

Comprehensive Annual Financial Report



The Willamette River

**For the fiscal years ended
June 30, 2018 and 2017**

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

TUALATIN VALLEY WATER DISTRICT
Washington County, Oregon

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2018 and 2017

Prepared by
Finance Department

TUALATIN VALLEY WATER DISTRICT
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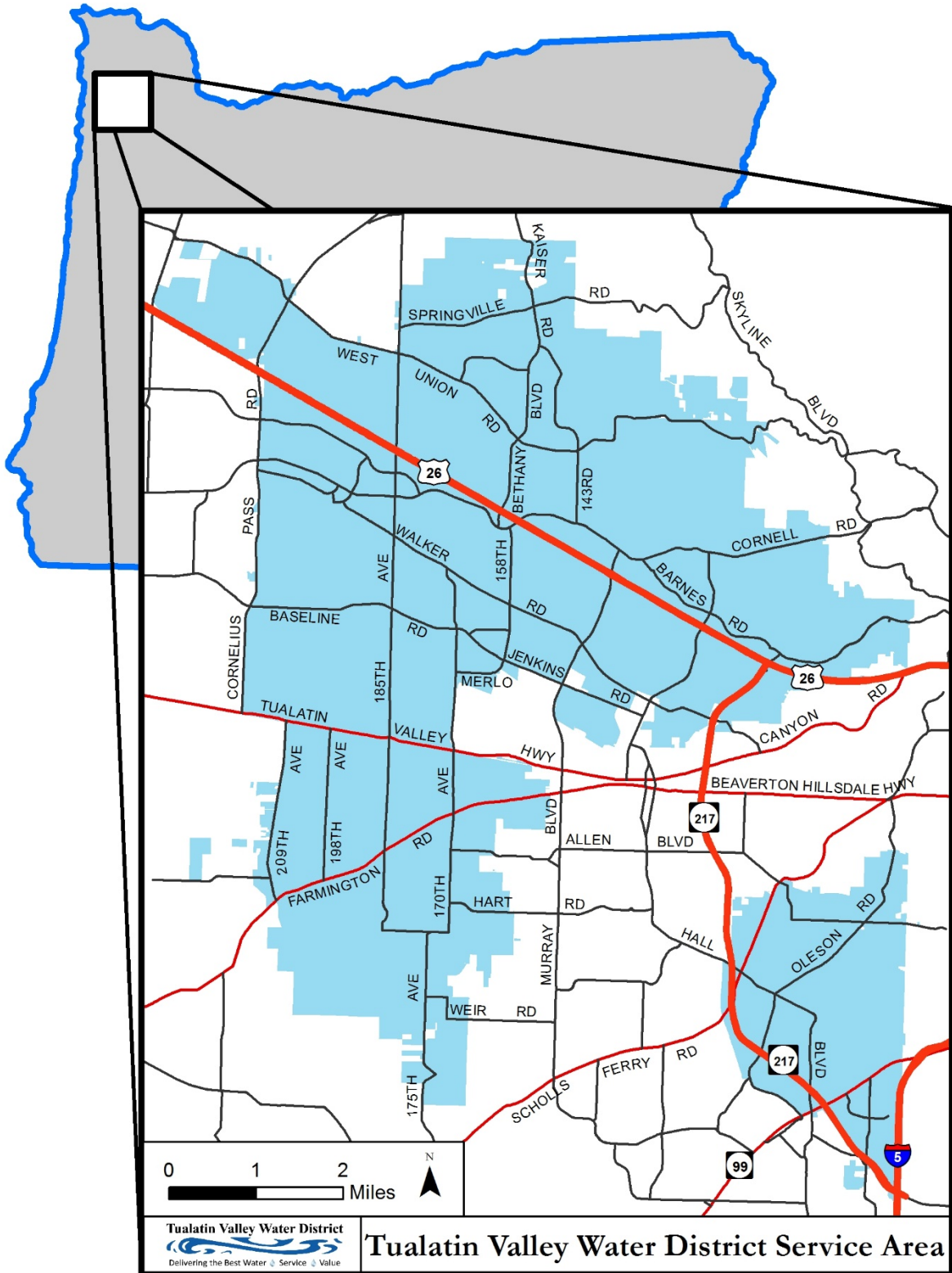
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Download an
electronic copy at
<http://www.tvwd.org/CAFR.pdf>



Service Area as of June 30, 2018

Tualatin Valley Water District, Washington County, Oregon



Tualatin Valley Water District
Delivering the Best Water • Service • Value

Tualatin Valley Water District Service Area

Introductory Section



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

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

TUALATIN VALLEY WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

COMMISSIONERS AS OF JUNE 30, 2018

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

REGISTERED AGENT

Mark Knudson, PE, Chief Executive Officer

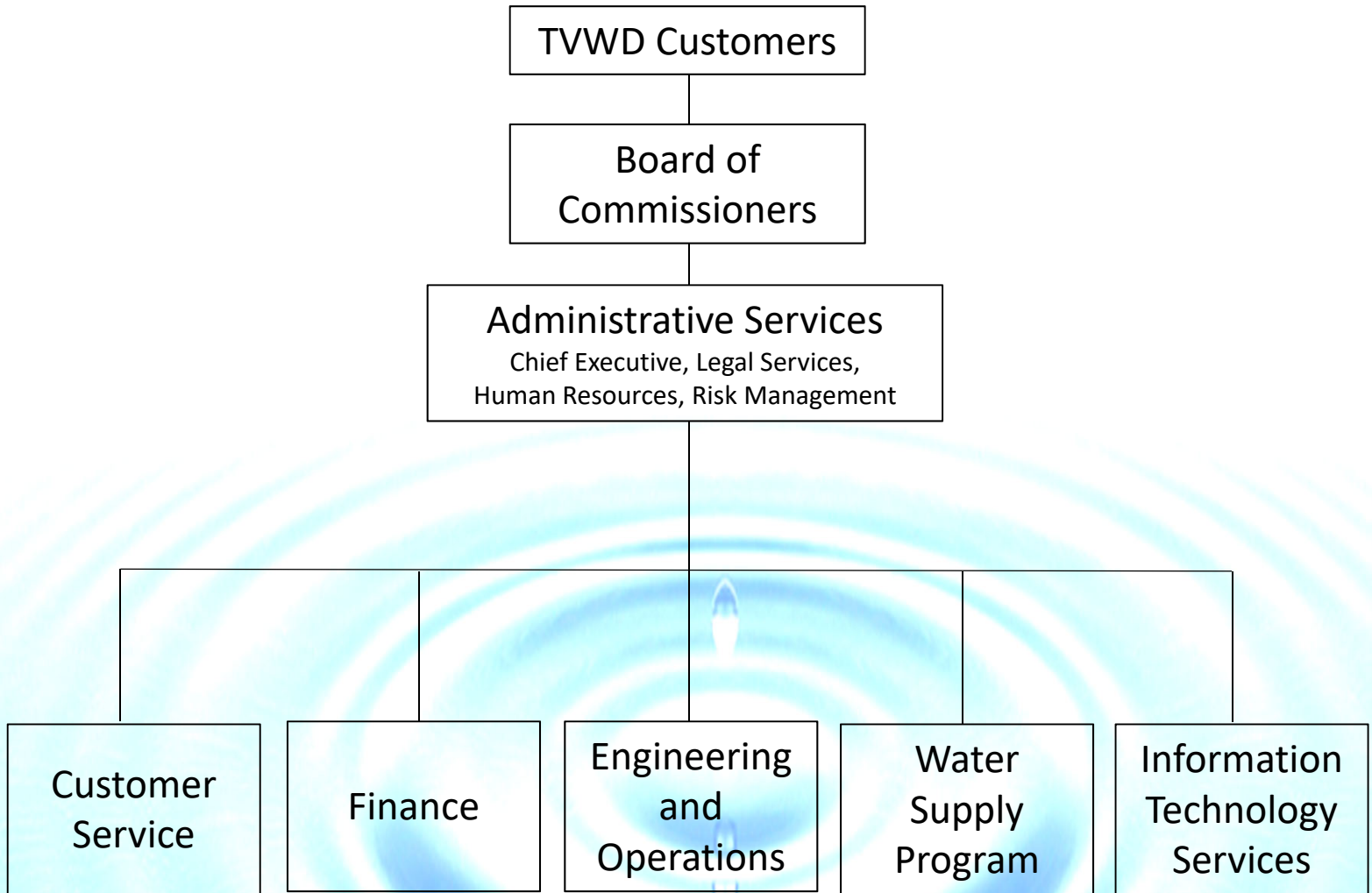
REGISTERED OFFICE

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
David Kraska, PE, Director, Water Supply Program
Tim Boylan, Information Technology Services Director
Amy Blue, 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, 2017

Christopher P. Morrill

Executive Director/CEO



Tualatin Valley Water District



Delivering the Best Water  Service  Value

November 26, 2018

To: President Bagnall 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, 2018. Management is responsible for the representations contained herein. We believe the data presented to be accurate in all material respects and that the manner of presentation fairly discloses the financial condition of the District as of June 30, 2018, and the results of operations for FY 2017-18.

Moss Adams LLP has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2018. The independent auditor's report on the District's financial statements is located in the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Tualatin Valley Water District

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, 2018, the District served 62,985 connections and an estimated population of 228,800. Population growth in the District has averaged about 1.3% annually during the past 10 years.

Located in northwestern Oregon, Washington County is one of the counties that comprise the Portland Metropolitan Statistical Area. In the early 20th century, the economy of the Washington County area grew because of fertile agricultural and timberlands, and its access to the Willamette and Columbia rivers. In the mid-20th century the area began developing as a suburb of Portland, and has since developed its own economic base, which includes high technology, retail trade, and distribution. Large private employers include Intel, Nike, Maxim Integrated Products, Reser's Fine Foods, and Providence Health Systems.

The District's primary purpose is the supply of potable water to residents and local businesses and to supply water for fire protection purposes. In addition to serving water customers, the District provides contracted services to neighboring utilities for services such as meter reading and utility billing.

The District also provides management and accounting services to the Willamette River Water Coalition (WRWC) and the Willamette Intake Facilities Commission (WIF). 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 WIF was formed in 2018 as a joint venture between the District and the cities of Hillsboro, Sherwood, Tigard, Wilsonville, and Beaverton, and was created to provide for the management, operations, and capital needs of the Willamette intake facility. Financial statements for the WIF are prepared and audited separately. The District reflects its shares of the WRWC and WIF as investments in joint ventures in the Statements of Net Position.

The District ended FY 2018 in a strong financial position with combined cash reserves and investments of \$120.9 million. This includes resources of \$14.7 million for contingency reserves appropriated in the 2017-19 biennial budget, \$2.6 million restricted for capital projects, and \$40.9 million not appropriated. The District is deliberately retaining a high level of reserves in anticipation of significant investments in the Willamette Water Supply System (WWSS).

The District prepares a biennial budget, which serves as the foundation for the District's budgetary control. A budget is prepared for each fund and the budget is adopted by fund and by major functional category (e.g. personnel services).

For budgetary information on the 2017-19 biennium please refer to the *Budget Basis Schedules* beginning on page 63.

Local Economy

The District is located in suburban Washington County, Oregon. Washington County's population growth has outpaced growth in the rest of the state for over two decades. Based on the most recent data available, Washington County's population as of July 2018 was estimated to be 589,000 which is about 14.5% 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 (11.2% compared to 8.1%) during the five-year period ending July 1, 2017.

Median household income in Washington County is the highest in Oregon. Based on the most recent US Census data available (2016), the county's median household income is \$69,743 and is almost 31% higher than the state-wide median household income.

Real market value of property in Washington County was \$112.2 billion in FY 2018, an increase of 10.6% from the prior year. Real market value in the County has increased at an annualized average rate of 3.51% 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 since 2013. During the past ten years, real market value has increased 41.8%.

The County's unemployment rate decreased from 3.3% in FY 2017 to 3.2% in FY 2018, marking a slowdown in the rate that unemployment has fallen over recent years. However, this is the ninth year in a row of improved employment data. Construction, natural resources, and hospitality showed the most growth during the past year. Gains were also reported in trade and transportation, professional and business services, and the education/health sectors of the job market.

In contrast, the state unemployment rate was 4.0% at the end of FY 2018. 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 service connections added each year. The total number of water meters serving the District's customers has increased about 1.0% annually during the ten-year period ending June 30, 2018. In FY 2018, the District's net increase in meters was 608 for a total of 62,985, an increase of 1.0% over the year ended June 30, 2017.

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.

Approximately 5.5% of meter connections serve commercial and industrial customers. However, these customers comprised about 31% of the District's retail water usage in FY 2018. Non-residential water use has held steady at between 29% and 31% of total District usage during the past five years.

During FY 2018, the District sold 11.0 million CCF (hundred cubic feet, about 748 gallons) of water, a 7.2% increase from FY 2017. The local region experienced about a 42% decrease in rainfall in FY 2018 over the prior year, contributing to the increase in water sales. During the previous five-year period, water usage has averaged 10.6 million CCF.

Operating revenues were \$66.9 million in FY 2018 or 20.5% higher than FY 2017. Water sales, which comprise 95.2% of the District operating revenues, increased by \$11.4 million from FY 2017, largely due to annual rate increases for operations and infrastructure investments.

A more complete discussion of the District's financial condition is presented in the *Management Discussion and Analysis (MD&A)* beginning on page 15.

Long-term financial planning and major initiatives

The District has adopted a mission statement, vision, and values as shown below. These are the guiding principles used when making strategic and long-term planning decisions.



In 2012, the Board adopted a set of desired results to reinforce its policy objectives and decision-making. 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).

The District’s strategic planning process results in the identification of key initiatives for the biennium. 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.

The District uses a 30-year financial forecasting model, a six-year capital improvement plan, and a two-year budget to help plan for future financial needs. Unrestricted net position has increased steadily as the District prepares for its investment in the WWSS. However, the District is also planning for other improvements to the water system and to core components of its information technology and administrative infrastructure.

In April 2018, the District and the cities of Hillsboro, Sherwood, Wilsonville, Tigard, and Beaverton formed the Willamette Intake Facilities Commission which is an ORS Chapter 190 entity that will own and manage the Willamette Intake Facilities in Wilsonville. This is an integral part of the WWSS, which is scheduled to be in operation in 2026.

The District and the City of Hillsboro executed a ground lease with the City of Wilsonville, which allows the placement of approximately three and one-half miles of large diameter pipeline from the raw water intake to connect with other parts of the WWSS. The ground lease ends in 2115.

The District works with Washington County and cities along the proposed pipeline route to coordinate projects. In FY 2018, substantial progress was made in laying pipeline along 124th Avenue, Cornelius

Pass Road, and Kinsman Road. In addition, the District acquired property to site the future water treatment plant which will be a critical part of the WWSS.

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.

In FY 2018, the District executed a service area agreement with the City of Beaverton which provides certainty for District service area boundaries and a method to manage City of Beaverton withdrawals through an orderly process. The agreement is in effect until 2058.

The District has determined that its legacy custom-developed utility billing system is reaching the end of its useful life and should be replaced with a commercial, off-the-shelf customer information system (CIS). The 2017-19 biennium budget includes resources for a replacement strategy, including assessment and implementation phases. The District is working with its utility billing partner Clean Water Services on this project. During FY 2018, both agencies executed an intergovernmental agreement for the project's first phase. Both agencies agreed on a professional services strategy for the implementation phase and new system after go-live. District staff began to analyze current meter-to-cash business processes during FY 2018 in advance of a full needs assessment, which will take place during FY 2019. This project will continue for several years; the implementation is expected to be completed during FY 2021.

The District implemented a new PCI-compliant payment processing system during FY 2018.

The District demolished Grabhorn Reservoir during FY 2018 and work is underway to replace it with a 5.0 MG seismically-resilient pre-stressed concrete reservoir. Construction is anticipated to be completed in mid-2019.

