

QLife Network

QualityLife Intergovernmental Agency

AGENDA

QLife Regular Board Meeting

**Thursday, September 25, 2014, Noon
The Dalles City Hall, 313 Court Street
2nd Floor Conference Room**

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of August 28, 2014 QLife Regular Board Meeting Minutes
5. Financial Reports
 - a. August Financial Reports
 - b. List of Disbursements since Last Meeting
6. Action Items
 - a. Acceptance of the Fiscal Year 2013-14 Financial Audit
 - b. Approval of MOU between The Port of The Dalles and QLife regarding conduit in North Chenoweth Business Park
 - c. Authorize signature of SDIS Joinder of Trust Agreement
7. Reports
 - a. Aristo Operational Management Report – John Amery
8. Next Meeting Dates:
 - a. Regular Board Meeting November 27, 2014 Noon
9. Adjourn

QLife Network

QualityLife Intergovernmental Agency

MINUTES

QLife Regular Board Meeting

Thursday, August 28, 2014, Noon
The Dalles City Hall, 313 Court Street
2nd Floor Conference Room

Call to Order

President Hege called the meeting to order at 12:10 p.m.

Roll Call

In attendance: Scott Hege, Brian Ahier, Bill Dick

Staff: Keith Mobley, Attorney; Nolan Young, Administrator; Izetta Grossman, Secretary; John Amery, Aristo Networks

Approval of Agenda

It was moved by Ahier and seconded by Dick to approve the agenda as presented. Motion carried unanimously, 2 absent.

Approval of June 26, 2014 QLife Regular Board Meeting Minutes

It was moved by Dick and seconded by Ahier to approve the minutes as submitted. Motion carried unanimously, 2 absent.

Financial Reports

Young reviewed the June – July Financial Reports, noting that there were two reports on was a Year End Report and the other July. He noted that expenditures were down, the system audit costs were less than anticipated.

Discussion Items

Debt free celebration: after some discussion it was agreed that it would be best to ask City Clerk Julie Krueger about having a small cupcake celebration just prior to the September 22 Council meeting, when press would be in attendance. Izetta will send evites out to Budget Committee, prior Board members, MCMC, PUD, Port of The Dalles and CGCC.

Larson arrived at 12:20 p.m.

Action Items

Consideration of advance infrastructure in North Chenoweth Business Park – Young reviewed the agenda staff report, noting that Erik Orton had been working on the engineering as part of his contract with QLife. Mobley noted the quote excluded fees for permits. Young said the estimate for permits was \$3,000. The utility trenching would be starting next week. Hege asked who would be owner of conduit. Young said that there would be formal agreement stating that QLife owned the conduit. The benefit was having the system ready to pull cable allowed for faster customer turn ups. Ahier moved to direct staff to proceed with the contract with Crestline Construction for \$24,990 to make the necessary improvements in preparation for future fiber optic service in the Chenoweth Business Park, and negotiate a formal agreement for ownership and exclusive use of conduit. Dick seconded, motion carried unanimously, 1 absent.

Reports

Aristo Operational Management Report – John Amery reported there had been a battery source beeping continuously. He had to replace UPS; switch is being replaced as well. He expected to have the work complete in two weeks.

There was some discussion on tree trimming and policies/procedures/necessary area needed to be cleared and owner notification. It was the consensus of the Board for Amery to bring back to the next board meeting policies of other entities like QLife for Board review and direction.

Amery reported that the house fire on 4th Street that caused damage to some fiber was still going through the process. Mobley had not received a reply from owners on insurance information.

Amery reported that the QLife generator was at maximum capacity needs to stay on the radar as a future need. Young noted it is on the Capital Improvement Plan.

Next Meeting Dates:

- a. Regular Board Meeting September 25, 2014 Noon

Adjourn

Being no further business the meeting was adjourned at 1:10 p.m.

Respectfully submitted
Izetta Grossman Secretary

Attest: _____
Erick Larson, Secretary

TO: Qlife Board
 Nolan Young, City Manager

FR: Kate Mast, Finance Director

RE: Financial Report for QLIFE – **August 2014**

BANKING:

QLife monies are deposited into a separate bank checking account. QLife also has a Local Government Investment Pool (LGIP) account where funds excess funds are maintained in order to earn some interest..

The information below is a comparison of budget to actual revenues and expenditures for the month just ended by fund. This information is not audited, but is reviewed by the Finance Department for clarity and budget compliance.

17% of the year has passed.

Each fund exceptions narrative has four possible paragraphs; 1 - is the beginning balance, 2 - is new revenues, 3 - is expenditures and 4 - if present, is budget changes.

