	1,773,526	3,332,570	103,543
2012	7,436,547	11,959,160	1,730,707	2,717,783	112,650
2011	7,015,039	11,549,552	1,488,583	2,628,427	113,891
2010	8,874,338	9,605,069	1,631,005	2,171,316	96,947
2009	8,565,723	9,864,684	1,881,873	1,933,890	92,227
2008	7,756,612	8,879,018	1,070,325	2,016,571	87,569



Source: derived from audited financial statements

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<b><i>Supplies</i></b>	<b><i>Less Capitalized Overhead</i></b>	<b><i>Subtotal, Expenses before Depreciation</i></b>	<b><i>Depreciation and Amortization</i></b>	<b><i>Total Operating Expenses</i></b>
\$196,007	(\$3,377,130)	\$30,943,116	\$6,860,994	\$37,804,110
218,756	(3,064,622)	33,897,094	6,110,033	40,007,127
272,876	(2,816,946)	25,720,436	5,880,723	31,601,159
197,191	(2,899,203)	24,683,220	5,414,179	30,097,399
234,592	(2,217,408)	24,175,952	5,222,171	29,398,123
265,488	(1,739,985)	22,482,350	5,001,243	27,483,593
427,467	(1,326,567)	21,896,392	4,910,680	26,807,072
214,587	(1,252,574)	21,340,688	4,535,758	25,876,446
391,732	(1,006,639)	21,723,490	4,315,057	26,038,547
342,248	(1,014,493)	19,137,850	4,163,527	23,301,377

*Continued from previous page*

**TUALATIN VALLEY WATER DISTRICT**  
**NONOPERATING REVENUES AND EXPENSES**  
**LAST TEN FISCAL YEARS**

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<b>Fiscal Year Ending June 30,</b>	<b>Discontinued Capital Projects</b>	<b>Miscellaneous Income</b>	<b>Loss In Joint Venture Equity</b>	<b>Interest Income</b>
2017	\$ (17,527)	\$ -	\$ (656,837)	\$ 1,080,484
2016	(416,646)	-	(831,663)	700,524
2015	(383,121)	-	(714,847)	592,861
2014	(1,036)	-	(658,349)	553,807
2013	(5,325,088)	-	(759,993)	590,380
2012	-	-	(735,005)	552,579
2011	-	-	(807,963)	800,107
2010	-	-	(697,426)	998,373
2009	-	-	(819,468)	2,410,656
2008	-	707,869	(732,352)	3,556,094

Source: derived from audited financial statements

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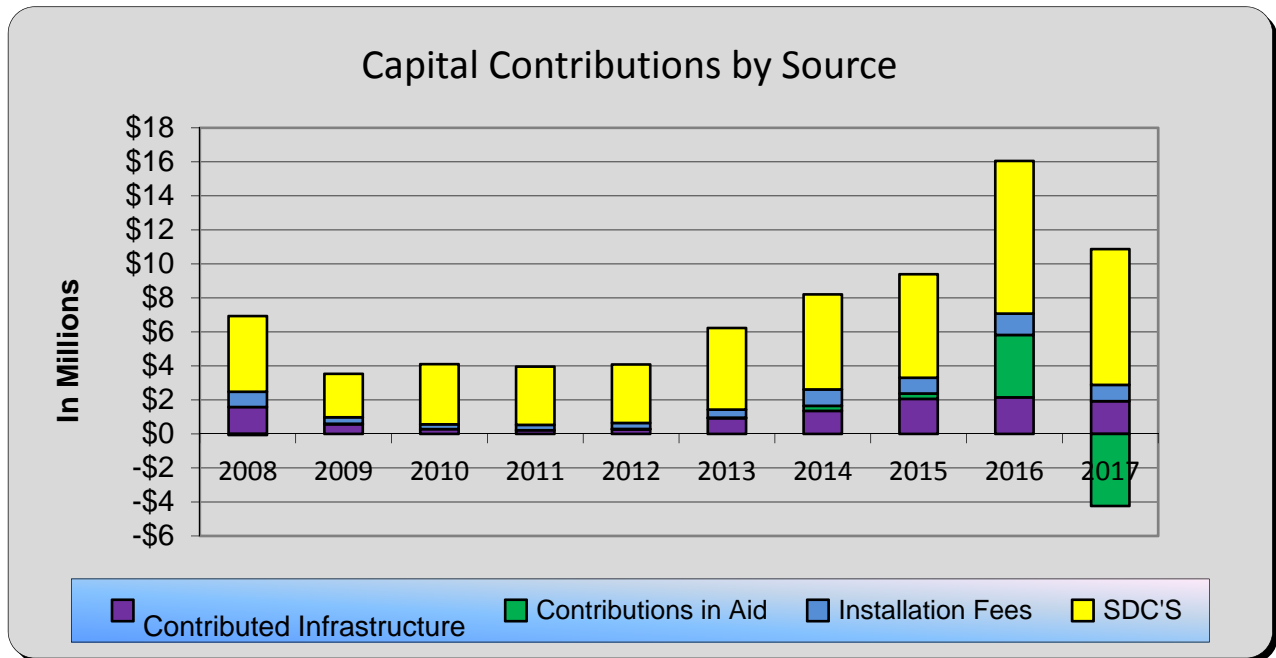
<b><i>Unrealized gain (loss) due to changes in market valuation of investments</i></b>	<b><i>Interest Expense</i></b>	<b><i>Disposal of Capital Assets, Net</i></b>	<b><i>Total Non-Operating Revenues (Expenses)</i></b>
\$ (440,187)	\$ -	\$ (556,624)	\$ (590,691)
95,015	(2,194)	(4,874)	(459,838)
69,654	(281,156)	(100,384)	(816,993)
292,396	(317,717)	(116,322)	(247,221)
(329,057)	(368,902)	(37,846)	(6,230,506)
(102,247)	(479,586)	(480,284)	(1,244,543)
-	(539,575)	(2,415)	(549,846)
-	(602,248)	(81,124)	(382,425)
-	(788,082)	(31,974)	771,132
-	(720,387)	(32,311)	2,778,913