Safe, reliable drinking water is the District's number one priority. The District conducts regular water testing to confirm that all water meets or is better than federal and state drinking water standards. While the District routinely tests for more than 200 contaminants, three substances received substantial media attention in our region in recent years: cyanotoxins; lead; and, *Cryptosporidium*. No cyanotoxins were detected in the District's water supplies during FY 2018. For many years prior to 2017, the District participated in a joint lead-monitoring program with the Portland Water Bureau. In May 2017, TVWD implemented a District-specific monitoring program, with resulting reported lead levels well below the Environmental Protection Agency action level. The Portland Water Bureau, which provides about 70% of TVWD's supply, has detected very low levels of *Cryptosporidium* in the Bull Run Watershed on a few occasions in the last 18 months; however, there is no evidence of a health risk to the public given the low levels detected. As a customer of the Portland Water Bureau, the District continues to monitor the situation.

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 reviewed periodically and amended as needed to maintain compliance with statutory requirements.
- 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 30. A budget is prepared biennially, by fund, to control the District's operations. During the budget process, a six-year capital improvement program (CIP) is revised and adopted. The first two years of the six-year CIP are appropriated in the biennial budget.

2. **FY 2018 Financial Operating Results.** A discussion of the FY 2018 operating results and changes in net position is contained in the *MD&A* in the Financial Section beginning on page 15.

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.

Awards

Several District staff serve as committee members and officers for national and regional professional organizations. These include the American Water Works Association (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 2018:

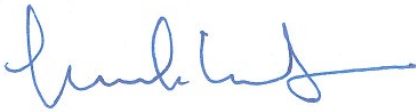
1. **Comprehensive Annual Financial Report.** The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017. This is the 28th consecutive 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 2018 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.

- **Biennial Budget.** For the eighth consecutive two-year period, GFOA presented the award for *Distinguished Budget Presentation* to the District for its 2017–2019 Biennial Budget. 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. In addition to receiving the award, the budget received Special Capital Recognition, presented for outstanding ratings on specific criteria pertaining to capital. This includes a comprehensive and well explained presentation of capital improvement plans and descriptions on how capital projects affect current and future operating costs.
2. **Industry Leadership.** The District received two Excellence in Communication awards from the Pacific Northwest Section of the American Water Works Association. The first award was for internal communication for National Preparedness Month where the District provided hands-on trainings on water storage and emergency kit preparation. The second was for community outreach for the Grabhorn Reservoir replacement project, which generated no public comments at the land use permit hearing.

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

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Financial Section



*TVWD's FY 2018 Board of Commissioners
pictured left to right: Dick Schmidt, Bernice Bagnall,
Richard Burke, Jim Duggan, Jim Doane.*

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 appoints the Chief Executive Officer. Board meetings are typically held the third Wednesday of each month and Board work sessions are typically held the first Tuesday of each month. Visit tvwd.org for meeting dates and times.

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, 2018 and 2017, 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, 2018 and 2017, 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 (asset)/liability, schedule of District pension plan contributions, schedule of the District's total other postemployment benefit liability, and the schedule of other postemployment benefit 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 November 26, 2018, 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
November 26, 2018

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018, and 2017. 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, 2018 were \$462.7 million and include net capital and leased assets of \$266.3 million; investments in joint ventures of \$45.9 million; non-utility property of \$4.4 million; total current assets of \$141.1 million; and total deferred outflows of resources of \$5.0 million. Overall, total assets and deferred outflows of resources for the District increased 13.5% from FY 2017 and 24.0% since FY 2016.
- The District's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) on June 30, 2018, by \$417.3 million. This amount reflects an increase of \$38.9 million or 10.3% from FY 2017 and 17.6% since FY 2016. For the fiscal year ended June 30, 2018, unrestricted net position in the amount of \$172.2 million includes \$118.4 million in cash and investments that may be used to meet the District's ongoing obligations. This represents an 18.6% increase in unrestricted cash and investments from FY 2017 and 28.6% since FY 2016.
- At June 30, 2018, net capital and leased assets were \$266.3 million, an increase of 12.8% from FY 2017 and 20.3% since FY 2016. Long-term liabilities total \$23.8 million, an increase of 33% from FY 2017 and 209% from FY 2016. These fluctuations are primarily related to leases and pension liabilities. The District adopted *GASB Statement No. 87, Leases* in FY 2018 which includes retrospective reporting of lease liabilities. Lease liabilities were \$8.9 million in FY 2018 and \$0.9 million in FY 2017, the increase being largely attributable to the District's share of the Wilsonville ground lease related to the Willamette Water Supply System. Pension liabilities have varied significantly each year. The District's net pension liability was \$13.7 million in FY 2018, \$15.2 million in FY 2017, and \$6.3 million in FY 2016.
- Operating revenues for FY 2018 were \$66.9 million, an increase of \$11.4 million or 20.5% from FY 2017 and a 27.4% increase since FY 2016. The FY 2017 and FY 2018 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 2018 were \$38.5 million, reflecting an overall increase of 1.9%, or \$0.7 million over the previous year. Operating expenses have decreased 3.8% since FY 2016. Water purchases increased by \$0.5 million in FY 2018 and \$1.1 million since FY 2016. Labor and benefit costs increased by \$0.9 million or 5.1% in FY 2018 but decreased by \$1.5 million or 7.5% since FY 2016. These variances are largely because of pension costs.
- Overall, the District's operating income was \$28.4 million for FY 2018 as compared to \$17.7 million in FY 2017, and \$12.5 million in FY 2016. Operating revenues continue to exceed the cost of operations as required by the District's financial policies. In FY 2018, the District generated an

operating margin of 42.5% as compared to 31.9% in FY 2017 and 23.8% in FY 2016. Recent increases in operating income are intended to smooth future rate increases required to support investments in the Willamette Water Supply System and other District capital improvements.

- Net nonoperating revenues (expenses) were \$1.7 million in FY 2018, an increase in net revenue of \$2.3 million from FY 2017. Interest income increased by \$0.7 million in FY 2018, reflecting the District's increasing portfolio balance and rising interest rates. The District reported net gains on disposals of capital assets in FY 2018 of \$1.3 million compared to a loss of \$0.6 million in FY 2017. This largely reflects the disposal of water treatment plant assets that were subsequently contributed to a new joint venture, the Willamette Intake Facilities Commission (WIF).
- 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). In subsequent years, operating expenses have fluctuated significantly as a result of reporting the District's proportionate share of pension expense.

At June 30, 2018 the District reported a net pension liability of \$13.7 million, a decrease of \$1.5 million or 9.8% from the net pension liability of \$15.2 million reported in FY 2017, and an increase of \$7.4 million or 117.5% since FY 2016. The District reported pension expense of \$1.3 million in FY 2018 compared to \$1.5 million in FY 2017 and \$4.5 million in FY 2016. For more information, refer to the *Pension Plan* section beginning on page 45 in *Notes to Basic Financial Statements*.

- The District implemented GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions* in FY 2018. This statement changed the way OPEB is reported and required a restatement of the FY 2017 OPEB obligation. The District's total OPEB liability decreased from \$1.7 million in FY 2017 to \$1.2 million in FY 2018, a decrease of 29.4%. For more information, refer to *Postemployment Benefits Other Than Pensions* on page 51 in the *Notes to Basic Financial Statements*.
- The District implemented GASB Statement No. 87, *Leases* in FY 2018. This statement changed the way that the District reports lease liabilities and the assets underlying the lease obligation. Leased assets are reported on the *Statement of Net Position* and are amortized over the life of the lease. Lease liabilities are reported at the present value of future payments and are adjusted over time by interest and payments. Leased assets of \$1.0 million and liabilities of \$0.9 million were reported as of June 30, 2017. Net position was restated by \$0.1 million. For more information refer to page 35 of 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 use in 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 the change in net position 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 during 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 18, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$417.3 million on June 30, 2018 and reflects an increase of \$38.9 million or 10.3% over the District's net position at the close of FY 2017 and \$62.5 million or 17.6% since FY 2016.

Net investment in capital assets is by far the largest portion of the District's net position (\$242.5 million or 58.1% 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.

Investments 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), the Willamette River Water Coalition (WRWC), and the Willamette Intake Facilities Commission (WIF). Losses at JWC, BRJOC, and WIF consist of depreciation of the plant assets allocated to the partners. The WIF was created in April 2018 as a joint venture to manage the intake facilities at the Willamette River in Wilsonville. For more information, refer to *Investments in Joint Ventures* on page 39 in *Notes to Basic Financial Statements*.

Table 1
Net Position (in millions)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Difference</u> <u>2018-2017</u>	<u>Difference</u> <u>2018-2016</u>
Current assets	\$ 141.1	\$ 117.4	\$ 104.7	\$ 23.7	\$ 36.4
Investments in joint ventures	45.9	41.7	41.2	4.2	4.7
Leased Assets	8.7	0.9	-	7.8	8.7
Non-utility property	4.4	4.4	4.4	-	-
Capital assets	<u>257.6</u>	<u>235.2</u>	<u>221.3</u>	<u>22.4</u>	<u>36.3</u>
Total Assets	<u>457.7</u>	<u>399.6</u>	<u>371.6</u>	<u>58.1</u>	<u>86.1</u>
Deferred outflows of resources	<u>5.0</u>	<u>8.1</u>	<u>1.5</u>	<u>(3.1)</u>	<u>3.5</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 462.7</u>	<u>\$ 407.7</u>	<u>\$ 373.1</u>	<u>\$ 55.0</u>	<u>\$ 89.6</u>
Long-term liabilities	\$ 23.8	\$ 17.9	\$ 7.7	\$ 5.9	\$ 16.1
Current liabilities	<u>20.5</u>	<u>10.7</u>	<u>9.0</u>	<u>9.8</u>	<u>11.5</u>
Total Liabilities	<u>44.3</u>	<u>28.6</u>	<u>16.7</u>	<u>15.7</u>	<u>27.6</u>
Deferred inflows of resources	1.1	0.8	1.7	0.3	(0.6)
Net investment in capital assets	242.5	232.1	217.0	10.4	25.5
Restricted	2.6	-	-	2.6	2.6
Unrestricted	<u>172.2</u>	<u>146.3</u>	<u>137.8</u>	<u>25.9</u>	<u>34.4</u>
Net Position	<u>\$ 417.3</u>	<u>\$ 378.4</u>	<u>\$ 354.8</u>	<u>\$ 38.9</u>	<u>\$ 62.5</u>

As previously noted, net investment in capital assets represents the largest portion of the District's net position at \$242.5 million. Restricted net position of \$2.6 million consists of cash and investments restricted for capital projects relating to the Willamette Water Supply Program. The remaining balance of the District's net position of \$172.2 million is unrestricted and includes \$118.4 million in cash and investments that may be used to meet the District's ongoing obligations.

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 \$38.9 million, an increase of 10.3% from FY 2017 and 17.6% or \$62.5 million since FY 2016. 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 \$66.9 million in operating revenues, an increase of \$11.4 million or 20.5% from FY 2017, and \$14.4 million or 27.4% since FY 2016. 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, increased by 1.9% from \$37.8 million in FY 2017 to \$38.5 million in FY 2018. Overall, operating expenses have decreased 3.8% since FY 2016, primarily resulting from increases in purchased water and fluctuations in labor and benefit expenses due to the implementation of GASB 68. Operations and maintenance expenses decreased by \$0.3 million in FY 2018 and \$1.3 million in FY 2017 or 16.3% since 2016, primarily from cost savings in general and administrative expenses.
- The District generated operating income of \$28.4 million in FY 2018, which produced an operating margin of 42.5% as compared to 31.9% in FY 2017 and 23.8% in FY 2016. 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 \$1.7 million in FY 2018 as compared to (\$0.6) million in FY 2017 and (\$0.5) million in FY 2016. Significant components of this change were increased investment income due to higher cash and investment balances coupled with rising interest rates, and the disposal of capital assets which were subsequently contributed to the WIF by the District and its partners.
- Contributions of capital for FY 2018 were \$8.8 million as compared to \$6.6 million in FY 2017 and \$16.1 million in FY 2016. Capital contributions vary year-to-year based on the level of development activity.
- The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* and GASB Statement No.87, *Leases* in FY 2018. The cumulative adjustment for changes in accounting principle in FY 2017 is a reduction of beginning net position due to the implementation of these statements.

TABLE 2
Change in Net Position (in millions)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Difference 2018-2017</u>	<u>Difference 2018-2016</u>
OPERATING REVENUES					
Water service	\$ 63.7	\$ 52.5	\$ 48.7	\$ 11.2	\$ 15.0
Administrative services	3.2	3.0	3.8	0.2	(0.6)
<i>Total Operating Revenues</i>	<u>66.9</u>	<u>55.5</u>	<u>52.5</u>	<u>11.4</u>	<u>14.4</u>
OPERATING EXPENSES					
Water purchased	10.2	9.7	9.1	0.5	1.1
Labor and benefits	18.4	17.5	19.9	0.9	(1.5)
Operations and maintenance	6.7	7.0	8.0	(0.3)	(1.3)
Depreciation expense	7.3	7.0	6.1	0.3	1.2
Less: labor, overhead, and equipment capitalized	<u>(4.1)</u>	<u>(3.4)</u>	<u>(3.1)</u>	<u>(0.7)</u>	<u>(1.0)</u>
<i>Total Operating Expense</i>	<u>38.5</u>	<u>37.8</u>	<u>40.0</u>	<u>0.7</u>	<u>(1.5)</u>
OPERATING INCOME	28.4	17.7	12.5	10.7	15.9
NONOPERATING REVENUES (EXPENSES)					
Discontinued capital projects	-	-	(0.4)	-	0.4
Loss in equity in joint ventures	(0.8)	(0.7)	(0.9)	(0.1)	0.1
Interest income	1.7	1.1	0.7	0.6	1.0
Unrealized gain/(loss) on investments	(0.3)	(0.4)	0.1	0.1	(0.4)
Rental income	0.1	-	-	0.1	0.1
Interest expense	(0.3)	-	-	(0.3)	(0.3)
Disposal of capital assets, net	<u>1.3</u>	<u>(0.6)</u>	<u>-</u>	<u>1.9</u>	<u>1.3</u>
<i>Total Nonoperating Revenues (Expenses)</i>	<u>1.7</u>	<u>(0.6)</u>	<u>(0.5)</u>	<u>2.3</u>	<u>2.2</u>
CAPITAL CONTRIBUTIONS	<u>8.8</u>	<u>6.6</u>	<u>16.1</u>	<u>2.2</u>	<u>(7.3)</u>
CHANGES IN NET POSITION	38.9	23.7	28.1	15.2	10.8
NET POSITION, Beginning of year	378.4	354.8	326.7	23.6	51.7
<i>Adjustment for changes in accounting principles</i>	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>0.1</u>	<u>-</u>
NET ASSETS, Beginning of year, as restated	<u>378.4</u>	<u>354.7</u>	<u>326.7</u>	<u>23.7</u>	<u>51.7</u>
NET POSITION, End of year	<u>\$ 417.3</u>	<u>\$ 378.4</u>	<u>\$ 354.8</u>	<u>\$ 38.9</u>	<u>\$ 62.5</u>

Operating Revenues. Water sales, which comprised 95.2% of the District operating revenues in FY 2018, increased by \$11.2 million from FY 2017. Water sales have increased by \$15 million or 30.8% since 2016, largely because of rate increases to cover operating costs and infrastructure needs. Other operating revenues were \$3.2 million in FY 2018, an increase of \$0.2 million from FY 2017 and a decrease of \$0.6 million from FY 2016.

Other operating revenues consist of reimbursements from other agencies for contractual services performed by the District in addition to right-of-way fees, service fees, permits, and other miscellaneous revenue. Reimbursements from ongoing contracts have been \$1.5 million in each of the fiscal years 2018, 2017, and 2016. Service fees and permits were \$0.6 million in FY 2018 and \$0.7 million in FY 2017 and FY 2016. 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 \$0.8 million in FY 2018 and \$0.2 million in FY 2017 from those customers to fund those fees.