Operations (600):

BUDGET COMPARISONS

	<u>July 1, 2014 to August 31, 2014</u>			
	Budget	Actual	Percentage	
Beginning Balance	\$ 138,143	\$ 180,968	131.0%	* see below
Revenues	\$ 680,619	\$ 103,408	15.2%	
Expenditures	\$ 435,857	\$ 14,421	3.3%	
Transfers to Capital/Debt Fund	\$ 382,905	\$ 113,591	29.7%	
Cash at Month End	\$ 107,120.87			

Exceptions:

- 1) Beginning Balance: * *The Beginning Balance figures used here are estimated and have **NOT** been audited.*
- 2) Revenues:
- 3) Expenditures: The extra transfer amount was to pay off the Columbia Bank Loan in July.
- 4) Budget Changes: No budget changes have been made to this fund this fiscal year.

CAPITAL (601):

BUDGET COMPARISONS

	<u>July 1, 2014 to August 31, 2014</u>			
	Budget	Actual	Percentage	
Beginning Balance	\$ 183,796	\$ 183,319	99.7%	* see below
Transfers In	\$ 382,905	\$ 113,591	29.7%	
Revenues	\$ 30,000	\$ 4,780	15.9%	
M&S / Capital Outlay / Other	\$ 463,913	\$ 1,185	0.2%	
Debt Expenditures	\$ 132,788	\$ 129,663	97.6%	
Cash at Month End	\$ 168,963.95			

Exceptions:

- 1) Beginning Balance: * *The Beginning Balance figures used here are estimated and have **NOT** been audited.*
- 2) Revenues:
- 3) Expenditures: The Columbia Bank Loan was paid in full as of July 9, 2014.
- 4) Budget Changes: No budget changes have been made to this fund this fiscal year.

City of The Dalles

FUND 600 QUALITYLIFE AGENCY FUND		***** CURRENT *****		***** YEAR-TO-DATE *****		***** ANNUAL *****		***** UNREALIZED *****	
ACCOUNT	DESCRIPTION	ESTIMATED	ACTUAL	%REV	ESTIMATED	ACTUAL	%REV	ESTIMATE	BALANCE
300	BEGINNING BALANCE	11,511	.14-		23,022	180,967.86	786	138,143	42,824.86-
300	**	11,511	.14-		23,022	180,967.86	786	138,143	42,824.86-
300	*** BEGINNING BALANCE	11,511	.14-		23,022	180,967.86		138,143	42,824.86-
340	CHARGES FOR SERVICES								
344	UTILITY SERVICES	52,305	51,840.00	99	104,610	101,880.00	97	627,669	525,789.00
344	UTILITY SERVICE CHARGES	0	.00		0	.00		0	.00
344	LSN CEDITIS	187	1,350.00	722	374	1,350.00	361	2,250	900.00
344	CONNECT CHARGES								
344	** UTILITY SERVICES	52,492	53,190.00	101	104,984	103,230.00	98	629,919	526,689.00
340	*** CHARGES FOR SERVICES	52,492	53,190.00		104,984	103,230.00		629,919	526,689.00
360	OTHER REVENUES								
361	INTEREST REVENUES	41	83.33	203	82	178.41	218	500	321.59
361	INTEREST REVENUES	41	83.33	203	82	178.41	218	500	321.59
361	** INTEREST REVENUES	41	83.33		82	178.41		500	321.59
369	OTHER MISC REVENUES								
369	OTHER MISC REVENUES	16	.00		32	.00		200	200.00
369	OTHER MISC REVENUES	4,166	.00		8,332	.00		50,000	50,000.00
369	E-RATE REIMBURSEMENT								
369	** OTHER MISC REVENUES	4,182	.00		8,364	.00		50,200	50,200.00
360	*** OTHER REVENUES	4,223	83.33		8,446	178.41		50,700	50,521.59
390	OTHER FINANCING SOURCES								
392	SALE OF FIXED ASSETS	0	.00		0	.00		0	.00
392	SALE OF FIXED ASSETS	0	.00		0	.00		0	.00
392	** SALE OF FIXED ASSETS	0	.00		0	.00		0	.00
390	*** OTHER FINANCING SOURCES	0	.00		0	.00		0	.00
FUND TOTAL QUALITYLIFE AGENCY FUND		68,226	53,273.19		136,452	284,376.27		818,762	534,385.73