*Continued from previous page*

**TUALATIN VALLEY WATER DISTRICT**  
**ANNUAL CAPITAL CONTRIBUTIONS BY SOURCE**  
**LAST TEN FISCAL YEARS**

	<u>2017<sup>1</sup></u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>SDCs</b>	\$7,981,382	\$8,977,050	\$6,086,538	\$5,593,132	\$4,795,030
<b>Installation Fees</b>	957,756	1,255,363	929,714	964,412	477,041
<b>Contributions in Aid</b>	(4,235,719)	3,672,391	312,953	295,488	34,401
<b>Contributed Infrastructure &amp; other</b>	1,927,402	2,150,248	2,063,230	1,355,277	921,874
<b>Total Contributions</b>	<b>\$6,630,821</b>	<b>\$16,055,052</b>	<b>\$9,392,435</b>	<b>\$8,208,309</b>	<b>\$6,228,346</b>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>SDCs</b>	\$3,436,563	\$3,422,813	\$3,540,234	\$2,555,368	\$4,452,398
<b>Installation Fees</b>	355,761	315,227	278,757	377,636	896,823
<b>Contributions in Aid</b>	19,293	-	-	30,000	(66,023)
<b>Contributed Infrastructure</b>	273,006	217,724	285,265	571,052	1,583,277
<b>Total Contributions</b>	<b>\$4,084,623</b>	<b>\$3,955,764</b>	<b>\$4,104,256</b>	<b>\$3,534,056</b>	<b>\$6,866,475</b>

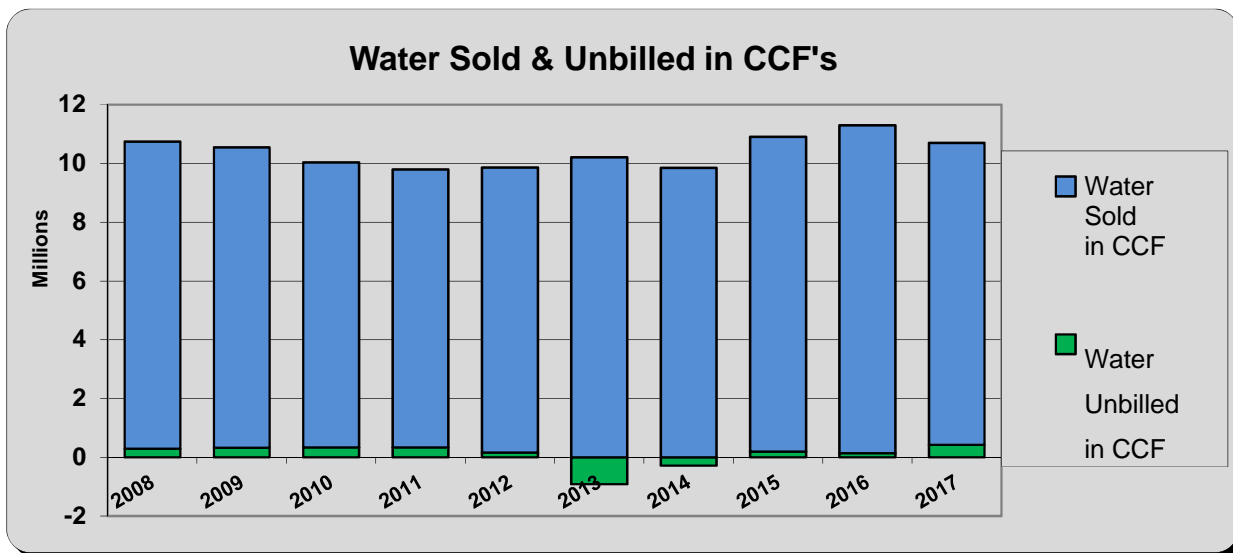


<sup>1</sup> Contributions in aid have been adjusted to remove the City of Hillsboro's cumulative ownership contributions.  
Source: Derived from audited financial statements



