

TUALATIN HILLS PARK AND RECREATION DISTRICT BEAVERTON, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



**TUALATIN HILLS PARK
AND RECREATION DISTRICT
BEAVERTON, OREGON**

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**PREPARED BY THE
BUSINESS AND FACILITIES DIVISION
FINANCE DEPARTMENT**

TUALATIN HILLS PARK AND RECREATION DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION



Administration Office
503/645-6433
Fax 503/629-6301

November 28, 2011

Honorable Members of the Board of Directors
and the Citizens of the
Tualatin Hills Park and Recreation District,
Beaverton, Oregon

Members of the Board:

In accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of the Tualatin Hills Park and Recreation District (District) for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

In developing and evaluating the District's accounting system, consideration is given to the adequacy of the internal accounting controls. Because the cost of internal controls should not outweigh their benefits, the District's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. Within this framework, management believes that the District's transactions are properly recorded, and the financial report is complete and reliable in all material respects.

As required by Oregon Revised Statutes Chapter 297, "the Municipal Audit Law", an independent audit must be conducted annually. Accordingly, the Board of Directors appointed the firm of Talbot, Korvola and Warwick, LLP to complete the audit of the District's records.

Talbot, Korvola and Warwick, LLP has issued an unqualified opinion on the District's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report. Immediately following, the reader will find Management's Discussion and Analysis (MD&A) that provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The Tualatin Hills Park and Recreation District is a special service district formed in 1955, operating under Oregon Revised Statutes Chapter 266 as a separate municipal corporation. The District is governed by a five member Board of Directors, elected to four-year terms of office, with daily operations administered by a General Manager. The District provides year-round park and recreation services to a diverse population of over 226,000 residents within 50 square miles of east Washington County, Oregon, including the City of Beaverton.

- District facilities include: five indoor and two outdoor swim centers; a combined recreation/aquatic center; two recreation centers; an athletic center with six indoor multi-purpose athletic courts; a senior center; historic sites (Jenkins Estate, Fanno Farmhouse and John Quincy Adams Young House); a 220-acre Nature Park and Interpretive Center; the Cooper Mountain Nature Park and Interpretive Center; a tennis center with six indoor and eight outdoor courts (covered by two air structures for fall and winter season usage); and a camp for developmentally disabled youth.
- The District maintains, either through direct ownership or joint use agreement (including school sites): 53 outdoor basketball pads; 93 outdoor tennis courts; 151 soccer/football/lacrosse fields; 107 softball/baseball fields; two skate parks; three bocce courts; five volleyball courts; and an outdoor hockey rink.
- The District has 283 park and recreation facility sites totaling almost 2,200 acres, consisting of 1,110 acres of wetland/natural areas, and 1,090 acres of developed sites, including neighborhood, community and regional parks. THPRD sites include three lakes, 27 miles of stream corridor, and 42 miles of off-street pathways.
- District programs include: aquatics instruction, leagues and drop-in programs; youth and adult sports leagues and fitness programs; youth and adult general and specialized recreation programs; youth after-school and day camps; senior fitness and recreation programs; developmentally disabled and special needs recreation programs; and natural resource education programs.

Certain services for the patrons of the District are provided by the legally separate Tualatin Hills Park Foundation, which is reported in a separate column in the government-wide financial statements. The District is considered to be financially accountable for the Foundation, according to criteria developed by accounting principles generally accepted in the United States (GAAP), due to the nature of the relationship. The District has no other potential component units. Further information on the Tualatin Hills Park Foundation can be found in the notes to the financial statements (see Note I.A).

The District is required to adopt a final budget by no later than the close of the preceding fiscal year. The annual budget is intended to serve as a financial plan, operational plan and operations guide for the District's activities. The budget is prepared and adopted by fund and organizational unit, or division. Most budget changes after adoption require either a resolution by the Board of Directors, or a supplemental budget process.

FACTORS AFFECTING FINANCIAL CONDITIONS

Because of the unique focus of a special district, the information presented in the financial statements may be best understood when considered from the broader perspective of the specific environment within which the District operates.

Local economy – the District has been able to maintain a relatively stable revenue base despite the economic downturn. Both the City of Beaverton and Washington County had experienced a higher rate of growth than the state as a whole for several years,

resulting in a strong property tax base that had previously increased at a rate of approximately four to five percent annually. Because the District's 2011 assessed value is only 70.5% of market value, there is an inherent cushion in property tax collections. The District's tax collections will remain steady in the near future, should further declines in property value continue to occur. During the 2011 year, property taxes increased by 3.4% within the general fund, and a 3.25% increase is anticipated for the current year.

Washington County, the second most populous county in Oregon, has experienced declines in most job sectors since July 2008, however, the educational and health services, along with government sectors have continued to show slight gains. Furthermore, the County's unemployment rate as of September, 2011 sits at 7.8%, a lower rate than either the state (9.6%) or national rate (9.1%). Within the District, the significant revenues received from the assessment of system development charges (SDC's) have trended down in previous years, due to the decline in the construction industry. SDC revenues are statutorily restricted to use for purchase or construction of new, or expansion of existing, facilities, improvements and land within the District.