FUND	600 QUALIFIER	AGENCY	FUND	DEPT/DIV	6000	OLIFE/	*****CURRENT*****		*****YEAR-TO-DATE*****		ENCUMBR.	ANNUAL BUDGET	UNENCUMBR. BALANCE	%
							BUDGET	ACTUAL	%EXP	BUDGET				
66			EXPENSE-ACCOUNT											
660			FINANCIAL OPERATIONS											
			MATERIALS & SERVICES											
	31	10	ADMINISTRATIVE				1666	.00	0	3332	.00	20000	20000.00	0
		15	COUNTY				583	.00	0	1166	.00	7000	7000.00	0
		20	OUTSIDE PLANT MAINTENANCE				3583	.00	0	7166	.00	43000	43000.00	0
		90	OTHER SERVICES				3583	.00	0	7166	.00	43000	43000.00	0
	32	10	AUDIT				441	.00	0	882	.00	5300	5300.00	0
		20	LEGAL SERVICES				700	.00	0	1400	.00	8400	8400.00	0
	34	10	ENGINEERING SERVICES				1866	.00	46	3732	.00	22400	21547.50	4
		30	NETWORK SYSTEM MANAGEMENT				6083	2000.00	33	12166	.00	73000	67000.00	8
	50		SPECIAL STUDIES & REPORTS				0	.00	0	0	.00	0	.00	0
	41	40	ELECTRICITY				50	.00	73	100	.00	600	563.68	6
	43	10	BUILDINGS AND GROUNDS				41	.00	0	82	.00	500	500.00	0
		25	NETWORK EQUIPMENT				383	.00	0	766	.00	4600	4600.00	0
	87		UTILITIES LOCATES				83	.00	0	166	.00	1000	1000.00	0
	44	10	OFFICE SPACE RENTAL				646	.00	0	1292	.00	7752	7752.00	0
	52	10	LIABILITY				487	.00	0	974	.00	5855	5855.00	0
	30		PROPERTY				0	.00	0	0	.00	0	.00	0
	53	20	POSTAGE				16	.00	0	32	.00	200	200.00	0
	30		TELEPHONE				35	34.02	97	70	.00	420	351.96	16
	40		LEGAL NOTICES				33	.00	0	66	.00	400	400.00	0
	54	00	ADVERTISING				108	.00	0	216	.00	1300	800.00	39
	57	10	PERMIT				33	.00	0	66	.00	400	400.00	0
	58	10	TRAVEL, FOOD & LODGING				166	.00	0	332	.00	2000	2000.00	0
	50		TRAINING AND CONFERENCES				58	.00	0	116	.00	700	570.00	19
	70		MEMBERSHIPS/DUES/SUBSCRIP				16	.00	0	32	.00	200	200.00	0
	60	10	OFFICE SUPPLIES				8	47.95	599	16	.00	100	52.05	48
	63	80	OLIFE SCHOLARSHIPS				166	.00	0	332	.00	2000	2000.00	0
	90		ROBOTICS GRANTS				41	.00	0	82	.00	500	500.00	0
	69	50	MISCELLANEOUS EXPENSES				833	1600.00	192	1666	.00	10000	8400.00	16
	60		POLE CONNECTION FEES				1569	1501.20	96	3138	.00	18830	17328.80	8
	70		RIGHT OF WAY FEES				0	.00	0	0	.00	0	.00	0
	80		ASSETS <\$5000				0	.00	0	0	.00	0	.00	0
	02	**	MATERIALS & SERVICES				23443	6071.99	26	46886	.00	281457	267035.99	5
	03		CAPITAL OUTLAY											
	74	20	TELECOMMUNICATIONS EQUIP				1666	.00	0	3332	.00	20000	20000.00	0
	03	**	CAPITAL OUTLAY				1666	.00	0	3332	.00	20000	20000.00	0
	660	**	FINANCIAL OPERATIONS				25109	6071.99	24	50218	.00	301457	287035.99	5
	66	**	EXPENSE-ACCOUNT				25109	6071.99	24	50218	.00	301457	287035.99	5
			DIV 6000 TOTAL *****				25109	6071.99	24	50218	.00	301457	287035.99	5
	DEPT	60	TOTAL *****				25109	6071.99	24	50218	.00	301457	287035.99	5