**TUALATIN VALLEY WATER DISTRICT**  
**WATER PRODUCED AND CONSUMED**  
**LAST TEN FISCAL YEARS**

Fiscal Year End	Water Purchased In CCF	Water Sold In CCF <sup>[3]</sup>	Water Unbilled In CCF <sup>[3]</sup>	Average Percent Unbilled	Total Direct Rate <sup>[5]</sup>		Ratio of Water Sold to Water Purchased
					Fixed Charge <sup>[4]</sup>	Usage Rate Per CCF Block 1      Block 2	
2017	10,701,959	10,280,144	421,815	3.9%	\$24.58	\$4.06      \$5.79	96.1%
2016	11,301,104	11,165,490	135,614	1.2%	21.46	3.55      5.06	98.8%
2015	10,903,035	10,710,551	192,484	1.8%	18.44	3.05      4.35	98.2%
2014 <sup>[1]</sup>	9,569,868	9,851,698	(281,830)	-2.9%	16.86	2.74      3.91	102.9%
2013 <sup>[1]</sup>	9,296,043	10,211,455	(915,412)	-9.8%	15.28	2.65      3.78	109.8%
2012 <sup>[2]</sup>	9,859,728	9,697,421	162,307	1.6%	13.72	2.51      3.59	98.4%
2011 <sup>[2]</sup>	9,796,823	9,465,918	330,905	3.4%	13.56	2.47      3.54	96.6%
2010 <sup>[2]</sup>	10,034,559	9,704,358	330,201	3.3%	12.98	2.45      3.50	96.7%
2009	10,548,200	10,221,324	326,876	3.1%	11.92	2.25      3.21	96.9%
2008	10,741,523	10,449,567	291,956	2.7%	11.46	2.06      2.94	97.3%



<sup>[1]</sup> TVWD does not have an accurate water loss percentage to report on the years indicated. The District monitors water loss percentage annually. As shown on the attached table of the most recent results, District data for 2012-2014 reflects a water gain (selling more water than purchased from suppliers). Upon investigation, the District identified that two of the Portland Water Bureau (PWB) master meters that feeds TVWD were not accurately reading all water flows. These meters are owned and maintained by Portland. Of the two master meters that were thought to be inaccurate, TVWD and the PWB have agreed to an adjustment formula to create an estimated read on the inaccurate meters. Those inaccurate meters have since been replaced by the PWB.

<sup>[2]</sup> District purchased water adjusted to match average unbilled water from 2007-09

<sup>[3]</sup> CCF = Hundred cubic feet = 748 gallons

<sup>[4]</sup> Bi-monthly. TVWD has multiple fixed charges for various sizes of water meters and cannot easily calculate a weighted-average rate to present as the total direct rate; instead, it presents the rate for the most common size of meter

<sup>[5]</sup> Charge shown is for 5/8" meters. See page 94 Bi-Monthly Water Rates for the rates of other meter sizes

Source: TUALATIN VALLEY WATER DISTRICT

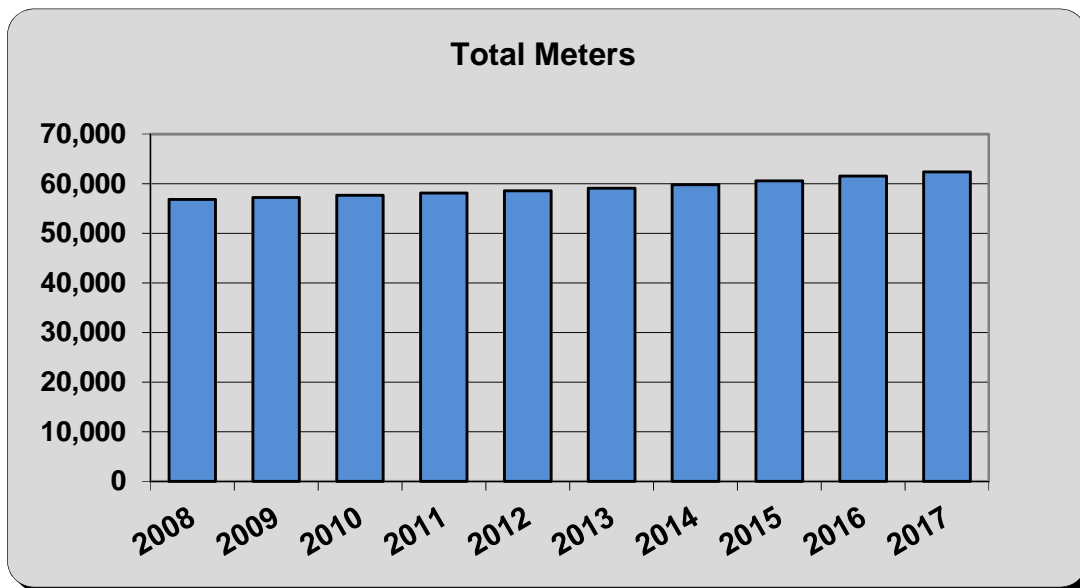
## **Tualatin Valley Water District**



Delivering the Best Water  Service  Value

**TUALATIN VALLEY WATER DISTRICT**  
**NUMBER OF WATER CUSTOMERS BY TYPE & ANNUAL TAPS SOLD**  
**LAST TEN FISCAL YEARS**

<b>Meters</b>						
<b>Fiscal Year</b>	<b>Class 1 &amp; 2</b>	<b>Class 3</b>	<b>Class 4</b>	<b>Class 5-8</b>		<b>Annual</b>
<b>Ending</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Other<sup>[1]</sup></b>	<b>Total</b>	<b>Taps</b>
<b>June 30,</b>						<b>Sold</b>
2017	58,907	1,565	33	1,872	62,377	741
2016	58,103	1,561	33	1,844	61,541	1,003
2015	57,186	1,529	33	1,802	60,550	829
2014	56,509	1,519	33	1,772	59,833	740
2013	55,864	1,493	34	1,719	59,110	252
2012	55,407	1,488	34	1,669	58,598	179
2011	54,956	1,477	34	1,650	58,117	182
2010	54,577	1,464	34	1,622	57,697	114
2009	54,130	1,465	37	1,577	57,209	192
2008	53,801	1,444	36	1,531	56,812	1,177