Table 3
Total Revenues and Total Expenses FY 2018 - 2016 (in millions)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Difference 2018-2017</u>	<u>Difference 2018-2016</u>
Operating Revenues	\$ 66.9	\$ 55.5	\$ 52.5	\$ 11.4	\$ 14.40
Non-Operating Revenues	3.1	1.1	0.7	2.0	2.40
Contributed Capital	8.8	6.5	16.1	2.3	(7.30)
Total Revenues	<u>\$ 78.8</u>	<u>\$ 63.1</u>	<u>\$ 69.3</u>	<u>\$ 15.7</u>	<u>9.5</u>
Operating Expenses	38.5	37.8	40.0	0.7	(1.50)
Non-Operating Expenses	1.4	1.6	1.2	(0.2)	0.20
Total Expenses	<u>39.9</u>	<u>39.4</u>	<u>41.2</u>	<u>0.5</u>	<u>(1.3)</u>
Change in Net Position	<u>\$ 38.9</u>	<u>\$ 23.7</u>	<u>\$ 28.1</u>	<u>\$ 15.2</u>	<u>\$ 10.8</u>

Capital Asset and Debt Administration

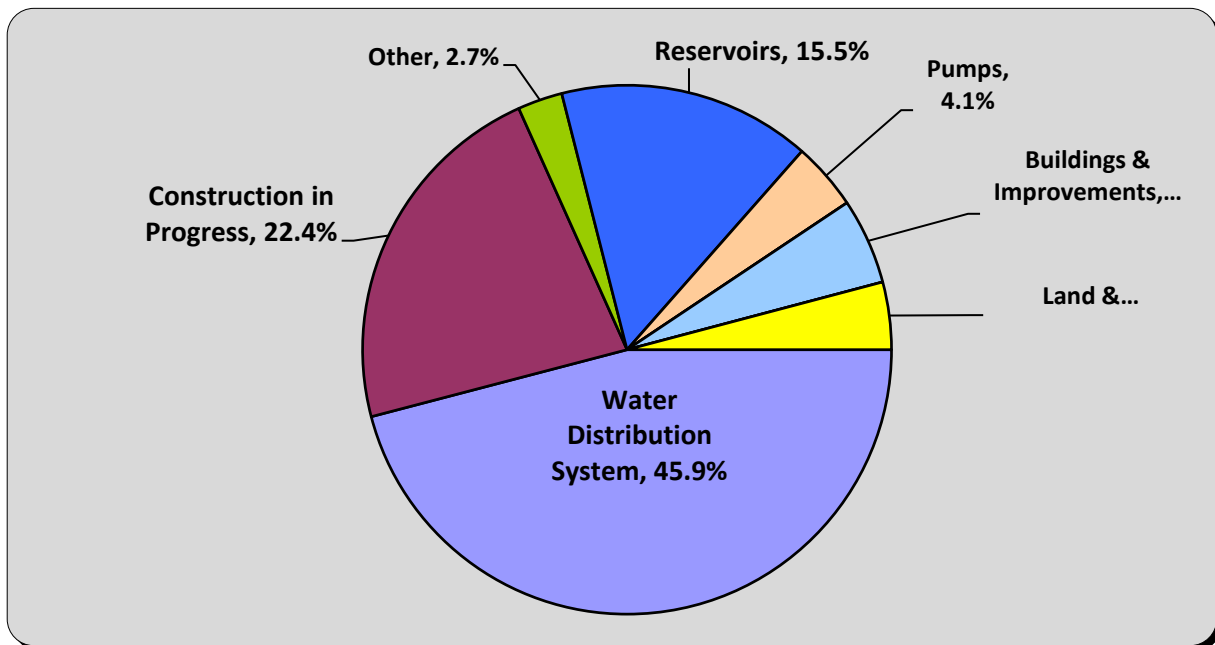
Joint Ventures and Capital Assets Activity

The District continues to report on investments in joint ventures pertaining to its interests in the JWC, BRJOC, the WRWC, and the WIF beginning in FY 2018. Losses recorded by the JWC related to the District were \$0.5 million for FY 2018, \$0.3 million for FY 2017, and \$0.5 million for FY 2016. 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 2018, 2017, and 2016. The WRWC recorded losses of \$0.01 million in fiscal years 2018, 2017, and 2016. The WIF loss of \$0.01 million represents the District's share of depreciation on WIF assets in FY 2018. See page 39 in *Notes to Basic Financial Statements* for additional information on the District's investments in joint ventures.

The District's net investment in capital assets as of June 30, 2018, amounts to \$242.5 million. The District's capital assets include \$63.0 million in non-depreciable land, easements and construction in progress; and \$304.7 million (before depreciation) in buildings, reservoirs, pipelines, pump stations, office, automotive, and construction equipment. Leased assets were \$9.0 million (before amortization) in FY 2018. Leased assets consist of office space and land. Overall, net investment in capital and leased assets increased \$10.4 million or about 4.5% from FY 2017, and \$25.5 million or 11.8% since FY 2016. This net increase indicates that the District continues to invest in 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 42 and 43.

Figure 3 shows the District’s capital and leased asset categories and their percentage portion of the District’s total capital asset value in FY 2018.

Figure 3
Distribution of Utility Plant in Service and Leased Assets
FY 2018



Long-Term Debt Activity

As a result of implementing GASB 87, the District reported lease liabilities of \$8.9 million in FY 2018 and \$1.0 million in FY 2017. During FY 2018 the District executed a lease for subsurface land for the placement of a raw water pipeline and an addendum to the office space lease recorded in FY 2017.

The District had no bonded indebtedness at June 30, 2018, 2017, and 2016.

For more information, refer to *Long-Term Liabilities* on page 44 in *Notes to Basic Financial Statements*.

Economic Factors

In November 2018, the District and the City of Hillsboro were selected by the U.S. Environmental Protection Agency to apply for up to \$616.6 million in long-term, low-cost supplemental loans from the Water Infrastructure Finance and Innovation Act (WIFIA) to construct the Willamette Water Supply System. The WIFIA loan is estimated to save District ratepayers \$231.5 million between 2020 and 2045. More information on WIFIA loans can be found here: <https://www.epa.gov/wifia/wifia-fy-2018-selected-projects-summary-factsheets>

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 170th Avenue, Beaverton, Oregon 97003.

Basic Financial Statements



District staff take more than 5,200 water samples per year.

Safeguarding the Quality of Our Water

Water quality issues have been in the news lately, with some of the regionally-covered topics including cyanotoxins, *Cryptosporidium*, and lead. The District consistently delivers water that complies with all applicable federal and state water quality standards. TVWD and our partners continually test your water supply for approximately 200 contaminants. Sampling is conducted at various locations such as water sources, water treatment facilities, and within the distribution system. For more information, visit tvwd.org/wqreport.

Tualatin Valley Water District



Delivering the Best Water  Service  Value

TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>(Restated) 2017</u>
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 46,006,371	\$ 40,057,371
Cash and cash equivalents - restricted	2,588,788	-
Investments	72,347,780	59,787,040
Accounts receivable, net	17,817,027	15,354,961
Deposits	26,236	29,927
Accrued interest receivable	300,490	177,686
Materials and supplies	1,632,617	1,817,782
Prepaid expenses	364,916	179,284
<i>Total Current Assets</i>	<u>141,084,225</u>	<u>117,404,051</u>
<i>Noncurrent Assets:</i>		
Investments in Joint Ventures	45,907,694	41,645,885
Non-utility property	4,413,857	4,413,857
Leased assets, net of accumulated amortization	8,698,952	934,897
Land, easements & other non-depreciable assets	63,040,810	35,369,296
Utility plant in service, at cost, less accumulated depreciation	194,554,090	199,851,158
<i>Total Noncurrent Assets</i>	<u>316,615,403</u>	<u>282,215,093</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension	4,969,714	8,020,484
Other postemployment benefits	-	74,193
<i>Total Deferred Outflows of Resources</i>	<u>4,969,714</u>	<u>8,094,677</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 462,669,342</u>	<u>\$ 407,713,821</u>

Continued on next page

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

	<u>2018</u>	<u>(Restated) 2017</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	\$ 17,826,513	\$ 7,974,409
Retainage payable	459,977	358,413
Accrued payroll and related expenses	1,166,884	1,158,521
Accrued compensated absences	992,430	915,118
Deposits from developers	61,690	343,305
<i>Total Current Liabilities</i>	<u>20,507,494</u>	<u>10,749,766</u>
<i>Long-Term liabilities, net of current portion</i>		
Net pension liability	13,665,755	15,179,892
Total other postemployment benefits liability	1,191,615	1,652,926
Lease liabilities	8,933,256	1,021,556
<i>Total Long-Term Liabilities</i>	<u>23,790,626</u>	<u>17,854,374</u>
<i>Total Liabilities</i>	44,298,120	28,604,140
DEFERRED INFLOWS OF RESOURCES		
Pension	570,622	776,696
OPEB	515,370	-
<i>Total Deferred Inflows of Resources</i>	<u>1,085,992</u>	<u>776,696</u>
NET POSITION		
Net investment in capital assets	242,506,390	232,050,787
Restricted for capital projects	2,588,788	-
Unrestricted	172,190,052	146,282,198
<i>Total Net Position</i>	<u>417,285,230</u>	<u>378,332,985</u>
<i>Total Liabilities, Deferred Inflows of Resources & Net Position</i>	<u>\$ 462,669,342</u>	<u>\$ 407,713,821</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, 2018 AND 2017

	2018	(Restated) 2017
OPERATING REVENUES		
Water service	\$ 63,730,160	\$ 52,461,679
Administrative services	3,214,641	3,001,965
<i>Total Operating Revenues</i>	66,944,801	55,463,644
OPERATING EXPENSES		
Water purchased	10,161,954	9,693,035
Labor and benefits	18,433,098	17,532,715
Maintenance and repairs	1,462,432	1,557,932
General and administrative	4,853,470	5,073,804
Electricity and other utilities	140,626	146,444
Supplies	220,641	196,007
Depreciation and amortization expense	7,336,782	6,957,712
Less: overhead and equipment usage expenses capitalized to water distribution system	(4,113,466)	(3,377,130)
<i>Total Operating Expenses</i>	38,495,537	37,780,519
OPERATING INCOME	28,449,264	17,683,125
NONOPERATING REVENUES (EXPENSES)		
Discontinued capital projects	-	(17,527)
Gain (loss) in equity in joint ventures	(775,060)	(656,837)
Interest income	1,634,667	1,080,484
Unrealized gain (loss) on investments	(302,492)	(440,187)
Rental income	80,466	25,749
Interest expense	(285,882)	(25,522)
Disposal of capital assets, net	1,335,320	(556,624)
<i>Total Nonoperating Revenues (Expenses)</i>	1,687,019	(590,464)
CAPITAL CONTRIBUTIONS	8,815,962	6,630,821
CHANGES IN NET POSITION	38,952,245	23,723,482
NET POSITION, beginning of year, as previously reported	378,332,985	354,758,670
<i>Adjustment for changes in accounting principles (see note on page 35)</i>	-	(149,167)
NET POSITION, beginning of year, as restated	378,332,985	354,609,503
NET POSITION, end of year	<u>\$ 417,285,230</u>	<u>\$ 378,332,985</u>

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

TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	(Restated) 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 61,348,561	\$ 48,267,548
Receipts from administrative services	3,214,641	3,001,965
Payments to suppliers for goods and services	(12,398,978)	(12,858,668)
Payments from (to) other entities	(277,924)	319,890
Payments to employees for services	(16,888,612)	(15,715,330)
<i>Net cash provided by (used for) operating activities</i>	34,997,688	23,015,405
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(23,093,078)	(19,690,645)
Proceeds from the sale of assets	3,078,728	286,514
Capital contributions	7,309,713	4,703,419
Principal paid on leases	(37,086)	(50,882)
Interest paid	(285,882)	(25,522)
<i>Net cash provided by (used for) capital and related financing activities</i>	(13,027,605)	(14,777,116)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sales and maturities of investments	18,000,000	24,000,000
Purchase of investments	(30,863,231)	(33,980,959)
Interest on investments	1,511,863	1,025,078
Investments in joint ventures	(2,080,927)	(1,058,440)
<i>Net cash provided by (used for) investing activities</i>	(13,432,295)	(10,014,321)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,537,788	(1,776,032)
CASH AND CASH EQUIVALENTS, beginning of year	40,057,371	41,833,403
CASH AND CASH EQUIVALENTS, end of year (including restricted cash and cash equivalents: \$2,588,788 in 2018; \$0 in 2017)	\$ 48,595,159	\$ 40,057,371

Continued on next page

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

	2018	(Restated) 2017
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	\$ 28,449,264	\$ 17,683,125
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	7,336,782	6,957,712
Pension expense	1,330,559	1,454,080
OPEB expense	128,252	91,882
Changes in operating accounts:		
Accounts receivable	(2,381,599)	(4,194,131)
Inventory of materials and supplies	185,165	(740,711)
Prepaid expenses	(185,632)	23,952
Accounts and retainage payable	327,146	1,148,183
Accrued payroll liabilities	85,675	271,423
Deposits	(277,924)	319,890
Net Cash From Operating Activities	<u>\$ 34,997,688</u>	<u>\$ 23,015,405</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital assets contributed by developers	\$ 1,506,249	\$ 1,927,402
Net loss in investments in joint ventures	(775,060)	(666,719)
Unrealized gain (loss) due to change of investment portfolio valuation	(302,492)	(440,187)
Equity contributed to joint venture	(2,955,942)	-
Acquisition of leased assets	7,948,785	-
Additions to lease liabilities	(7,948,785)	-

Continued from previous page

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

DESCRIPTION OF THE DISTRICT

The District

Tualatin Valley Water District (the District) is a municipal corporation organized and operating under Chapter 264 of the Oregon Revised Statutes. The purpose of the District is to supply potable water to its residents and local businesses. The Board of Commissioners consists of five members resident in the District and elected by voters.

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 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. This agreement was amended and renewed during fiscal year 2016 and is renewable in June 2026, and every ten years thereafter, unless a 5-year notice is provided by either party.

The remainder of the District's water is supplied by the Joint Water Commission (JWC) and the Barney Reservoir Joint Ownership Commission (BRJOC), pursuant to a perpetual 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Tualatin Valley Water District is 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.

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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

The District has ownership positions in four joint ventures. One is a source of water, the Barney Reservoir Joint Ownership Commission (BRJOC). The second is for treatment and transmission 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 fourth is the Willamette Intake Facilities Commission (WIF), to manage and operate the Willamette intake facilities which are used to withdraw and transmit water to its members. 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 170th Avenue, Beaverton, OR 97003.

The WIF is a joint venture of the District and the cities of Hillsboro, Beaverton, Sherwood, Tigard, and Wilsonville. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th 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 expenses and materials and services costs which are capitalized.

Non-operating revenues are revenues of the District not directly attributable to the services provided. This includes investment interest, 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, contributions for easements, 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, 2018 AND 2017

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 because of changes in interest rates. Restricted cash and equivalents consist of funds restricted by an external party to be used for capital outlay for the WWSP.

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, 2018 AND 2017

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 improvements	50
Water distribution system	50
Water treatment plants	50-75
Joint Facilities	50
Reservoirs	35-50
Pumps	10-30
Machinery and equipment	3-20

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

Leased Assets

Leased assets are reported at the initial measurement of the lease liability adjusted by initial direct costs and payments made to the lessor at the commencement of the lease, less any lease incentives. Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

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, lease liabilities, 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. 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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

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 inflows and outflows of resources, revenues, and expenses as of, and for the years ended June 30, 2018 and 2017. 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 based on 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 exceed the annual accrual.

Lease Liabilities

Lease liabilities are initially measured at the present value of payments expected to be made during the lease term, including fixed and variable payments, residual guarantees, termination penalties, lease incentives, and any other payments reasonably certain to be made in accordance with the lease agreement.