Due to Ballot Measure 50, passed by voters in May 1997, the District has a permanent tax rate of \$1.3073 per \$1,000 of assessed value. An annual 3% increase is allowed on maximum assessed valuation, along with increases due to new construction, land partitions, zoning changes, etc.

Long-term financial planning

To address the ongoing implications of funding constraints, the District developed a long-term financial plan five years ago, along with finalizing an updated Comprehensive Plan and Trails Plan. The Comprehensive Plan must be reviewed and updated every five years, which will be completed within 2012. Eight implementation goals are included in the Comprehensive Plan, which currently comprise the foundation of our annual budget process.

As directed in the Comprehensive Plan, the District adopted and implemented a program fee study in June 2007, with a four-year phase in process. The final year of increases began in January 2011, and was applied to all registered classes not yet recovering at full costs. However, because of the current economy and patron needs, the Board of Directors delayed the final year of fee increases for drop-in and pass activity until January 1, 2012. Ongoing, all fees will be reviewed and updated annually to reflect inflationary increases.

An SDC methodology update was completed and implemented in January 2008, with inflationary adjustments scheduled annually. Subsequently, a review of applicable cost indexes resulted in a downward adjustment to the actual fees for the past two years. Even though SDC revenue has decreased significantly, certain areas of the District have seen growth, and there are some significant developments under construction.

The District is actively monitoring deferred and projected maintenance replacements. Major replacement items (those specifically identified and critical to District operations) have been effectively addressed; however, funding for routine replacements (all non-major items) has not kept up with replacement needs (other than safety related items).

The five-year funding projection, prepared during the annual budget process, illustrates the importance of addressing this long-term need, to avoid a decline in District assets.

As part of the previously mentioned long-term financial plan, the District established viable financial strategies to ensure stable management during all economic conditions. Some of the issues addressed, either this year or into the next, ensure the adherence to these policies and exhibit a proactive approach to our economic targets.

- All District programs are reviewed regularly to ensure cost recovery and comparability to the market.
- Non-general obligation debt was issued during the year, but debt service will be offset by energy savings and efficiencies.
- The District retirement program was amended with a Tier II addition for employees hired after June 30, 2010; this will contain the cost of funding of required contributions, while providing a stable retirement plan to all eligible staff.
- Completed District-wide implementation of energy savings performance contract improvements, vehicle trip reduction/consolidation and development of satellite maintenance facilities.

MAJOR INITIATIVES

Bond measure

To facilitate the long-term vision of the District, a bond measure was developed for the November 2008 ballot, in the amount of \$100 million, payable by a dedicated property tax increase over the next 20 years. The measure provided funding for natural areas, trail expansions, athletic field additions, park additions and upgrades, building expansions and facility replacements and upgrades. Voters approved the measure, and subsequently, the District sold the first series of bonds in the amount of \$58.5 million in April 2009. As of June 30, 2011, \$20.8 million of bond funds have been expended.

On September 1, 2011, the District issued the balance of authorized general obligation debt to take advantage of the historically low interest rates. Further information on this financing is contained in Note V.E., Page 43 of the Notes to the Basic Financial Statements.

Future goals

With the 2011/12 budget process, the Board developed goal outcome measures, based on the Comprehensive Plan goals, to provide quantifiable performance measure targets. Business plans were developed based on these measures, and those that met the required return on investment were incorporated into the adopted budget. Along with these targeted business plans, the District will also be focusing on:

- Continued efforts to reach under-served populations, including funding of the Family Assistance program, to ensure all District residents have an opportunity to access available services.

- Completion of the renovation of the centralized maintenance facility by early 2012, and absorbing initial costs of relocating the Maintenance, Natural Resources and Planning departments to the new facility.
- Continued commitment to sustainability through adjustments within maintenance, adoption of new technology practices and tracking of greenhouse gas inventories from park district activities.
- Management of the Bond Capital Project program, including dedicated funding for personnel necessary to complete the voter approved list of projects.

AWARDS AND ACKNOWLEDGEMENTS

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 (CAFR) for the fiscal year ended June 30, 2010. This was the sixth year of submission, and subsequent receipt, of this prestigious award. In order to be awarded the Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Staff believes that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

The District's Adopted Budget Document for the 2010/11 Fiscal Year received the *Distinguished Budget Presentation* award from GFOA. This is the seventh year that the District has received such an award. In order to qualify, the budget document must be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Finally, I would like to express my sincere gratitude to the personnel in the Finance Department who contributed in the preparation of this report, specifically Catherine Brucker, Finance Manager. Without the efficient and dedicated services of the entire finance staff, completion of this report, on a timely basis, could not have been accomplished.

In closing, the dedication, commitment and professional contribution to the financial stability of the District made by the Board of Directors and General Manager must be acknowledged. Their guidance and leadership are of invaluable assistance to the financial management of the District.