Source: Tualatin Valley Water District Meter & Consumption Analysis Report

<sup>[1]</sup>Other = Firelines, Irrigation, Temp Irrigation, and Wholesale

**TUALATIN VALLEY WATER DISTRICT**  
**BI-MONTHLY WATER RATES**  
**LAST TEN FISCAL YEARS**

	<u>11/1/2016</u> <u>Commodity</u>	<u>11/1/2015</u> <u>Commodity</u>	<u>11/1/2014</u> <u>Commodity</u>	<u>11/1/2013</u> <u>Commodity</u>	<u>10/1/2012</u> <u>Commodity</u>
Base Rates	\$4.06/CCF	\$3.55/CCF	\$3.05/CCF	\$2.74/CCF	\$2.65/CCF
Block 2 Rates	5.79/CCF	5.06/CCF	\$4.35/CCF	\$3.91/CCF	\$3.78/CCF
<b>Meter Size</b>	<u>Bi-Monthly</u> <u>Fixed</u>	<u>Bi-Monthly</u> <u>Fixed</u>	<u>Bi-Monthly</u> <u>Fixed</u>	<u>Bi-Monthly</u> <u>Fixed</u>	<u>Bi-Monthly</u> <u>Fixed</u>
5/8"	\$24.58	\$21.46	\$18.44	\$16.86	\$15.28
3/4"	27.06	23.64	20.32	18.38	16.42
1"	33.36	29.14	25.04	22.28	19.52
1-1/2"	44.82	39.14	33.64	29.06	24.48
2"	66.12	57.74	49.62	42.54	35.44
3"	184.10	160.78	138.16	122.32	106.55
4"	246.66	215.42	185.10	161.26	137.42
6"	397.54	347.20	298.34	254.70	211.06
8"	574.24	501.52	430.94	363.72	296.50
10"	944.44	824.84	708.76	590.98	473.20

There are 7.48 Gallons in One Cubic Foot, 748 gallons in one CCF.

Block 2 rate applies to quantities used in excess of 28 CCF in a bi-monthly billing period for single-family residential customer or 140% of the past twelve-months average usage for multi-family, irrigation, commercial, and production customers.

Increases in water rates must be approved by the Board of Commissioners.

Source: Tualatin Valley Water District

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<b>10/1/2011 Commodity</b>	<b>11/1/2010 Commodity</b>	<b>11/1/2009 Commodity</b>	<b>11/1/2008 Commodity</b>	<b>11/1/2007 Commodity</b>
\$2.51/CCF	\$2.47/CCF	\$2.45/CCF	\$2.25/CCF	\$2.06/CCF
\$3.59/CCF	\$3.54/CCF	\$3.50/CCF	\$3.21/CCF	\$2.94/CCF
<b>Bi-Monthly Fixed</b>	<b>Bi-Monthly Fixed</b>	<b>Bi-Monthly Fixed</b>	<b>Bi-Monthly Fixed</b>	<b>Bi-Monthly Fixed</b>
\$13.72	\$13.56	\$12.98	\$11.92	\$11.46
14.48	14.26	13.46	12.36	11.90
16.78	16.54	14.90	13.68	13.20
19.90	19.60	16.76	15.40	14.94
28.36	27.94	22.00	20.20	19.74
90.68	89.34	60.36	55.44	55.14
113.58	111.90	74.60	68.52	68.24
167.42	164.94	107.80	99.00	98.84
229.28	225.90	145.74	133.84	133.80
355.44	350.18	223.04	204.84	205.00

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**TUALATIN VALLEY WATER DISTRICT**  
**TEN LARGEST CUSTOMERS**  
**CURRENT YEAR AND TEN YEARS PRIOR**

<b><u>CONSUMER</u></b>	<b>FISCAL YEAR 2016-17</b>	
	<b><u>Consumption</u></b> <b><u>( CCF* )</u></b>	<b><u>Percent</u></b>
Intel Oregon	335,204	3.26%
Maxim Integrated Products	320,513	3.12%
Resers Fine Foods	133,160	1.30%
Nike INC	113,932	1.11%
Providence Health Systems	94,865	0.92%
Tualatin Hills Park & Recreation District	70,987	0.69%
Heritage Village Mobile Park	57,342	0.56%
Tektronix Inc	54,276	0.53%
Simpson Property Group	50,911	0.50%
OHSU West Campus	50,319	0.49%
	<u>1,281,509</u>	<u>12.48%</u>
All Other Consumers	<u>8,998,635</u>	<u>87.52%</u>
Total	<u><u>10,280,144</u></u>	<u><u>100%</u></u>

<b><u>CONSUMER</u></b>	<b>FISCAL YEAR 2007-08</b>	
	<b><u>Consumption</u></b> <b><u>( CCF* )</u></b>	<b><u>Percent</u></b>
Maxim Integrated Products Inc	260,731	2.50%
Intel Oregon	236,299	2.26%
Providence Health Systems	141,732	1.36%
Nike Inc	104,567	1.00%
Reser's Fine Foods	90,500	0.87%
Heritage Village Mobile Park	87,147	0.83%
Tualatin Hills Park & Recreation District	84,137	0.81%
The Lakes	65,166	0.62%
Simpson Property Group	52,659	0.50%
Sir Charles Court Apartments	51,236	0.49%
	<u>1,174,174</u>	<u>11.24%</u>
All other consumers	<u>9,275,393</u>	<u>88.76%</u>
Total	<u><u>10,449,567</u></u>	<u><u>100%</u></u>

\*CCF = Hundred cubic feet = 748 gallons.