Adoption of new GASB Pronouncements

In June 2017, GASB issued *Statement No. 87, Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The cumulative effect of adopting this statement is reported as a restatement of net position.

In June 2015, GASB issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The District adopted the provisions of this statement effective June 30, 2018. The cumulative effect of adopting this statement is reported as a restatement of net position.

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. There was no effect on net position from adopting the provisions of this statement.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

RESTATEMENT DUE TO CHANGES IN ACCOUNTING PRINCIPLES

The District adopted the provisions of GASB Statements Nos. 75 and 87 in fiscal year 2018. Net position has been restated as follows:

Net position, beginning, as previously reported	\$ 354,758,670
Cumulative effect of changes in accounting principles:	
Leases	(40,823)
OPEB	(108,344)
	<u>(149,167)</u>
Net position, beginning, as restated	<u>\$ 354,609,503</u>

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.

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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 noticed. The notice must be published 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 notice must contain a summary of changes proposed. The Board approved two supplemental budgets during the year ended June 30, 2018.

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, 2018 AND 2017

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 daily. Investments earned an average yield of 1.49% in 2018 and 1.09% in 2017.

	2018	2017
Cash and cash equivalents - unrestricted	\$ 46,006,371	\$ 40,057,371
Cash and cash equivalents - restricted	2,588,788	-
<i>Total cash and cash equivalents</i>	48,595,159	40,057,371
Investments	72,347,780	59,787,040
<i>Total Cash and Cash Equivalents and Investments</i>	\$ 120,942,939	\$ 99,844,411

	2018	2017
Cash and cash equivalents		
Cash on hand	\$ 1,000	\$ 1,000
Checking and money market accounts	1,329,821	478,584
Oregon State Treasurer's		
Short-Term Investment Fund	47,264,338	39,577,787
<i>Total Cash and Cash Equivalents</i>	\$ 48,595,159	\$ 40,057,371

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

	Ratings:	2018	2018	2017
Investments	Moody's/S&P	Effective	2018	2017
		Duration		
		in years		
US Government securities				
Federal Home Loan Banks	Aaa/AA+	0.90	\$ 13,937,610	\$ 8,989,680
Federal National Mortgage Association	Aaa/AA+	1.30	8,876,690	4,949,500
Federal Home Loan Mortgage Corporation	Aaa/AA+	1.64	6,907,180	4,979,500
Federal Farm Credit Banks	Aaa/AA+	1.70	16,773,010	7,924,060
Corporate Bonds	AA+,AA,AA-,AAA/Aa1,Aa2,Aa	0.57	5,976,360	12,005,490
US Treasury Notes	N/A	0.68	19,876,930	20,938,810
<i>Total Investments</i>		0.68	\$ 72,347,780	\$ 59,787,040

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, 2018:

- 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, 2018 AND 2017

Interest Rate Risk Disclosure

As a means of limiting its exposure to fair value losses from rising interest rates, the District's investment policy has various limitations. The 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:

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

The District targets 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 may 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, 2018 the fair value of the District's position in the LGIP was equal to 100.13% 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 \$48,333,000. 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, 2018 the book balance of the District's bank deposits (checking accounts) was \$1,329,821 and the bank balance was \$1,141,734. 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, 2018 AND 2017

ACCOUNTS RECEIVABLE

	<i>June 30,</i>	
	<u>2018</u>	<u>2017</u>
Water usage charges receivable	\$ 2,693,919	\$ 2,250,777
Unbilled water usage revenue accrued	9,835,147	7,376,645
Other receivables	<u>5,554,151</u>	<u>6,027,631</u>
	18,083,217	15,655,053
Allowance for doubtful accounts	<u>(266,190)</u>	<u>(300,092)</u>
<i>Total Accounts Receivable, net</i>	<u>\$ 17,817,027</u>	<u>\$ 15,354,961</u>

ACCOUNTS PAYABLE

	<i>June 30,</i>	
	<u>2018</u>	<u>2017</u>
Operating-related	3,432,284	3,206,702
Capital-related	<u>14,394,229</u>	<u>4,767,707</u>
<i>Total Accounts Payable</i>	<u>\$ 17,826,513</u>	<u>\$ 7,974,409</u>

INVESTMENTS 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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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

Willamette Intake Facilities Commission

The Willamette Intake Facilities Commission (WIF) was organized in April 2018 under ORS 190 and established an agreement among the District and the cities of Hillsboro, Sherwood, Tigard, Beaverton, and Wilsonville. The purpose of the WIF is to further the economy and efficiency of each party for the operation, maintenance, construction, repair and replacement, and resource management of the Willamette intake facility.

At the inception of the WIF, the parties contributed capital assets in proportion to their share of capacity in the Willamette water treatment plant. The assets were recorded at acquisition value. The District contributed capital assets valued at \$2,955,942 in exchange for its 59.1 MGD capacity share.

Expenses are allocated on a unit basis by the Commission. Each joint venturers' apportioned share of the general administration expenses is determined by the following formula: 25% of the administrative costs for the fiscal year is divided evenly among the Commission's membership; the remainder is divided among the Commission membership according to their percentage share of the capacity ownership in the intake facilities.

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WIF. Operations, maintenance, and repair expenses unrelated to usage will be allocated based on each party's proportionate ownership of the WIF.

The following percentages were in effect at June 30, 2018:

Tualatin Valley Water District	39.40 %
City of Sherwood	6.47
City of Tigard	10.00
City of Beaverton	3.33
City of Hillsboro	24.13
City of Wilsonville	16.67

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018:

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. 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 investments in joint ventures is summarized as follows:

	<i>Joint Water Commission</i>	<i>Barney Reservoir Joint Venture</i>	<i>Willamette River Water Coalition</i>	<i>Willamette Intake Facility</i>	<i>Total</i>
Investments in joint ventures at June 30, 2016	\$ 32,503,373	\$ 8,717,934	\$ 22,975	\$ -	\$ 41,244,282
Investments	979,072	16,522	62,846	-	1,058,440
Income (loss) for the year	(303,010)	(272,263)	(81,564)	-	(656,837)
Investments in joint ventures at June 30, 2017	33,179,435	8,462,193	4,257	-	41,645,885
Investments	2,057,351	19,931	3,645	2,955,942	5,036,869
Income (loss) for the year	(478,065)	(272,470)	(13,435)	(11,090)	(775,060)
Investments in joint ventures at June 30, 2018	<u>\$ 34,758,721</u>	<u>\$ 8,209,654</u>	<u>\$ (5,533)</u>	<u>\$ 2,944,852</u>	<u>\$ 45,907,694</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

UTILITY PLANT IN SERVICE

The components of Utility Plant in Service for the year ended June 30, 2018 were as follows:

	<i>(Reclassified)</i> Balance July 1, 2017	Additions	Transfers	Disposals	Balance June 30, 2018
Capital assets, not being depreciated:					
Land and easements	\$ 2,866,989	-	\$ 620,921	\$ -	\$ 3,487,910
Construction in progress	32,502,307	32,782,528	(5,731,935)	-	59,552,900
<i>Total Capital Assets, not being depreciated</i>	<u>35,369,296</u>	<u>32,782,528</u>	<u>(5,111,014)</u>	<u>-</u>	<u>63,040,810</u>
Capital assets, being depreciated:					
Buildings and improvements	20,269,601	-	51,331	(5,166)	20,315,766
Investments in joint facilities	983,518	-	-	-	983,518
Water treatment plants	11,095,925	-	-	(5,272,016)	5,823,909
Water distribution system	196,770,044	1,443,321	3,208,362	(1,457,158)	199,964,569
Reservoirs	51,451,099	-	1,472,365	(825,542)	52,097,922
Pumps	15,757,763	-	-	-	15,757,763
Machinery and equipment	9,497,085	-	378,956	(169,112)	9,706,929
<i>Total Capital Assets, being depreciated</i>	<u>305,825,035</u>	<u>1,443,321</u>	<u>5,111,014</u>	<u>(7,728,994)</u>	<u>304,650,376</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,826,614)	(727,991)	-	5,166	(7,549,439)
Investments in joint facilities	(350,477)	(31,423)	-	-	(381,900)
Water treatment plants	(3,236,312)	(140,478)	-	1,537,672	(1,839,118)
Water distribution system	(74,235,849)	(3,856,854)	-	413,070	(77,679,633)
Reservoirs	(10,691,637)	(1,038,073)	-	825,542	(10,904,168)
Pumps	(4,388,420)	(359,485)	-	-	(4,747,905)
Machinery and equipment	(6,244,568)	(918,667)	-	169,112	(6,994,123)
<i>Total accumulated depreciation</i>	<u>(105,973,877)</u>	<u>(7,072,971)</u>	<u>-</u>	<u>2,950,562</u>	<u>(110,096,286)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>199,851,158</u>	<u>(5,629,650)</u>	<u>5,111,014</u>	<u>(4,778,432)</u>	<u>194,554,090</u>
<i>Total Capital Assets, net</i>	<u>\$ 235,220,454</u>	<u>\$ 27,152,878</u>	<u>\$ -</u>	<u>\$ (4,778,432)</u>	<u>\$ 257,594,900</u>

In April 2018 the District sold water treatment plant assets to its partners in the WIF and contributed assets to the WIF to establish its equity position. The District recognized a gain on disposal from the assets sold and contributed. These gains and other net gains and losses on disposal of capital assets are included on the Statements of Revenue, Expenses and Changes in Net Position as follows:

Loss on disposal of assets	\$ (1,014,699)
Gain on sale of assets to WIF partners	1,374,741
Gain on assets contributed to joint venture	<u>975,278</u>
<i>Disposal of capital assets, net</i>	<u>\$ 1,335,320</u>

TUALATIN VALLEY WATER DISTRICT

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

	<i>(Reclassified)</i> Balance July 1, 2016	Additions	Transfers	Disposals	<i>(Reclassified)</i> Balance June 30, 2017
Capital assets, not being depreciated:					
Land and easements	\$ 3,201,081	\$ -	\$ 395,756	\$ (729,848)	\$ 2,866,989
Construction in progress	48,327,523	19,690,645	(35,498,334)	(17,527)	32,502,307
<i>Total Capital Assets,</i> <i>not being depreciated</i>	<u>51,528,604</u>	<u>19,690,645</u>	<u>(35,102,578)</u>	<u>(747,375)</u>	<u>35,369,296</u>
Capital assets, being depreciated:					
Buildings and improvements	13,645,793	-	6,623,808	-	20,269,601
Investments in joint facilities	983,518	-	-	-	983,518
Water treatment plants	11,095,925	-	-	-	11,095,925
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,</i> <i>being depreciated</i>	<u>269,935,674</u>	<u>1,927,402</u>	<u>35,102,578</u>	<u>(1,140,619)</u>	<u>305,825,035</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,122,178)	(704,436)	-	-	(6,826,614)
Investments in joint facilities	(319,055)	(31,422)	-	-	(350,477)
Water treatment plants	(3,014,393)	(221,919)	-	-	(3,236,312)
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>	<u>(100,140,214)</u>	<u>(6,860,994)</u>	<u>-</u>	<u>1,027,331</u>	<u>(105,973,877)</u>
<i>Total Capital Assets,</i> <i>being depreciated, net</i>	<u>169,795,460</u>	<u>(4,933,592)</u>	<u>35,102,578</u>	<u>(113,288)</u>	<u>199,851,158</u>
<i>Total Capital Assets, net</i>	<u>\$ 221,324,064</u>	<u>\$14,757,053</u>	<u>\$ -</u>	<u>\$ (860,663)</u>	<u>\$ 235,220,454</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

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LEASED ASSETS

Leased assets consist of the following asset classes:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Leased assets				
Land and easements	\$ -	\$ 7,567,043	\$ -	\$ 7,567,043
Buildings	1,063,865	381,742	-	1,445,607
<i>Total leased assets</i>	<u>1,063,865</u>	<u>7,948,785</u>	<u>-</u>	<u>9,012,650</u>
Less accumulated amortization for:				
Land and easements	-	(77,215)	-	(77,215)
Buildings	(128,968)	(107,515)	-	(236,483)
<i>Total accumulated amortization</i>	<u>(128,968)</u>	<u>(184,730)</u>	<u>-</u>	<u>(313,698)</u>
<i>Total leased assets being amortized, net</i>	<u>\$ 934,897</u>	<u>\$ 7,764,055</u>	<u>\$ -</u>	<u>\$ 8,698,952</u>

LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2018 were as follows:

	<i>(Restated)</i> <u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>one year</u>
Net pension liability	\$ 15,179,892	\$ 1,536,633	\$ (3,050,770)	\$ 13,665,755	\$ -
Total OPEB liability	1,652,926	167,896	(629,207)	1,191,615	-
Lease liabilities	1,021,556	8,232,857	(321,157)	8,933,256	-
	<u>\$ 17,854,374</u>	<u>\$ 9,937,386</u>	<u>\$ (4,001,134)</u>	<u>\$ 23,790,626</u>	<u>\$ -</u>

LEASE LIABILITIES

In 2016, the District and the City of Hillsboro entered into a lease for office space. This lease was amended in fiscal year 2018 to increase the leased space. Base rent increases by 3% per annum. The lease terminates in 2027. The District also pays variable costs based on operating expenses which are not included in the measurement of the lease liability. In FY 2018, variable payments totaled \$21,797.

In 2018, the District, and the City of Hillsboro, entered into a lease with the City of Wilsonville for subsurface land for the placement of a raw water pipeline. The lease terminates in 2115. Annual lease instalments are payable through FY 2025 with a balloon payment in 2026. As the annual payments are less than the interest on the lease obligation, the liability will increase until 2026 when the balloon payment is made.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

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The District and the City of Hillsboro each report their share of the liability and underlying assets on their financial statements.

Principal and interest to maturity for the District's share of leases is as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ (34,161)	\$ 290,130	\$ 255,969
2021	(31,915)	292,422	260,507
2022	(29,526)	294,708	265,182
2023	(26,990)	296,987	269,997
2024	(24,303)	299,259	274,957
2025-2029	9,080,151	1,214,915	10,295,066
<i>Total minimum lease payments</i>	<u>\$ 8,933,256</u>	<u>\$ 2,688,422</u>	<u>\$ 11,621,678</u>

PENSION PLANS

Public Employees Retirement System (PERS)

Plan Description – Employees of the District are provided with pensions through Oregon Public Employees Retirement System (OPERS), which is a cost-sharing multiple-employer defined benefit plan. 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.

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.

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,

TUALATIN VALLEY WATER DISTRICT

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- Member died because 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.

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.

TUALATIN VALLEY WATER DISTRICT

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Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which reflects the Oregon Supreme Court ruling in *Moro v. State of Oregon*. The Moro decision reversed a significant portion of the reductions the 2013 Oregon Legislature made to future cost of living adjustments. This reversal increased the benefits projected to be paid compared to those developed in the prior valuation and consequently increased plan liabilities.

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, 2018 were approximately \$1,461,000. The rates in effect for the fiscal year ended June 30, 2017 were: (1) Tier1/Tier 2 –17.28 percent, and (2) OPSRP general service – 10.77 percent.

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019 were set using the entry age normal 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, 2015,
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	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

TUALATIN VALLEY WATER DISTRICT

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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.

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

TUALATIN VALLEY WATER DISTRICT

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assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. 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>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability	\$23,288,942	\$ 13,665,755	\$5,618,989

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, 2018 and 2017, the District reported a liability of \$13,665,755 and \$15,179,892 respectively for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2017 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, 2015. 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, 2018 and 2017 the District's proportionate share was 0.10137772 and 0.10111622 percent, respectively.

For the years ended June 30, 2018 and 2017 the District recognized pension expense of \$1,330,559 and \$1,454,080 respectively.