Respectfully submitted,

Keith D. Hobson
Director of Business and Facilities

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tualatin Hills
Park and Recreation District
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

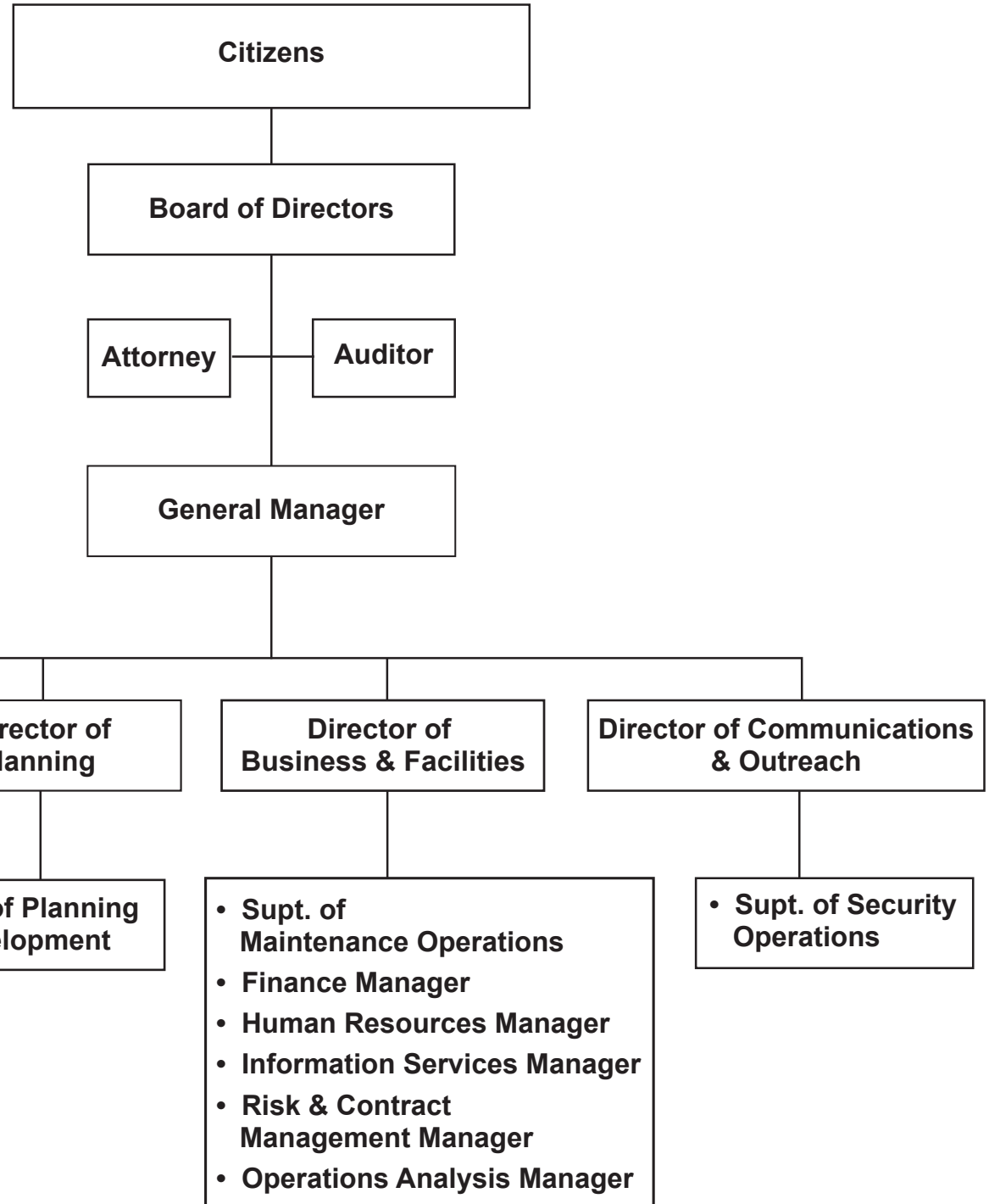
President

Jeffrey R. Emer

Executive Director



**THPRD ORGANIZATIONAL CHART
June 30, 2011**



**TUALATIN HILLS PARK AND RECREATION DISTRICT
DIRECTORY OF OFFICIALS**

Administrative Office
15707 SW Walker Road
Beaverton, Oregon 97006

Board of Directors
as of June 30, 2011

<u>Name</u>	<u>Term Expires</u>
Bill Kanable, President 8130 SW Sorrento Rd. Beaverton, Oregon 97008	June 30, 2013
Bob Scott, Secretary 21302 NW Cannes Dr. Portland, Oregon 97229	June 30, 2013
Joe Blowers, Secretary Pro-tempore 2050 SW 78 th Ave. Portland, Oregon 97225	June 30, 2011
Larry Pelatt 7655 SW 140 th Ave. Beaverton, Oregon 97008	June 30, 2013
John Griffiths 10245 SW 153 rd Ave. Beaverton, Oregon 97007	June 30, 2011

Register Agent and Office

Doug Menke
15707 SW Walker Road
Beaverton, Oregon 97006

General Manager
Doug Menke

Director of Business and Facilities
Keith D. Hobson

FINANCIAL SECTION