Source: Tualatin Valley Water District

**TUALATIN VALLEY WATER DISTRICT**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>District Population (Estimated)</b>	<b>Debt Service</b>				<b>District Bonded Debt Per Capita</b>	<b>Washington County Per Capita Personal Income <sup>[4]</sup></b>	<b>As a Share Of Personal Income</b>
		<b>Revenue Bonds</b>						
		<b>Principal</b>	<b>Interest</b>	<b>Amortized Defeasance</b>	<b>Total</b>			
2017	226,400 <sup>[1]</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$53,912 <sup>[3]</sup>	0.00%
2016	222,304	-	-	-	-	-	53,273 <sup>[3]</sup>	0.00%
2015	217,931	-	-	-	-	-	51,909	0.00%
2014	214,143	5,470,000	635,250	(54,778)	6,050,472	28.25	49,553	0.06%
2013	211,556	6,705,000	930,625	(80,249)	7,555,376	35.71	46,123	0.08%
2012	207,849	7,890,000	1,273,400	(109,807)	9,053,593	43.56	46,508	0.09%
2011	205,236	10,170,000	1,751,325	(173,127)	11,748,198	57.24	44,011	0.13%
2010	202,166 <sup>[2]</sup>	11,620,000	2,237,688	(229,279)	13,628,409	67.41	40,950	0.16%
2009	200,872	13,030,000	2,776,100	(292,969)	15,513,131	77.23	41,079	0.19%
2008	199,664	14,390,000	3,361,300	(363,222)	17,388,078	87.09	43,438	0.20%

<sup>[1]</sup> Data not available. Estimate used based on change in residential meters in the current year.

<sup>[2]</sup> Population revised by PSU based on 2010 census numbers @ April 1, 2010

<sup>[3]</sup> Estimated, data not available.

<sup>[4]</sup> Bureau of Economic Analysis: <https://bea.gov/regional>

Source: OR Regional Economic Analysis, PSU Center for Population Research, and Tualatin Valley Water District Annual Financial Statements and Records

**TUALATIN VALLEY WATER DISTRICT**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Revenues</b>	<b>System Development Charges</b>	<b>Gross <sup>(1)</sup> Revenues</b>	<b>Less: Net Operating Expenses <sup>(2)</sup> (Excluding Depreciation)</b>	<b>Net <sup>(3)</sup> Operating Revenues</b>
2017	\$55,782,450	\$7,981,382	\$63,763,832	\$30,943,116	\$32,820,716
2016	52,730,328	8,977,050	61,707,378	33,897,094	27,810,284
2015	46,143,442	6,086,538	52,229,980	25,720,436	26,509,544
2014	37,907,784	5,593,132	43,500,916	24,683,220	18,817,696
2013	36,542,458	4,795,030	41,337,488	24,175,952	17,161,536
2012	32,856,904	3,436,563	36,293,467	22,482,350	13,811,117
2011	31,904,024	3,422,818	35,326,842	21,896,393	13,430,449
2010	30,280,233	3,540,233	33,820,466	21,340,688	12,479,778
2009	31,858,817	2,555,368	34,414,185	21,723,490	12,690,695
2008	33,009,880	4,452,398	37,462,278	19,137,850	18,324,428

(1) Gross Revenues include all fees and charges resulting from the operation of the water system, including system development charges, revenues from product sales (including contracted services) and General Fund interest earnings.

(2) Net Operating Expenses means all expenses incurred for operation, maintenance and repair of the water system, including but not limited to administration expenses, financial and auditing expenses, insurance premiums, claims (to the extent moneys are not available from proceeds of insurance), taxes, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, credits to the rate stabilization account, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the water system. Net Operating Expenses exclude depreciation and amounts treated for accounting purposes as payments for capital expenditures.

(3) Net Operating Revenues means Gross Revenues less Net Operating Expenses (excluding depreciation), plus withdrawals from a rate stabilization account minus deposits to the rate stabilization account.

(4) Debt Service includes principal and interest of revenue bonds only. It does not include general obligation bonds supported by property taxes.

(5) Only current year principal payment due shown for coverage purposes.

(6) On March 30, 2012, the District fully cash redeemed all outstanding Water Revenue Refunding Bonds, Series 2002 as allowed by Section 2.3 of the Series 2002 Bond Declaration. Reported debt service for FY 2011-12 reflects an additional \$775,000 in principal payments and a reduction of \$7,727 in interest costs as a result of the early cash redemption. Presented here is debt service due for the year per the Bond Covenants covering the 2005 issue.

(7) On June 1, 2015, the District exercised the call provisions at par as priced in the July 28, 2005 Official Statement.

Source: Tualatin Valley Water District financial records and definitions from the 2005 master bond declaration.