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At June 30, 2018 and 2017 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, 2018</i>		<i>June 30, 2017</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	\$ 660,882	\$ -	\$ 502,217	\$ -
Net difference between projected and actual earnings on investments	140,789	-	2,998,910	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	215,748	570,622	183,635	776,696
Changes of assumptions	2,491,023	-	3,237,506	-
Contributions made subsequent to measurement date	1,461,272	-	1,098,216	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 4,969,714</u>	<u>\$ 570,622</u>	<u>\$8,020,484</u>	<u>\$ 776,696</u>

Deferred outflows of resources of \$1,461,272 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, 2019. 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>	
2019	\$ 514,563
2020	1,632,650
2021	1,096,769
2022	(332,223)
2022	26,061

Payable to OPERS

At June 30, 2018 and 2017 the District's payable to OPERS for defined benefit contributions was approximately \$82,000 and \$83,000, 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.

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,

TUALATIN VALLEY WATER DISTRICT

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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 if 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 \$628,000 for the year ended June 30, 2018.

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 regular (non-seasonal) 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 retirement after age 55, in service at 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, 2018 and 2017 employees contributed approximately \$696,000 and \$659,000 and the District recognized expense of approximately \$296,000 and \$283,000, respectively. At June 30, 2018 and 2017 the District's liability to the plan was approximately \$37,000 and \$38,000 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 regular (non-seasonal) 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, 2018 and 2017 the District's liability for pensions related to this plan was \$14,000 and \$11,500 respectively.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

District Plan

The District is required by Oregon Revised Statutes 243.303 to offer retirees group health and dental insurance from the date of retirement to age 65. The District provides an implicit rate subsidy for retiree health insurance premiums.

TUALATIN VALLEY WATER DISTRICT

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Plan Description

The District’s single-employer defined benefit postemployment health care plan is administered by USI Insurance Services. Benefit provisions are established by the Board of Commissioners. The plan does not issue its own financial statements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The plan provides eligible retirees and their dependents under age 65 the same group health and dental insurance offered to active employees, at the same premium rates. Retirees pay 100% of the premium and coverage may lapse if their premium is unpaid. As of June 30, 2018, the following employees were covered under the plan:

Active participants	126
Retired employees	<u>7</u>
Total participants	<u><u>133</u></u>

Total OPEB Liability, OPEB Expense, and Deferred Inflows and Outflows of resources related to OPEB

The District’s total OPEB liability of \$1,191,615 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

For the year ended June 30, 2018, the District recognized OPEB expense of \$128,252.

At June 30, 2018, the District reported deferred inflows from this plan as follows:

	<i>Balance June 30, 2018</i>
	<i><u>Deferred Inflows of Resources</u></i>
Differences between expected and actual experience	\$ 38,919
Changes of assumptions	<u>476,451</u>
 Net Deferred Inflows of Resources	 <u><u>\$ 515,370</u></u>

Deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30:</i>		
<u>2019</u>	\$	39,644
2020		39,644
2021		39,644
2022		39,644
2023		39,644
Thereafter		<u>317,150</u>
	 \$	 <u><u>515,370</u></u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Actuarial assumptions and other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary increases	3.5 percent
Healthy mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017
Discount Rate	3.87 percent (changed from 3.58 percent in previous measurement period)
Healthcare cost trend rate	9 percent, decreasing to 5 percent
Inflation rate	2.5 percent
Experience Study	June 30, 2018

The discount rate was based on the Bond Buyer 20-Year General Obligation Index.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	<i>Total OPEB Liability</i>
Balance as of June 30, 2017	\$ 1,652,926
Changes for the year:	
Service cost	106,235
Interest on total OPEB liability	61,661
Effects of assumptions changes or inputs	(555,014)
Benefit payments	(74,193)
Balance as of June 30, 2018	<u>\$ 1,191,615</u>

Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability calculated using the current discount rate of 3.87 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87 percent) or 1-percentage point higher (4.87percent) than the current rate. A similar sensitivity analysis is then presented for changes in healthcare trend assumption.

Discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$1,286,360	\$ 1,191,615	\$1,104,058

Healthcare Cost Trend:

	<u>1% Decrease (8% decreasing to 4%)</u>	<u>Healthcare Trend Rate (9% decreasing to 5%)</u>	<u>1% Increase (10% decreasing to 6%)</u>
Total OPEB Liability	\$1,078,354	\$ 1,191,615	\$1,322,450

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

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 \$1.189 and \$1.139 per CCF for the years ended June 30, 2018 and 2017, 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 \$5,000 and \$26,000 for the years ending June 30, 2018 and 2017, 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 2018 the District leased 2 MGD of treatment capacity but did not lease storage capacity from the JWC.

In 2007, the Oregon Water Resources Department confirmed the District's assignment of its 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. The contract is for \$12 million, with \$10 million unexpended at June 30, 2018.

The JWC had outstanding construction and service commitments of approximately \$13.7 million at June 30, 2018. The District's share of those commitments is approximately \$2.3 million.

The District has entered into an agreement with the City of Hillsboro regarding water supply along the 124th Avenue pipeline project. The agreement expires when the Willamette Water Supply System is complete and begins potable

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

<u><i>Contract Services</i></u>	<u><i>Contract Amount (millions)</i></u>	<u><i>Contract Remaining (millions)</i></u>
Design, bidding phase, and services during construction	\$ 27.50	\$ 5.10
Pipeline construction	11.50	11.50
	<u>\$ 39.00</u>	<u>\$ 16.60</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, 2019 are estimated at approximately \$9.8 million and are not included in the table above as the contract had not been signed at June 30, 2018. Approximately 40% of program management fees are recoverable from the City of Hillsboro. 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



"Flow" and "Eddy", emergency pump stations designed to provide water to the City of Tualatin and Metzger following a major disaster.

Emergency Preparation

TVWD takes emergency planning seriously because water is a crucial resource for public health and fire protection. A critical focus has been on reliability through redundancy, with the District developing a resilient "backbone" of transmission and storage capacity and practicing emergency water distribution with regional partners. One of TVWD's primary goals is for customers to quickly have access to quality water following an emergency. To help meet this goal, TVWD is dedicated to having multiple water sources with redundant pathways for distribution, designing new and replacement infrastructure to meet rigorous natural disaster standards, and participating in emergency preparedness training, drills and exercises.

TUALATIN VALLEY WATER DISTRICT

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

LAST FIVE FISCAL YEARS^[1]

Oregon Public Employee Retirement Pension Plan (OPERS)

	<i>Year Ended June 30</i>				
	2018	2017	2016	2015	2014
District's proportion of the net pension (asset)/liability	0.1014%	0.1011%	0.1096%	0.0981%	0.0981%
District's proportionate share of the net pension (asset)/liability	\$ 13,665,755	\$ 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	9,023,965
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	136.57%	160.91%	66.55%	-24.86%	55.46%
Plan fiduciary net position as a percentage of the total pension (asset)/liability	83.10%	80.50%	91.90%	103.60%	n/a

NOTES TO SCHEDULE

Changes in benefit terms

The results of the December 31, 2015 actuarial valuation reflect the Oregon Supreme Court ruling in *Moro v. State of Oregon*, issued on April 30, 2015. The *Moro* decision reversed a significant portion of the reductions the 2013 Senate Legislature made to future cost-of-living adjustments through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid compared to those developed in the most recent actuarial valuation prior to the *Moro* decision.

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.

On July 28, 2017 the PERS Board adopted an assumed rate of 7.20 percent, which became effective on January 1, 2018.

^[1] 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 FIVE FISCAL YEARS^[1]

Oregon Public Employee Retirement Pension Plan (OPERS)

	<i>Year Ended June 30</i>				
	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,461,272	\$ 1,098,216	1,012,802	804,030	771,452
Contributions in relation to the contractually required contributions	(1,461,272)	(1,098,216)	(1,012,802)	(804,030)	(771,452)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,467,725	\$ 10,006,337	\$ 9,452,076	\$ 8,942,987	\$ 9,023,965
Contributions as a percentage of covered payroll	13.96%	10.98%	10.72%	8.99%	8.55%

NOTES TO SCHEDULE

Actuarial assumptions and methods used to actuarially determine contributions: ^[2]

	2018	2016-2017	2014-2015
Actuarial Valuation	December 31, 2015	December 31, 2013	December 31, 2011
Effective	July 2017- June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Actuarial valuation method:	Market Value	Market Value	Market Value
Actuarial assumption:			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 Percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.50 percent ^[3]	8.00 percent

^[1] Ten-year trend information required by GASB Statement 68 will be presented prospectively.

^[2] Actuarial data provided by the actuary for OPERS.

^[3] The assumed rate was reduced from 7.75 percent to 7.50 percent effective January 1, 2016.

Source: OPERS actuarial reports and District data.

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY

LAST FISCAL YEAR^[1]

Implicit Rate Subsidy Plan

	Year ended June 30, 2018
Service cost	\$ 106,235
Interest	61,661
Changes in benefit terms	-
Difference between expected and actual experience	(41,913)
Changes of assumptions or other inputs	(513,101)
Benefit payments	(74,193)
Net change in OPEB liability	(461,311)
Total OPEB Liability - beginning	1,652,926
Total OPEB Liability - ending	\$ 1,191,615

NOTES TO SCHEDULE

Actuarial assumptions and methods used to actuarially determine liabilities:^[2]

	2018
Actuarial Valuation	June 30, 1018
Effective	July 2017- June 2019
Actuarial cost method:	Entry Age Normal
Actuarial assumption:	
Inflation rate	2.50 percent
Projected salary increases	6.88 percent declining to 3.46 percent in 2048
Investment rate of return	3.58 Percent
Healthcare cost Inflation	Ranging from 9 percent in 2019 to 5 percent in 2027

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions

1. The actuarial cost method has been updated from projected unit credit to entry age normal. In conjunction with this change, the payroll growth assumption was updated to be based on the OPERS actuarial valuation of December 31, 2016.
2. The discount rate as of the measurement date has been updated to be based on a yield for a 20-year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The discount rates ranged from 3.58% at the beginning of the year to 3.87% at the end of the year. The prior year valuation used a discount rate of 4.5 %.

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY

LAST FISCAL YEAR^[1]

3. The mortality table has been updated from SOA RPH-2015 total dataset mortality fully generational with scale MP-2015 to SOA RPH-2017 total dataset mortality table generational using scale MP-2017.
4. Turnover, retirement rates, and spousal election rates have been updated based on the District's most recent experience study for the five-year period ending June 30, 2018.
5. Healthcare trends have been updated.

^[1] Ten-year trend information required by GASB Statement 75 will be presented prospectively.

^[2] Actuarial data provided by the actuarial firm Nyhart

Source: Nyhart actuarial reports and District data.

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF OPEB CONTRIBUTIONS

LAST FISCAL YEAR^[1]

Implicit Rate Subsidy Plan

	<i>Year ended</i> <i>June 30, 2018</i>
Contractually required contributions	\$ 74,193
Contributions in relation to the contractually required contributions	<u>(74,193)</u>
Contribution deficiency/(excess)	<u>\$ -</u>
District's covered payroll	\$ 10,513,304
Contributions as a percentage of covered payroll	0.71%

NOTES TO SCHEDULE

Actuarial assumptions and methods used to determine contributions: ^[2]

	<i>2018</i>
Actuarial Valuation	June 30, 1018
Effective	July 2017- June 2019
Actuarial cost method:	Entry Age Normal
Actuarial assumption:	
Inflation rate	2.50 percent
Projected salary increases	6.88 percent declining to 3.46 percent in 2048
Investment rate of return	3.58 Percent
Healthcare cost Inflation	Ranging from 9 percent in 2019 to 5 percent in 2027

^[1] Ten-year trend information required by GASB Statement 75 will be presented prospectively.

^[2] Actuarial data provided by the actuarial firm Nyhart

Source: Nyhart actuarial reports and District data.

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Budgetary Basis Schedules



*Local contractors install pipe for the
Willamette Water Supply System.*

Creating A Reliable Drinking Water Future

TVWD and the City of Hillsboro are developing an additional water supply from the Willamette River at Wilsonville. When complete in 2026, this will be one of Oregon's most seismically resilient drinking water systems—built to survive natural disasters so that critical water services can be restored rapidly. Construction is underway and as of October 2018, 96% of the money spent has gone to local employees, goods and services. For more information, visit OurReliableWater.org.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget for the 2018-19 Biennium			Actual Results	Variance with Final Budget
	Original	Revisions	Final	First Year FY 2017-18	
REVENUES:					
Water sales	\$ 122,275,000	\$ -	\$ 122,275,000	\$ 63,730,160	\$ (58,544,840)
Service fees	1,210,530	-	1,210,530	638,990	(571,540)
Interest on investments	1,631,800	-	1,631,800	390,831	(1,240,969)
Other revenues	3,220,000	76,898	3,296,898	4,879,724	1,582,826
Rights-of way fees	1,560,350	-	1,560,350	760,593	(799,757)
Construction revenue from other funds	6,462,090	625,000	7,087,090	4,113,466	(2,973,624)
Total Revenues	136,359,770	701,898	137,061,668	74,513,764	(62,547,904)
TRANSFERS FROM OTHER FUNDS:					
Capital Improvement Fund	5,460,289	-	5,460,289	2,040,479	(3,419,810)
BEGINNING FUND BALANCE					
	33,270,658	-	33,270,658	31,369,790	(1,900,868)
	<u>\$ 175,090,717</u>	<u>\$ 701,898</u>	<u>\$ 175,792,615</u>	<u>\$ 107,924,033</u>	<u>\$ (67,868,582)</u>
EXPENDITURES:					
Personnel services	\$ 39,156,089	\$ 896,000	\$ 40,052,089	\$ 16,974,295	\$ 23,077,794
Materials and services	36,348,023	36,959	36,384,982	15,867,489	20,517,493
Capital outlay	602,300	-	602,300	37,211	565,089
Special payments	1,560,350	-	1,560,350	753,333	807,017
Operating contingencies	15,000,000	(271,000)	14,729,000	-	14,729,000
Total Expenditures	92,666,762	661,959	93,328,721	33,632,328	59,696,393
TRANSFERS TO OTHER FUNDS:					
Capital Reserve Fund	67,300,000	-	67,300,000	34,800,000	32,500,000
Customer Emergency Assistance Fund	34,000	-	34,000	5,000	29,000
Total Transfers	67,334,000	-	67,334,000	34,805,000	32,529,000
Total Expenditures and Transfers	160,000,762	661,959	160,662,721	68,437,328	92,225,393
ENDING FUND BALANCE					
	15,089,955	39,939	15,129,894	39,486,705	(24,356,811)
	<u>\$ 175,090,717</u>	<u>\$ 701,898</u>	<u>\$ 175,792,615</u>	<u>\$ 107,924,033</u>	<u>\$ 67,868,582</u>

TUALATIN VALLEY WATER DISTRICT

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

CAPITAL IMPROVEMENT FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Budget for the 2018-19 Biennium</i>		<i>Actual Results</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>First Year FY 2017-18</i>	
REVENUES				
Interest on investments	\$ -	\$ -	460	\$ 460
TRANSFERS FROM OTHER FUNDS:				
Capital Reserve Fund	38,611,964	38,611,964	11,507,168	(27,104,796)
BEGINNING FUND BALANCE	-	-	-	-
	<u>\$ 38,611,964</u>	<u>\$ 38,611,964</u>	<u>\$ 11,507,628</u>	<u>\$ (27,104,336)</u>
EXPENDITURES:				
Capital outlay	\$ 33,151,675	\$ 33,151,675	\$ 9,467,149	\$ 23,684,526
TRANSFERS TO OTHER FUNDS:				
General Fund	5,460,289	5,460,289	2,040,479	3,419,810
ENDING FUND BALANCE	-	-	-	-
	<u>\$ 38,611,964</u>	<u>\$ 38,611,964</u>	<u>\$ 11,507,628</u>	<u>\$ 27,104,336</u>