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<i>Debt Service <sup>(4)</sup></i>			<i>Coverage Ratio</i>	
<i>Principal <sup>(5)</sup></i>	<i>Interest</i>	<i>Total</i>	<i>1.25 minimum w/SDC's</i>	<i>1.20 minimum w/o SDC's</i>
\$ - <sup>(7)</sup>	\$ -	\$ -	n/a	n/a
0 <sup>(7)</sup>	0	0	n/a	n/a
1,280,000	245,975	1,525,975	17.37	13.38
1,235,000	295,375	1,530,375	12.30	8.64
1,185,000	342,775	1,527,775	11.23	8.09
1,505,000 <sup>(6)</sup>	431,425 <sup>(6)</sup>	1,936,425	7.13	5.36
1,450,000	486,363	1,936,363	6.94	5.17
1,410,000	534,075	1,944,075	6.42	4.60
1,360,000	592,952	1,952,952	6.50	5.19
1,315,000	631,438	1,946,438	9.41	7.13

*Continued from previous page*

**TUALATIN VALLEY WATER DISTRICT**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN CALENDAR YEARS**

<i>District</i>	<i>WASHINGTON COUNTY</i>				<i>UNEMPLOYMENT RATE</i>		<i>County Labor Force</i>	<i>State Labor Force</i>
	<i>Population (Estimated)</i>	<i>Population (Estimated)</i>	<i>Personal Income (000's)</i>	<i>Per Capita Income</i>	<i>County</i>	<i>State of Oregon</i>		
2017	226,400 <sup>[3]</sup>	590,047 <sup>[3]</sup>	31,810,427 <sup>[3]</sup>	53,912 <sup>[3]</sup>	3.8%	4.4%	286,107	2,116,000
2016	222,304 <sup>[6]</sup>	583,595	28,488,080 <sup>[3]</sup>	53,273 <sup>[3]</sup>	4.5	5.1	282,800	2,085,823
2015	218,399 <sup>[6]</sup>	570,510	27,520,981 <sup>[3]</sup>	51,909	5.0	5.7	289,065	2,054,349
2014	214,812 <sup>[6]</sup>	563,273	26,290,466	49,553	5.8	6.7	294,934	1,943,566
2013	211,186 <sup>[6]</sup>	555,661	24,940,288	46,123	6.5	7.9	290,404	1,938,773
2012	207,849	547,932	24,314,346	46,508	7.3	8.9	292,756	1,963,168
2011	205,236 <sup>[4]</sup>	539,860	23,076,401	44,011	8.2	9.8	291,551	1,976,312
2010	202,166 <sup>[4]</sup>	531,658	21,341,913	40,950	9.1	10.6	287,402	1,976,404
2009	200,872	524,699	20,595,904	41,079	10.2	11.6	291,292	1,990,145
2008	199,664	515,815	21,174,144	43,438	4.9	6.0	288,703	1,949,492

<sup>[1]</sup> Population data from Portland State University (PSU)

<sup>[2]</sup> Not Seasonally Adjusted. Source Bureau of Economic Analysis (BEA)

<sup>[3]</sup> Data not available. Estimate used.

<sup>[4]</sup> Population revised by PSU due to 2010 Census

<sup>[5]</sup> US Census Bureau: [http://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml)

<sup>[6]</sup> Revised by PSU due to change in District service boundaries

<sup>[7]</sup> Bureau of Economic Analysis: <https://bea.gov/regional>

Source: Oregon Labor Market Information System (OLMIS), PSU Center for Population Research, Bureau of Economic Analysis (BEA), US Census Bureau, and Tualatin Valley Water District Annual Financial Statements and Records

**TUALATIN VALLEY WATER DISTRICT**  
**MAJOR EMPLOYMENT INDUSTRIES IN WASHINGTON COUNTY, OREGON**  
**CURRENT YEAR AND TEN YEARS AGO**

<b><u>Industry</u></b>	<b><u>March 31, 2017</u></b>			<b><u>June 30, 2008</u></b>		
	<b><u>Employees</u></b>	<b>Percentage of <u>Work Force</u></b>	<b><u>Rank</u></b>	<b><u>Employees</u></b>	<b>Percentage of <u>Work Force</u></b>	<b><u>Rank</u></b>
Professional & Business Services	52,729	18.60%	1	35,626	14.25%	3
Trade, Transportation, & Utilities <i>includes wholesale and retail trade</i>	49,322	17.39%	2	50,275	20.10%	1
Manufacturing <i>includes computer &amp; electronic, metals, machinery, plastics and rubber, food, other</i>	47,863	16.88%	3	45,022	18.00%	2
Education & Health Services	34,393	12.13%	4	26,760	10.70%	4
Leisure & Hospitality	25,361	8.94%	5	21,072	8.43%	6
Government <i>Federal, State, &amp; Local</i>	23,941	8.44%	6	23,146	9.26%	5
Construction	15,065	5.31%	7	14,559	5.82%	7
Financial Activities <i>includes finance, insurance, real estate</i>	14,377	5.07%	8	13,964	5.58%	8
Other Services <i>includes repair &amp; maintenance, membership organizations, laundry services &amp; unclassified</i>	9,985	3.52%	9	7,825	3.13%	10
Information <i>includes publishing, telecommunications, ISP's, other</i>	7,801	2.75%	10	7,997	3.20%	9
Natural Resources & Mining	2,719	0.95%	11	3,844	1.56%	11
<b>Total Employment</b>	<b>283,556</b>	<b>100.00%</b>		<b>250,090</b>	<b>100.00%</b>	