TUALATIN VALLEY WATER DISTRICT

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

WATER SUPPLY PROGRAM FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Budget for the 2018-19 Biennium</i>		<i>Actual Results</i>	
	<i>Original</i>	<i>Final</i>	<i>First Year FY 2017-18</i>	<i>Variance with Final Budget</i>
REVENUES				
Contributed capital	\$ 55,034,651	\$ 55,034,651	\$ 14,842,799	\$ (40,191,852)
Other revenues	303,703	303,703	88,541	(215,162)
<i>Total Revenues</i>	55,338,354	55,338,354	14,931,340	(40,407,014)
TRANSFERS FROM OTHER FUNDS:				
Capital Reserve Fund	84,088,087	84,088,087	23,715,810	(60,372,277)
BEGINNING FUND BALANCE				
	-	-	-	-
	<u>\$ 139,426,441</u>	<u>\$ 139,426,441</u>	<u>\$ 38,647,150</u>	<u>\$ (100,779,291)</u>
EXPENDITURES:				
Materials and services	\$ 765,189	\$ 765,189	\$ 205,025	\$ 560,164
Capital outlay	138,661,252	138,661,252	38,442,125	100,219,127
<i>Total Expenditures</i>	139,426,441	139,426,441	38,647,150	100,779,291
ENDING FUND BALANCE				
	-	-	-	-
	<u>\$ 139,426,441</u>	<u>\$ 139,426,441</u>	<u>\$ 38,647,150</u>	<u>\$ 100,779,291</u>

TUALATIN VALLEY WATER DISTRICT

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

CAPITAL RESERVE FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Budget for the 2018-19 Biennium</i>		<i>Actual Results</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>First Year FY 2017-18</i>	
REVENUES				
Contributed capital	\$ 2,233,000	\$ 2,233,000	\$ 1,014,589	\$ (1,218,411)
System development charges	10,741,700	10,741,700	6,295,124	\$ (4,446,576)
Interest on investments	1,329,400	1,329,400	1,243,326	(86,074)
<i>Total Revenues</i>	14,304,100	14,304,100	8,553,039	(5,751,061)
TRANSFERS FROM OTHER FUNDS:				
General Fund	67,300,000	67,300,000	34,800,000	(32,500,000)
BEGINNING FUND BALANCE	<u>69,516,697</u>	<u>69,516,697</u>	<u>77,107,239</u>	<u>7,590,542</u>
	<u>\$ 151,120,797</u>	<u>\$ 151,120,797</u>	<u>\$ 120,460,278</u>	<u>\$ (30,660,519)</u>
TRANSFERS TO OTHER FUNDS:				
Capital Improvement Fund	\$ 38,611,964	\$ 38,611,964	\$ 11,507,168	\$ 27,104,796
Water Supply Fund	84,088,087	84,088,087	23,715,810	60,372,277
<i>Total Transfers</i>	122,700,051	122,700,051	35,222,978	87,477,073
ENDING FUND BALANCE - restricted	2,588,788	2,588,788	\$ 2,588,788	2,588,788
ENDING FUND BALANCE - unrestricted	<u>25,831,958</u>	<u>25,831,958</u>	<u>82,648,512</u>	<u>(59,405,342)</u>
	<u>\$ 151,120,797</u>	<u>\$ 151,120,797</u>	<u>\$ 120,460,278</u>	<u>\$ 30,660,519</u>

TUALATIN VALLEY WATER DISTRICT

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

CUSTOMER EMERGENCY ASSISTANCE FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Budget for the 2018-19 Biennium</i>		<i>Actual Results</i>	
	<i>Original</i>	<i>Final</i>	<i>First Year FY 2017-18</i>	<i>Variance with Final Budget</i>
REVENUES				
Contributions	\$ 14,720	\$ 14,720	\$ 5,987	\$ (8,733)
Interest on investments	-	-	50	50
<i>Total Revenues</i>	14,720	14,720	6,037	(8,683)
TRANSFERS FROM OTHER FUNDS:				
General Fund	34,000	34,000	5,000	(29,000)
BEGINNING FUND BALANCE	8,062	8,062	6,606	(1,456)
	<u>\$ 56,782</u>	<u>\$ 56,782</u>	<u>\$ 17,643</u>	<u>\$ (39,139)</u>
EXPENDITURES:				
Materials and services	\$ 49,000	\$ 49,000	\$ 15,084	\$ 33,916
ENDING FUND BALANCE	7,782	7,782	2,559	5,223
	<u>\$ 56,782</u>	<u>\$ 56,782</u>	<u>\$ 17,643</u>	<u>\$ 39,139</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, 2018

BUDGETARY BASIS

	<u>Total revenue</u>	<u>Total expenditures</u>	<u>Net</u>
General Fund	\$ 70,400,298	\$ 33,632,328	\$ 36,767,970
Capital Improvement Fund	460	9,467,149	(9,466,689)
Water Supply Program Fund	14,931,340	38,647,150	(23,715,810)
Capital Reserve Fund	8,553,039	-	8,553,039
Customer Emergency Assistance Fund	6,037	15,084	(9,047)
	<u>\$ 93,891,174</u>	<u>\$ 81,761,711</u>	12,129,463

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

Contributed capital for infrastructure (mains and hydrants)	1,443,321
Contributed capital for easements	62,928
Labor, overhead, and equipment capitalized	4,113,466
Capital outlay	47,946,491
Partner share of capital outlay	(14,521,641)
Depreciation and amortization	(7,336,782)
Disposal of capital assets	(2,718,686)
Capital assets transferred to joint venture	(1,980,664)
Equity share in joint venture	2,955,942
Change in joint venture valuation	(775,060)
Unrealized gain/(loss) on investments	(302,492)
Interest expense	(284,073)
Pension expense	(1,330,559)
Other postemployment benefits expense	(128,252)
Lease payments	(321,157)
CHANGES IN NET POSITION	<u>\$ 38,952,245</u>

Statistical Section



Tualatin Valley Fire and Rescue firefighters battle a local house fire. (Photo courtesy of Tualatin Valley Fire and Rescue)

Providing Reliable Fire Protection

A well-maintained and reliable water system is critical to protecting our community. TVWD is responsible for more than just making sure quality water comes out of the tap; public health and fire protection are core functions of the District. TVWD provides water infrastructure for a variety of critical uses, including maintaining more than 5,200 fire hydrants and providing reliable water supply to multiple hospitals and health care facilities.

TUALATIN VALLEY WATER DISTRICT
STATISTICAL SECTION

This part of Tualatin Valley Water District's Comprehensive Annual Financial Report presents detailed information to provide context for understanding the information in the financial statements, note disclosures, and required information.

Contents	Page
Financial Trends	71
<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>	
Revenue Capacity	81
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, the District water rate.</p>	
Debt Capacity	87
<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>	
Demographic and Economic Information	90
<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>	
Operating Information	92
<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



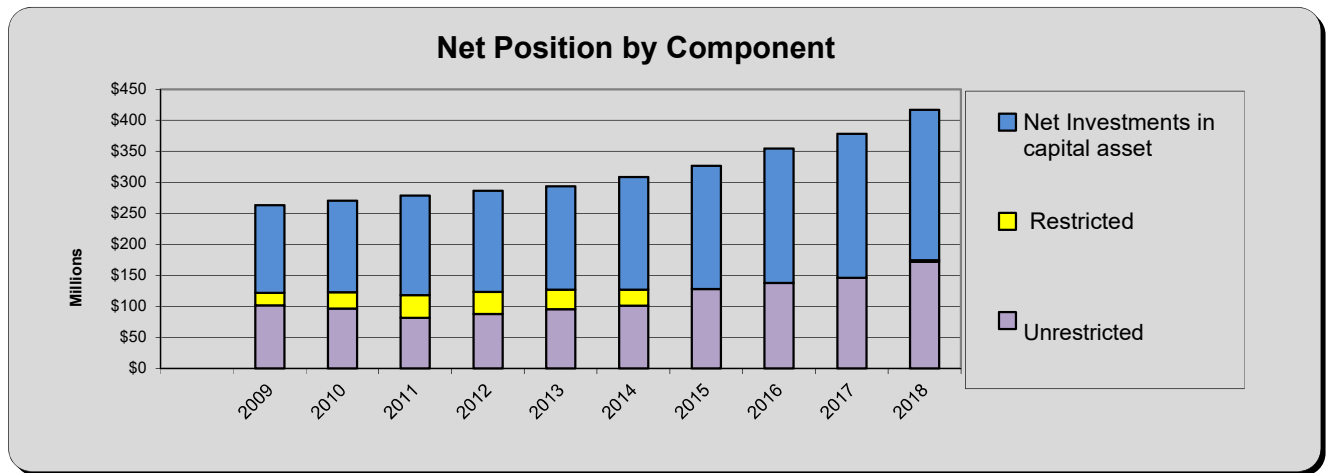
Delivering the Best Water  Service  Value

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

	<i>Fiscal Year</i>				
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
Net Position by component		<i>Restated</i>		<i>Restated</i>	
Net Investments in capital assets ^[1]	\$242,506,390	\$232,050,787	\$217,006,685	\$198,676,321	\$181,750,385
Restricted	2,588,788	-	-	-	25,645,024
Unrestricted	172,190,052	146,282,198	137,751,985	128,001,483	101,601,802
Total Net Position	<u>\$417,285,230</u>	<u>\$378,332,985</u>	<u>\$354,758,670</u>	<u>\$326,677,804</u>	<u>\$308,997,211</u>

	<i>Fiscal Year</i>				
	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Net Position by component					
Net Investments in capital assets ^[1]	\$166,466,059	\$163,330,667	\$160,366,537	\$147,674,566	\$141,275,227
Restricted	31,236,587	35,706,625	36,631,312	26,598,574	20,283,142
Unrestricted	95,902,217	87,796,319	81,840,445	96,533,227	101,807,972
Total Net Position	<u>\$293,604,863</u>	<u>\$286,833,611</u>	<u>\$278,838,294</u>	<u>\$270,806,367</u>	<u>\$263,366,341</u>

^[1] 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

	2018	Restated 2017^[1]	2016
OPERATING REVENUES:			
Water service	\$63,730,160	\$52,461,679	\$48,728,635
Administrative service	3,214,641	3,001,965	3,764,144
<i>Total Operating Revenues</i>	66,944,801	55,463,644	52,492,779
OPERATING EXPENSES:			
Water purchased	10,161,954	9,693,035	9,051,685
Labor and fringe benefits	18,433,098	17,532,715	19,870,765
Maintenance and repairs	1,462,432	1,557,932	1,336,820
General and administrative	4,853,470	5,073,804	6,348,825
Electricity and other utilities	140,626	146,444	134,865
Supplies	220,641	196,007	218,756
Depreciation and amortization expense	7,336,782	6,957,712	6,110,033
Less capitalized overhead	(4,113,466)	(3,377,130)	(3,064,622)
<i>Total Operating Expenses</i>	38,495,537	37,780,519	40,007,127
OPERATING INCOME (LOSS)	28,449,264	17,683,125	12,485,652
NONOPERATING REVENUES (EXPENSES)			
Discontinued capital projects	-	(17,527)	(416,646)
Loss in equity in joint ventures	(775,060)	(656,837)	(831,663)
Interest income	1,634,667	1,080,484	700,524
Unrealized gain (loss) due to changes in market valuation of investments	(302,492)	(440,187)	95,015
Rental income	80,466	25,749	
Interest expense	(285,882)	(25,522)	(2,194)
Disposal of capital assets, net	1,335,320	(556,624)	(4,874)
<i>Total Non-Operating Revenues (Expenses)</i>	1,687,019	(590,464)	(459,838)
CAPITAL CONTRIBUTIONS	8,815,962	6,630,821	16,055,052
CHANGE IN NET POSITION	38,952,245	23,723,482	28,080,866
NET POSITION, beginning of year	378,332,985	354,758,670	326,677,804
Restatement for change in accounting principles	-	(149,167)	-
NET POSITION, end of year	<u>\$417,285,230</u>	<u>\$378,332,985</u>	<u>\$354,758,670</u>

^[1]2017 restated to reflect implementation of GASB No. 75 and No. 87

^[2]2015 restated to reflect implementation of GASB No. 68

Source: Tualatin Valley Water District Annual Financial Statements and Records.

Continued on next page

Restated 2015 ^[2]	2014	2013	2012	2011	2010	2009
\$41,025,195	\$35,013,145	\$34,169,338	\$30,666,849	\$29,471,827	\$27,832,036	\$27,907,216
4,689,194	2,515,514	2,002,197	1,869,734	1,961,254	1,762,604	2,095,227
45,714,389	37,528,659	36,171,535	32,536,583	31,433,081	29,594,640	30,002,443
7,713,786	7,461,754	7,584,712	7,436,547	7,015,039	8,874,338	8,565,723
11,747,960	14,047,903	13,364,417	11,959,160	11,549,552	9,605,069	9,864,684
1,496,431	1,534,727	1,773,526	1,730,707	1,488,583	1,631,005	1,881,873
7,186,365	4,218,566	3,332,570	2,717,783	2,628,427	2,171,316	1,933,890
119,964	122,282	103,543	112,650	113,891	96,947	92,227
272,876	197,191	234,592	265,488	427,467	214,587	391,732
5,880,723	5,414,179	5,222,171	5,001,243	4,910,680	4,535,758	4,315,057
(2,816,946)	(2,899,203)	(2,217,408)	(1,739,985)	(1,326,567)	(1,252,574)	(1,006,639)
31,601,159	30,097,399	29,398,123	27,483,593	26,807,073	25,876,446	26,038,547
14,113,230	7,431,260	6,773,412	5,052,990	4,626,008	3,718,194	3,963,896
(383,121)	(1,036)	(5,325,088)	-	-	-	-
(714,847)	(658,349)	(759,993)	(735,005)	(807,963)	(697,426)	(819,468)
592,861	553,807	590,380	654,826	800,107	998,373	2,410,656
69,654	292,396	(329,057)	(102,247)	-	-	-
(281,156)	(317,717)	(368,902)	(479,586)	(539,575)	(602,248)	(788,082)
(100,384)	(116,322)	(37,846)	(480,284)	(2,415)	(81,124)	(31,974)
(816,993)	(247,221)	(6,230,506)	(1,142,296)	(549,846)	(382,425)	771,132
9,392,435	8,208,309	6,228,346	4,084,623	3,955,765	4,104,257	3,534,056
22,688,672	15,392,348	6,771,252	7,995,317	8,031,927	7,440,026	8,269,084
308,997,211	293,604,863	286,833,611	278,838,294	270,806,367	263,366,341	255,097,257
(5,008,079)	-	-	-	-	-	-
\$326,677,804	\$308,997,211	\$293,604,863	\$286,833,611	\$278,838,294	\$270,806,367	\$263,366,341

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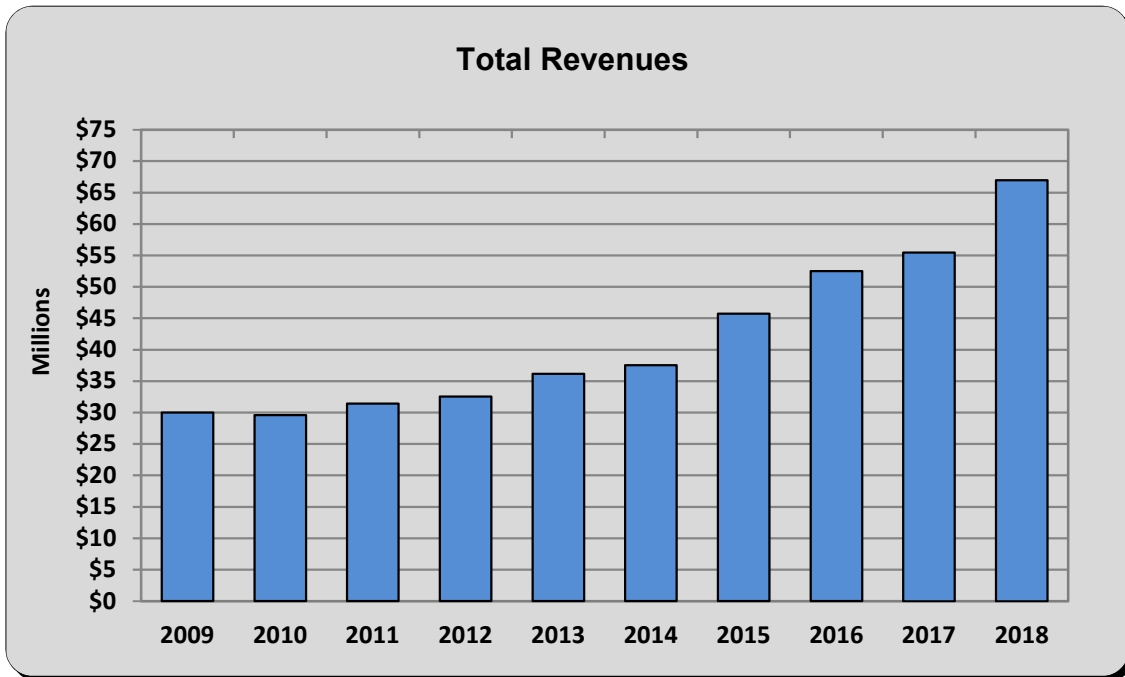
Tualatin Valley Water District



Delivering the Best Water  Service  Value

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

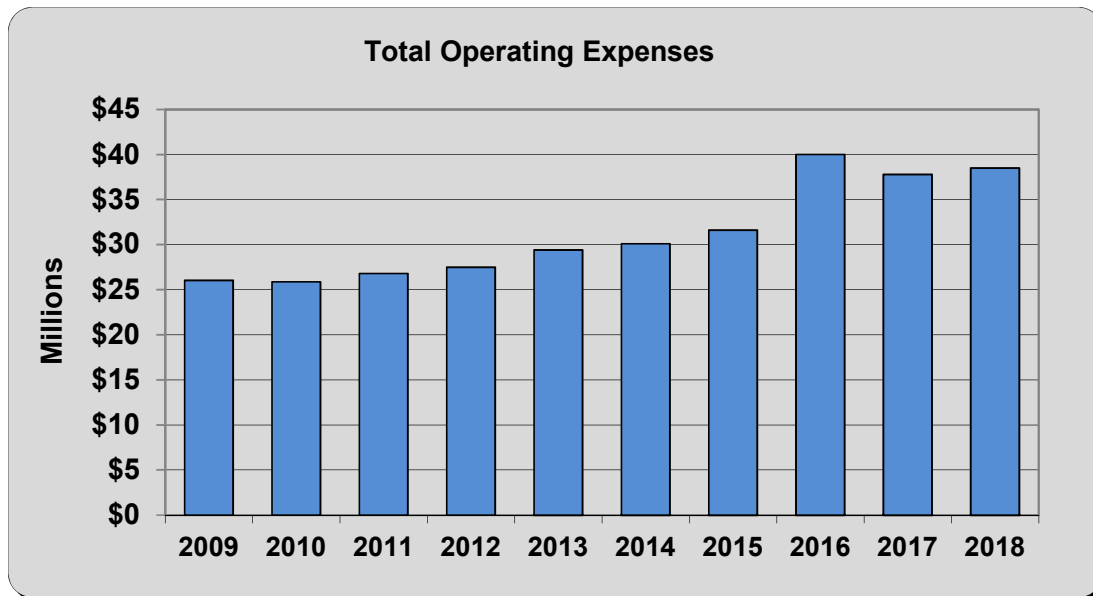
Year Ended June 30,	Water Service	Administrative Services	Total
2018	\$ 63,730,160	\$ 3,214,641	\$ 66,944,801
2017	52,461,679	3,001,965	55,463,644
2016	48,728,635	3,764,144	52,492,779
2015	41,025,195	4,689,194	45,714,389
2014	35,013,145	2,515,514	37,528,659
2013	34,169,338	2,002,197	36,171,535
2012	30,666,849	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



Source: Derived from audited financial statements

TUALATIN VALLEY WATER DISTRICT
OPERATING EXPENSES
LAST TEN FISCAL YEARS

<i>Fiscal Year Ending June 30,</i>	<i>Water Purchased</i>	<i>Labor and Fringe Benefits</i>	<i>Maintenance and Repairs</i>	<i>General and Administrative</i>	<i>Electricity and Other Utilities</i>
2018	\$10,161,954	\$18,433,098	\$1,462,432	\$4,853,470	\$140,626
2017	9,693,035	17,532,715	1,557,932	5,073,804	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



Source: derived from audited financial statements

Continued on next page

<i>Supplies</i>	<i>Less Capitalized Overhead</i>	<i>Subtotal, Expenses before Depreciation</i>	<i>Depreciation and Amortization</i>	<i>Total Operating Expenses</i>
\$220,641	(\$4,113,466)	\$31,158,755	\$7,336,782	\$38,495,537
196,007	(3,377,130)	30,822,807	6,957,712	37,780,519
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

Continued from previous page

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

Fiscal Year Ending June 30,	Discontinued Capital Projects	Loss In Joint Venture Equity	Interest Income	Unrealized gain (loss) due to changes in market valuation of investments
2018	\$ -	\$ (775,060)	\$ 1,634,667	\$ (302,492)
2017	(17,527)	(656,837)	1,080,484	(440,187)
2016	(416,646)	(831,663)	700,524	95,015
2015	(383,121)	(714,847)	592,861	69,654
2014	(1,036)	(658,349)	553,807	292,396
2013	(5,325,088)	(759,993)	590,380	(329,057)
2012	-	(735,005)	552,579	(102,247)
2011	-	(807,963)	800,107	-
2010	-	(697,426)	998,373	-
2009	-	(819,468)	2,410,656	-

Source: derived from audited financial statements

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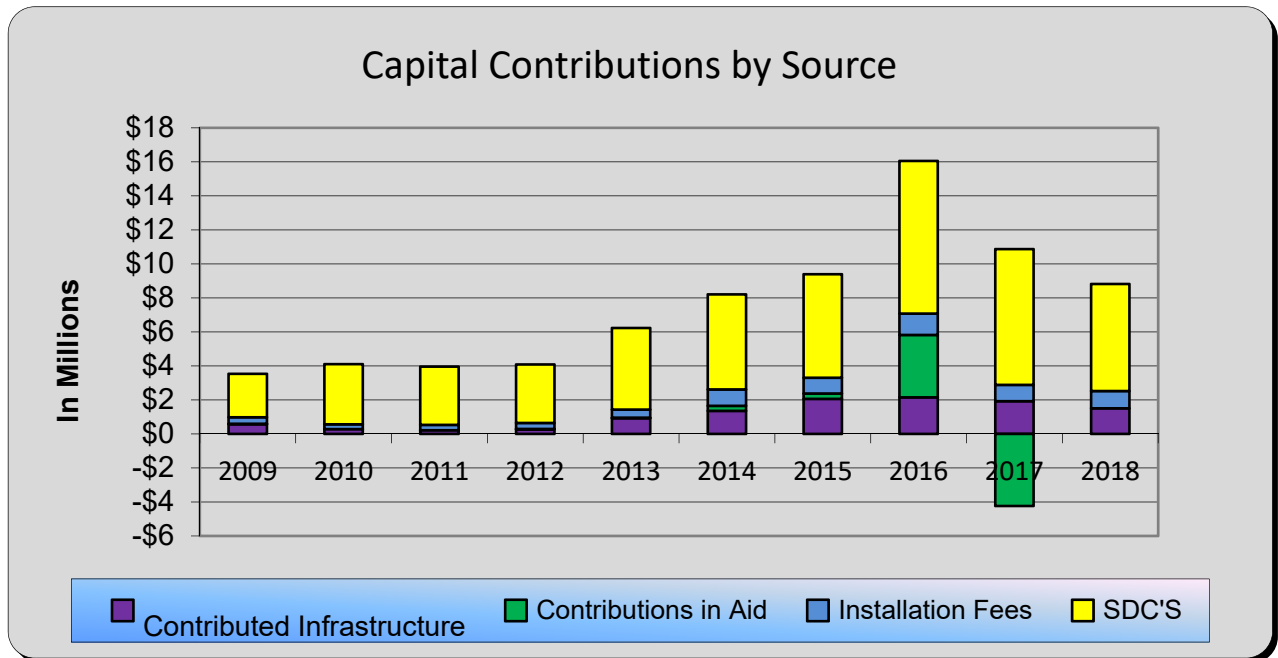
<u>Rental Income</u>	<u>Interest Expense</u>	<u>Disposal of Capital Assets, Net</u>	<u>Total Non-Operating Revenues (Expenses)</u>
\$ 80,466	\$ (285,882)	\$ 1,335,320	\$ 1,687,019
25,749	(25,522)	(556,624)	(590,464)
	(2,194)	(4,874)	(459,838)
	(281,156)	(100,384)	(816,993)
	(317,717)	(116,322)	(247,221)
	(368,902)	(37,846)	(6,230,506)
	(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

Continued from previous page

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

	<u>2018</u>	<u>2017 ¹</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
SDCs	\$6,295,124	\$7,981,382	\$8,977,050	\$6,086,538	\$5,593,132
Installation Fees	1,014,589	957,756	1,255,363	929,714	964,412
Contributions in Aid	-	(4,235,719)	3,672,391	312,953	295,488
Contributed Infrastructure & other	1,506,249	1,927,402	2,150,248	2,063,230	1,355,277
Total Contributions	\$8,815,962	\$6,630,821	\$16,055,052	\$9,392,435	\$8,208,309

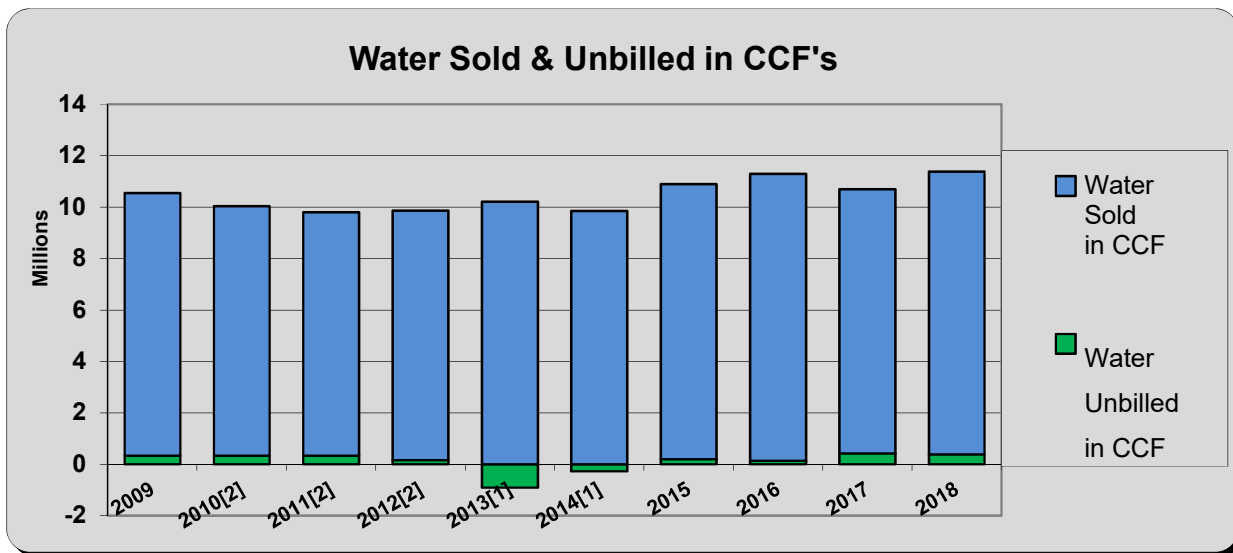
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
SDCs	\$4,795,030	\$3,436,563	\$3,422,813	\$3,540,234	\$2,555,368
Installation Fees	477,041	355,761	315,227	278,757	377,636
Contributions in Aid	34,401	19,293	-	-	30,000
Contributed Infrastructure	921,874	273,006	217,724	285,265	571,052
Total Contributions	\$6,228,346	\$4,084,623	\$3,955,764	\$4,104,256	\$3,534,056



¹ 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 ^[3]	Water Unbilled In CCF ^[3]	Average Percent Unbilled	Total Direct Rate ^[5]		Ratio of Water Sold to Water Purchased
					Fixed Charge ^[4]	Usage Rate Per CCF Block 1 Block 2	
2018	11,386,129	11,001,593	384,536	3.4%	\$27.90	\$4.61 \$6.57	96.6%
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 ^[1]	9,569,868	9,851,698	(281,830)	-2.9%	16.86	2.74 3.91	102.9%
2013 ^[1]	9,296,043	10,211,455	(915,412)	-9.8%	15.28	2.65 3.78	109.8%
2012 ^[2]	9,859,728	9,697,421	162,307	1.6%	13.72	2.51 3.59	98.4%
2011 ^[2]	9,796,823	9,465,918	330,905	3.4%	13.56	2.47 3.54	96.6%
2010 ^[2]	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%



^[1] 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.

^[2] District purchased water adjusted to match average unbilled water from 2007-09

^[3] CCF = Hundred cubic feet = 748 gallons

^[4] 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

^[5] Charge shown is for 5/8" meters. See page 84 Bi-Monthly Water Rates for the rates of other meter sizes

Source: TUALATIN VALLEY WATER DISTRICT

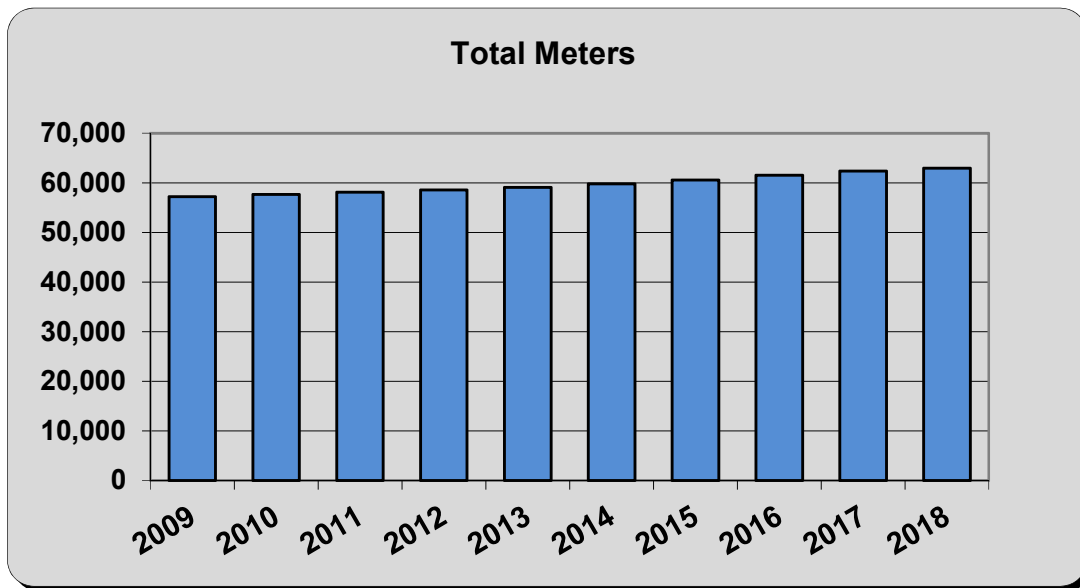
Tualatin Valley Water District



Delivering the Best Water  Service  Value

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

Meters						Total	Annual Taps Sold
Fiscal Year Ending June 30,	Class 1 & 2 Residential	Class 3 Commercial	Class 4 Industrial	Class 5-8 Other^[1]			
2018	59,498	1,541	33	1,913	62,985	827	
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	