Source: Oregon Employment Department Quality Information (QCEW) for Washington County  
First Quarter 2017 most recent information available at publication time

**TUALATIN VALLEY WATER DISTRICT**  
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY**  
**LAST TEN FISCAL YEARS**

*Full-Time-Equivalent Employees as of June 30,*

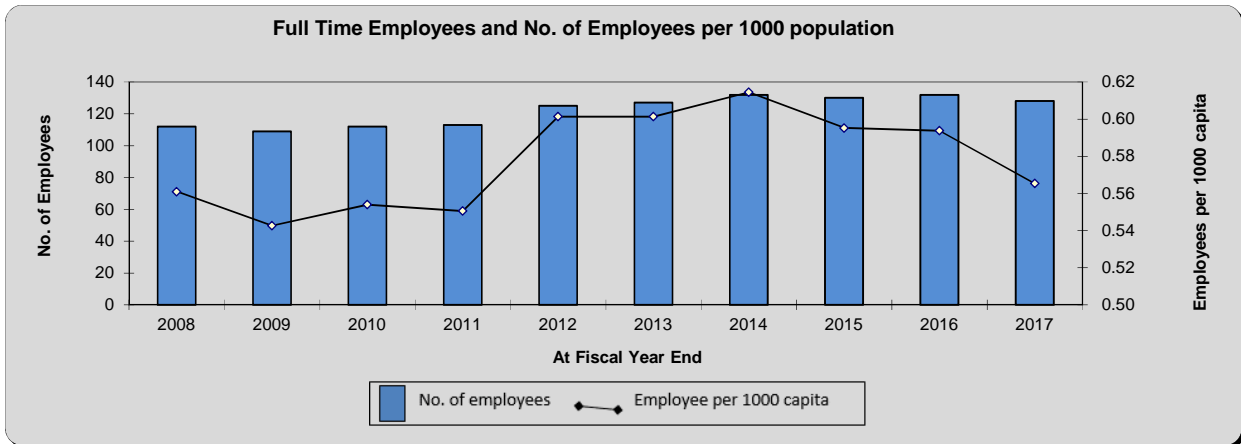
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>WATER:</b>										
Distribution	9	9	9	10	10	10	9	8	8	8
Maintenance	15	18	18	18	19	19	16	17	16	19
Water Quality	6	4	6	3	3	3	4	5	3	3
<b>ENGINEERING/INSPECTION/ CONSTRUCTION:</b>										
Engineering	8	10	11	16	14	12	9	8	10	11
Inspections	2	2	2	3	3	3	3	3	3	3
Construction	7	7	7	8	6	6	6	6	6	7
<b>ADMINISTRATION:</b>										
Executive Administration	7	7	7	9	9	10	6	6	6	6
Human Resources	2	3	3	2	2	2	4	4	5	3
Conservation/Public Outreach	4	4	4	6	5	5	6	6	6	3
Billing/Customer Service	14	12	12	12	12	12	12	12	11	12
Meter Reading/Field Customer Serv	14	14	13	14	14	14	12	12	12	12
Finance and Accounting	11	11	11	11	10	10	9	9	9	10
Information Services	7	8	8	7	8	8	8	7	5	6
<b>OPERATIONS ADMINISTRATION:</b>										
Administration	4	5	4	3	2	2	2	2	2	2
Safety & Security	2	2	2	2	2	2	2	2	2	2
Building & Grounds	4	7	7	6	6	5	3	3	3	3
Fleet	2	2	2	2	2	2	2	2	2	2
<b>Willamette Water Supply Program:</b>										
Excutive Administration	1	1	1							
Administration	3	1	0							
Engineering	4	3	1							
Finance and Accounting	1	1	0							
Public Outreach	1	1	2							
<b>TOTAL EMPLOYEES:</b>	128 <sup>[1]</sup>	132 <sup>[2]</sup>	130 <sup>[3]</sup>	132 <sup>[2]</sup>	127 <sup>[3]</sup>	125 <sup>[3]</sup>	113	112	109	112
Estimated Population	226,400	222,304	218,399	214,812	211,186	207,849	205,236	202,166	200,872	199,664
# Employees per 1000 population	0.57	0.59	0.60	0.61	0.60	0.60	0.55	0.55	0.54	0.56

<sup>[1]</sup> There are 6 Part-Time Interns/Summer Help included in this number

<sup>[2]</sup> There are 9 Interns/Summer Help included in this number

<sup>[3]</sup> There are 10 Interns/Summer Help included in this number

Source: Tualatin Valley Water District Payroll Records



**TUALATIN VALLEY WATER DISTRICT**  
**CUSTOMER ACCOUNT WRITE OFFS AS A PERCENTAGE OF SALES**  
**LAST TEN FISCAL YEARS**

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<i>Fiscal Year</i> <i>Ending</i>	<i>Water Sales</i>	<i>Write Offs</i>	<i>% of Sales</i>
2017	52,461,679	\$67,801	0.13%
2016	48,728,635	75,948	0.16%
2015	39,727,111	70,383	0.18%
2014	35,013,145	98,724	0.28%
2013	34,169,338	82,957	0.24%
2012	30,666,849	107,647	0.35%
2011	29,471,827	148,881	0.51%
2010	27,832,036	147,651	0.53%
2009	27,907,216	141,179	0.51%
2008	28,161,719	94,790	0.34%

**BAD DEBT RESERVES AS A PERCENTAGE**  
**OF ACCOUNTS RECEIVABLE BALANCE**  
**LAST TEN FISCAL YEARS**

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<i>Fiscal Year</i> <i>Ending</i>	<i>Year End</i> <i>A/R Balance</i>	<i>Reserves</i>	<i>% of A/R</i>
2017	15,655,053	\$300,092	1.92%
2016	11,401,881	266,800	2.34%
2015	8,377,842	218,303	2.61%
2014	5,778,352	144,888	2.51%
2013	5,301,577	138,846	2.62%
2012	4,525,639	127,529	2.82%
2011	4,137,284	144,230	3.49%
2010	4,030,303	57,221	1.42%
2009	5,526,432	126,551	2.29%
2008	5,365,160	228,764	4.26%

Source: TVWD financial records

**TUALATIN VALLEY WATER DISTRICT**  
**OPERATING AND CAPITAL INDICATORS**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>DRINKING WATER</u></b>					
Water Storage Capacity (MG)	67.46 <sup>[5]</sup>	59.35	59.35	59.60	58.28
Miles of Water Mains	787	780 <sup>[1]</sup>	776 <sup>[1]</sup>	788	778
Number of Reservoirs	24	22 <sup>[2]</sup>	22 <sup>[2]</sup>	22	21
Number of Pump Stations	12 <sup>[5]</sup>	11 <sup>[4]</sup>	12 <sup>[3]</sup>	13	12
Peak-Day Consumption (MG)	40.62	43.44	41.59	39.96	38.17
Average Consumption (MGD)	21.88	22.54	22.09	19.50	19.02
Minimum-Day Consumption (MG)	14.92	10.97	10.77	10.49	10.49
Annual Consumption (MG)	7986	8250	8063	7118	6942
<b><u>ENGINEERING/INSPECTION/ CONSTRUCTION</u></b>					
Inspections Conducted	351	450	504	387	432

<sup>[1]</sup> Water Mains greater than 2 inches from District GIS data layer

<sup>[2]</sup> Cornell Reservoir offline, not included in count

<sup>[3]</sup> Bonny Slope pump station taken out of service

<sup>[4]</sup> Banister pump station taken offline

<sup>[5]</sup> Ridgewood View online

MG = million gallons

MGD=millions of gallons per day

Source: Tualatin Valley Water District Records

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<b><i>2012</i></b>	<b><i>2011</i></b>	<b><i>2010</i></b>	<b><i>2009</i></b>	<b><i>2008</i></b>
59.18	63.25	63.25	54.45	54.43
769	765	764	762	760
23	25	25	25	24
12	12	12	11	11
33.27	39.00	44.97	44.02	45.07
18.65	18.92	18.87	21.60	21.94
11.70	11.60	11.16	11.45	13.05
6826	6904	6886	7884	8028
297	207	909	846	819

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**Tualatin Valley Water District**



Delivering the Best Water  Service  Value



# Other Comments and Disclosures



## Outreach and Community Events

TVWD believes that an informed public is key to customers having confidence in their water supply. Throughout the year, TVWD employees present at a variety of community events, such as neighborhood association meetings, church groups, farmers' markets, and schools. Most of these events are used to inform area residents (both children and adults) about the importance of what we do and how to use water wisely. In addition, TVWD regularly customizes presentations for businesses or civic groups on water-related topics of interest. For more information about TVWD's speaker's bureau, email [outreach@tvwd.org](mailto:outreach@tvwd.org), or call 503-848-3036.

*Pictured: TVWD Staff talk about water issues at a local business*



## **Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Oregon Auditing Standards**

Board of Commissioners  
Tualatin Valley Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America the basic financial statements of Tualatin Valley Water District (the "District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Tualatin Valley Water District's basic financial statements, and have issued our report thereon dated December 8, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 a 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. We did identify a deficiency in internal control over financial reporting that we consider to be material weaknesses as defined above. Discussion of this deficiency can be found in our Communication to Those Charged with Governance and Internal Control Related Matters dated December 8, 2017.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance of 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 accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

## **Purpose of this Report**

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



Julie Desimone, Partner  
for Moss Adams LLP  
Portland, Oregon  
December 8, 2017



# Tualatin Valley Water District



Delivering the Best Water  Service  Value

## About Us

TVWD provides drinking water to a fast-growing urban region in Washington County, Oregon, which includes the communities of Aloha, Bethany, Cedar Hills, Cedar Mill, Cooper Mountain, Progress, Metzger, and Rock Creek; and parts of the cities of Beaverton, Hillsboro, and Tigard. As the second largest water provider in Oregon, the District provided 40.6 million gallons of water on the peak day in fiscal year 2017 to about 62,400 residential and business customers, with a population of 226,400 people. TVWD serves major employers such as Intel, Nike, Reser's Fine Foods, and Providence St. Vincent Medical Center.

*Pictured: TVWD's Ridgewood View Reservoir and Pump Station  
Photo courtesy of Shannon & Wilson, Inc.*