Source: Tualatin Valley Water District Meter & Consumption Analysis Report

^[1]Other = Firelines, Irrigation, Temp Irrigation, and Wholesale

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

	<u>11/1/2017</u> <u>Commodity</u>	<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>
Block 1 Rates	\$4.61/CCF	\$4.06/CCF	\$3.55/CCF	\$3.05/CCF	\$2.74/CCF
Block 2 Rates	\$6.57/CCF	\$5.79/CCF	\$5.06/CCF	\$4.35/CCF	\$3.91/CCF
Meter Size	<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"	\$27.90	\$24.58	\$21.46	\$18.44	\$16.86
3/4"	30.72	27.06	23.64	20.32	18.38
1"	37.86	33.36	29.14	25.04	22.28
1-1/2"	50.88	44.82	39.14	33.64	29.06
2"	75.04	66.12	57.74	49.62	42.54
3"	208.96	184.10	160.78	138.16	122.32
4"	279.96	246.66	215.42	185.10	161.26
6"	451.2	397.54	347.20	298.34	254.70
8"	651.76	574.24	501.52	430.94	363.72
10"	1071.94	944.44	824.84	708.76	590.98

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 average usage for the past twelve-months 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

Continued on next page

10/1/2012 Commodity	10/1/2011 Commodity	11/1/2010 Commodity	11/1/2009 Commodity	11/1/2008 Commodity
\$2.65/CCF	\$2.51/CCF	\$2.47/CCF	\$2.45/CCF	\$2.25/CCF
\$3.78/CCF	\$3.59/CCF	\$3.54/CCF	\$3.50/CCF	\$3.21/CCF
Bi-Monthly Fixed	Bi-Monthly Fixed	Bi-Monthly Fixed	Bi-Monthly Fixed	Bi-Monthly Fixed
\$15.28	\$13.72	\$13.56	\$12.98	\$11.92
16.42	14.48	14.26	13.46	12.36
19.52	16.78	16.54	14.90	13.68
24.48	19.90	19.60	16.76	15.40
35.44	28.36	27.94	22.00	20.20
106.55	90.68	89.34	60.36	55.44
137.42	113.58	111.90	74.60	68.52
211.06	167.42	164.94	107.80	99.00
296.50	229.28	225.90	145.74	133.84
473.20	355.44	350.18	223.04	204.84

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

<u>CONSUMER</u>	FISCAL YEAR 2017-18	
	<u>Consumption</u> <u>(CCF*)</u>	<u>Percent</u>
Maxim Integrated Products	334,619	3.04%
Intel Oregon	329,843	3.00%
Nike INC	157,079	1.43%
Resers Fine Foods	134,105	1.22%
Providence Health Systems	99,610	0.91%
Tualatin Hills Park & Recreation District	89,845	0.82%
Panzer Nursery Inc	62,646	0.57%
Heritage Village Mobile Park	61,976	0.56%
Tektronix Inc	59,451	0.54%
Simpson Property Group	52,047	0.47%
	1,381,221	12.55%
All Other Consumers	9,620,372	87.45%
Total	11,001,593	100%

<u>CONSUMER</u>	FISCAL YEAR 2008-09	
	<u>Consumption</u> <u>(CCF*)</u>	<u>Percent</u>
Intel Oregon	293,822	2.87%
Maxim Integrated Products Inc	247,089	2.42%
Providence Health Systems	137,239	1.34%
Nike Inc	97,158	0.95%
Reser's Fine Foods	86,579	0.85%
Tualatin Hills Park & Recreation District	75,948	0.74%
Panzer Nursery	70,323	0.69%
Heritage Village Mobile Park	66,096	0.65%
OHSU West Campus	57,406	0.56%
Beaverton Schools	50,327	0.49%
	1,181,987	11.56%
All other consumers	9,039,337	88.44%
Total	10,221,324	100%

*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

Fiscal Year	District Population (Estimated)	Debt Service				District Bonded Debt Per Capita	Washington County Per Capita Personal Income ^[4]	As a Share of Personal Income
		Revenue Bonds						
		Principal	Interest	Amortized Defeasance	Total			
2018	228,800 ^[1]	\$ -	\$ -	\$ -	\$ -	\$ -	58,403 ^[3]	0.00%
2017	226,360	-	-	-	-	-	55,987 ^[3]	0.00%
2016	221,749	-	-	-	-	-	54,203	0.00%
2015	218,399	-	-	-	-	-	52,923	0.00%
2014	214,143	5,470,000	635,250	(54,778)	6,050,472	28.25	49,762	0.06%
2013	211,556	6,705,000	930,625	(80,249)	7,555,376	35.71	46,171	0.08%
2012	207,849	7,890,000	1,273,400	(109,807)	9,053,593	43.56	46,533	0.09%
2011	205,236	10,170,000	1,751,325	(173,127)	11,748,198	57.24	44,028	0.13%
2010	202,166 ^[2]	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%

^[1] Data not available at time of preparation. Estimate used based on change in residential meters in the current year.

^[2] Population revised by PSU based on 2010 census numbers @ April 1, 2010

^[3] Estimated, data not available at time of preparation.

^[4] Bureau of Economic Analysis: <https://bea.gov/regional/>, CA1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income

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

Fiscal Year	Revenues	System Development Charges	Gross ⁽¹⁾ Revenues	Less: Net Operating Expenses ⁽²⁾ (Excluding Depreciation)	Net ⁽³⁾ Operating Revenues
2018	\$67,335,632	\$6,295,124	\$73,630,756	\$31,158,755	\$42,472,001
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

(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.

Continued on next page

<i>Debt Service ⁽⁴⁾</i>			<i>Coverage Ratio</i>	
<i>Principal ⁽⁵⁾</i>	<i>Interest</i>	<i>Total</i>	<i>1.25 minimum w/SDC's</i>	<i>1.20 minimum w/o SDC's</i>
\$ - ⁽⁷⁾	\$ -	\$ -	n/a	n/a
0 ⁽⁷⁾	0	0	n/a	n/a
0 ⁽⁷⁾	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 ⁽⁶⁾	431,425 ⁽⁶⁾	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

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

District	WASHINGTON COUNTY				UNEMPLOYMENT RATE		County Labor Force	State Labor Force
	Population (Estimated)	Population (Estimated)	Personal Income (000's)	Per Capita Income	County	State of Oregon		
2018	228,800 ^[5]	598,854 ^[5]	\$34,974,970 ^[5]	\$58,403 ^[5]	3.2%	4.0%	305,200	2,120,255
2017	226,360 ^[4]	588,957 ^[2]	32,973,830 ^[5]	55,987 ^[5]	3.3	4.1	302,200	2,104,103
2016	221,749	582,779	31,588,397	54,203	4.5	5.0	296,900	2,049,889
2015	218,399	572,759	30,312,315	52,923	5.0	5.7	288,500	1,973,545
2014	214,143	562,176	27,974,919	49,762	5.8	6.8	281,600	1,933,666
2013	211,556	555,089	25,628,991	46,171	6.5	7.9	275,200	1,908,985
2012	207,849	547,639	25,483,103	46,533	7.3	8.9	269,800	1,956,474
2011	205,236	539,649	23,759,750	44,028	8.2	9.5	265,700	1,994,642
2010	202,166	531,662	21,771,434	40,950	9.1	10.7	257,600	1,983,223
2009	200,872	524,699	21,553,989	41,079	10.2	11.8	258,000	1,982,474

^[1] Population data from Portland State University (PSU), College of Urban & Public Affairs: Population Research Center

^[2] Source: Oregon Employment Department QualityInfo.org, non-farm employment, not seasonally adjusted

^[3] Bureau of Economic Analysis: <https://bea.gov/regional>: CA1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income

^[4] Revision to prior years by PSU due to change in District service boundaries

^[5] Data not available at time of preparation. Estimate used.

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

<u>Industry</u>	<u>June 30, 2018</u>			<u>June 30, 2009</u>		
	<u>Employees</u>	Percentage of <u>Work Force</u>	<u>Rank</u>	<u>Employees</u>	Percentage of <u>Work Force</u>	<u>Rank</u>
Professional and business services	54,482	18.43%	1	31,809	13.67%	3
Manufacturing <i>includes computer & electronic, metals, machinery, plastics and rubber, food, other</i>	50,793	17.19%	2	40,100	17.23%	2
Trade, transportation and utilities <i>includes wholesale and retail trade</i>	49,943	16.90%	3	46,802	20.11%	1
Education and health services	36,814	12.46%	4	27,268	11.72%	4
Leisure and hospitality	27,638	9.35%	5	19,642	8.44%	6
Government <i>Federal, State, & Local</i>	23,410	7.92%	6	23,417	10.06%	5
Construction	16,465	5.57%	7	11,229	4.83%	8
Financial activities <i>includes finance, insurance, real estate</i>	14,761	4.99%	8	13,475	5.79%	7
Other services <i>includes repair & maintenance, membership organizations, laundry services & unclassified</i>	10,602	3.59%	9	7,462	3.21%	10
Information <i>includes publishing, telecommunications, ISP's, other</i>	7,535	2.55%	10	7,966	3.42%	9
Natural resources and mining	3,107	1.04%	11	3,531	1.54%	11
Total Employment	295,550	100.00%		232,701	100.00%	

Source: Oregon Employment Department Quality Information (QCEW) for Washington County

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

Full-Time-Equivalent Employees as of June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
WATER:										
System Operations, frmly Distribution	8	9	9	9	10	10	10	9	8	8
Maintenance, inc. former Valve and Maintenance crews	13	15	18	18	18	19	19	16	17	16
Water Resources, frmly Water Quality	6	6	4	6	3	3	3	4	5	3
ENGINEERING/INSPECTION/ CONSTRUCTION:										
Engineering	8	8	10	11	16	14	12	9	8	10
Inspections	2	2	2	2	3	3	3	3	3	3
Construction	9	7	7	7	8	6	6	6	6	6
ADMINISTRATION:										
Executive Administration	8	7	7	7	9	9	10	6	6	6
Human Resources	2	2	3	3	2	2	2	4	4	5
Conservation/Public Outreach	3	4	4	4	6	5	5	6	6	6
Billing/Customer Service	12	14	12	12	12	12	12	12	12	11
Meter Reading/Field Customer Service	14	14	14	13	14	14	14	12	12	12
Finance and Accounting	11	11	11	11	11	10	10	9	9	9
Information Services	8	7	8	8	7	8	8	8	7	5
OPERATIONS ADMINISTRATION:										
Administration	8	4	5	4	3	2	2	2	2	2
Asset Management-GIS	2									
Safety & Security	1	2	2	2	2	2	2	2	2	2
Asset Management - Facilities, frmly Building & Grounds	7	4	7	7	6	6	5	3	3	3
Asset Management - Fleet	2	2	2	2	2	2	2	2	2	2
Willamette Water Supply Program:										
Executive Administration	1	1	1	1						
Administration	4	3	1	0						
Engineering	3	4	3	1						
Finance and Accounting	1	1	1	0						
Public Outreach	1	1	1	2						
TOTAL EMPLOYEES:	134 ^[2]	128 ^[1]	132 ^[3]	130 ^[4]	132 ^[3]	127 ^[4]	125 ^[4]	113	112	109
Estimated Population	228,800	226,360	221,749	218,399	214,143	211,556	207,849	205,236	202,166	200,872
# Employees per 1000 population	0.59	0.57	0.60	0.60	0.62	0.60	0.60	0.55	0.55	0.54

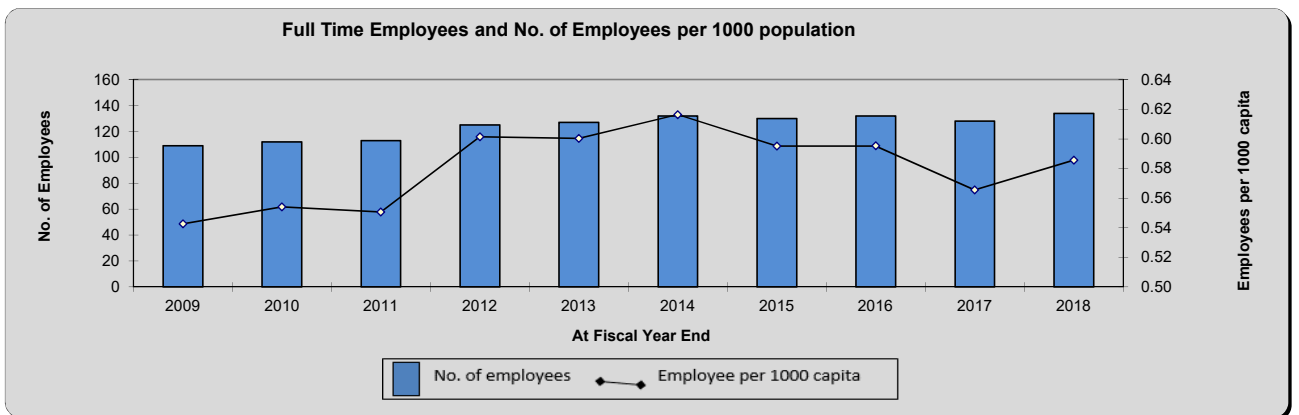
^[1]There are 6 Part-Time Interns/Summer Help included in this number

^[2]There are 8 Interns/Summer Help included in this number

^[3]There are 9 Interns/Summer Help included in this number

^[4]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

Fiscal Year Ending	Water Sales	Write Offs	% of Sales
2018	\$ 63,730,160	\$73,998	0.12%
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%

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

Fiscal Year Ending	Year End A/R Balance	Reserves	% of A/R
2018	\$ 18,083,217	\$266,190	1.47%
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%

Source: TVWD financial records

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>DRINKING WATER</u>				
Water Storage Capacity (MG)	62.35 ^[6]	67.46 ^[5]	59.35	59.35
Miles of Water Mains	790	787	780 ^[1]	776 ^[1]
Number of Reservoirs	23 ^[6]	24	22 ^[2]	22 ^[2]
Number of Pump Stations	12	12 ^[5]	11 ^[4]	12 ^[3]
Peak-Day Consumption (MG)	45.38	40.62	43.44	41.59
Average Consumption (MGD)	23.33	21.88	22.54	22.09
Minimum-Day Consumption (MG)	14.97	14.92	10.97	10.77
Annual Consumption (MG)	8515	7986	8250	8063
<u>ENGINEERING/INSPECTION/ CONSTRUCTION</u>				
Inspections Conducted	306	351	450	504

^[1] Water Mains greater than 2 inches from District GIS data layer

^[2] Cornell Reservoir offline, not included in count

^[3] Bonny Slope pump station taken out of service

^[4] Banister pump station taken offline

^[5] Ridgewood View online

^[6] Grabhorn Reservoir taken off-line

MG = million gallons

MGD=millions of gallons per day

Source: Tualatin Valley Water District Records

Continued on next page

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
59.60	58.28	59.18	63.25	63.25	54.45
788	778	769	765	764	762
22	21	23	25	25	25
13	12	12	12	12	11
39.96	38.17	33.27	39.00	44.97	44.02
19.50	19.02	18.65	18.92	18.87	21.60
10.49	10.49	11.70	11.60	11.16	11.45
7118	6942	6826	6904	6886	7884
387	432	297	207	909	846

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Tualatin Valley Water District



Delivering the Best Water  Service  Value

Other Comments and Disclosures



TVWD's new TapWater Bar can easily distribute cold water (if access to potable water is available) while we meet with community members.

Outreach and Community Events

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 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, email outreach@tvwd.org or call 503-848-3036.

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, 2018 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 November 26, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the preparation, adoption, and execution of the annual budgets for fiscal years 2018 and 2019.
- 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
November 26, 2018

About TVWD



*TVWD serves one of the most rapidly growing and economically thriving areas in Oregon.
(Photo courtesy of Clean Water Services)*

About TVWD

TVWD provides drinking water to a fast-growing region in Washington County, Oregon, nestled within the Portland Metropolitan area. TVWD's service area 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 about 45 million gallons of water on the peak day in fiscal year 2018 to about 63,000 residential and business service connections, with an estimated population of about 228,800 people. TVWD serves major private employers such as Intel, Nike, Reser's Fine Foods, and Providence St. Vincent Medical Center.