City of the Dalles

FUND 601	ACCOUNT	DESCRIPTION	***** CURRENT *****		***** YEAR-TO-DATE *****		ANNUAL ESTIMATE	UNREALIZED BALANCE	
			ESTIMATED	ACTUAL	ESTIMATED	ACTUAL			
300		BEGINNING BALANCE							
300	00 00		15,316	.40	30,632	183,319.40	599	183,796	476.60
300	**		15,316	.40	30,632	183,319.40	599	183,796	476.60
300	***	BEGINNING BALANCE	15,316	.40	30,632	183,319.40		183,796	476.60
330		INTERGOVERNMENTAL REVENUE							
330	90 00	FEDERAL GRANTS-MISC	0	.00	0	.00	0	0	.00
331	**	FEDERAL REVENUES	0	.00	0	.00	0	0	.00
330	***	INTERGOVERNMENTAL REVENUE	0	.00	0	.00	0	0	.00
340		CHARGES FOR SERVICES							
344	20 00	UTILITY SERVICES	2,500	1,898.06	5,000	4,780.28	96	30,000	25,219.72
344	**	UTILITY SERVICES	2,500	1,898.06	5,000	4,780.28	96	30,000	25,219.72
340	***	CHARGES FOR SERVICES	2,500	1,898.06	5,000	4,780.28		30,000	25,219.72
360		OTHER REVENUES							
369	00 00	OTHER MISC REVENUES	0	.00	0	.00	0	0	.00
369	10 00	ENTERPRISE ZONE PAYMENT	0	.00	0	.00	0	0	.00
369	**	OTHER MISC REVENUES	0	.00	0	.00	0	0	.00
360	***	OTHER REVENUES	0	.00	0	.00	0	0	.00
390		OTHER FINANCING SOURCES							
391	40 00	OPERATING TRANSFERS IN	0	.00	0	.00	0	0	.00
391	90 01	IF PRT FROM OTHER FUNDS	31,908	29,923.82	63,816	113,590.64	178	382,905	269,314.36
391	**	OPERATING TRANSFERS IN	31,908	29,923.82	63,816	113,590.64	178	382,905	269,314.36
393	10 00	LOAN/BOND PROCEEDS	0	.00	0	.00	0	0	.00
393	**	PROCEEDS- LT LIABILITIES	0	.00	0	.00	0	0	.00
390	***	OTHER FINANCING SOURCES	31,908	29,923.82	63,816	113,590.64		382,905	269,314.36
		FUND TOTAL QILIFE CAPITAL FUND	49,724	31,822.28	99,448	301,690.32		596,701	295,010.68

FUND 601 QLIFF CAPITAL FUND		DEPT/DIV 6000 QLIFF/		*****CURRENT*****		*****YEAR-TO-DATE*****		*****		ANNUAL		UNENCUMB.		%	
BA ELE OBJ	ACCOUNT	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBER.	BUDGET	BALANCE	BUDGT				
SUB	DESCRIPTION														
66	EXPENSE-ACCOUNT														
660	FINANCIAL OPERATIONS														
02	MATERIALS & SERVICES	916			1832				0	0	0	0	0	0	0
34	ENGINEERING SERVICES	333			666				0	0	0	0	0	0	0
70	CUSTOMER CONNECT COSTS	666			1332				0	0	0	0	0	0	0
43	LINES MNTNCE & SUPPLIES	0			0				0	0	0	0	0	0	0
57	PERMIT	0			0				0	0	0	0	0	0	0
02	MATERIALS & SERVICES	1915			3830				0	0	0	0	0	0	0
03	CAPITAL OUTLAY														
72	BUILDINGS	0			0				0	0	0	0	0	0	0
74	TELECOMMUNICATIONS EQUIP	0			0				0	0	0	0	0	0	0
76	PRIMARY	15342			30684				0	0	0	0	0	0	0
20	SECONDARY	4166			8332				0	0	0	0	0	0	0
30	POLE MAKE READY COSTS	416			832				0	0	0	0	0	0	0
03	CAPITAL OUTLAY	19924			39848				0	0	0	0	0	0	0
04	DEBT SERVICE														
79	LOAN PRINCIPAL PAYMENTS	10785			21570				0	0	0	0	0	0	0
51	CRB PRINCIPAL PAYMENTS	0			0				0	0	0	0	0	0	0
60	LOAN INTEREST PAYMENTS	280			560				0	0	0	0	0	0	0
90	LOAN RESERVE-FUT DEBT PAY	0			0				0	0	0	0	0	0	0
04	DEBT SERVICE	11065			22130				0	0	0	0	0	0	0
660	FINANCIAL OPERATIONS	32904			65808				0	0	0	0	0	0	0
66	EXPENSE-ACCOUNT	32904			65808				0	0	0	0	0	0	0
DIV	6000 TOTAL	32904			65808				0	0	0	0	0	0	0
DEPT	60 TOTAL	32904			65808				0	0	0	0	0	0	0
	QLIFF	1185.00			4	65808			130848.31	199	0.00	394901	264052.69	33	

AGENDA STAFF REPORT

MEETING DATE	AGENDA LOCATION	AGENDA REPORT #

TO: QLife Board of Directors
FROM: Kate Mast, Finance Director
THRU: Nolan K. Young, City Manager
DATE: September 13, 2014

ISSUE: Presentation of FY 13/14 Audit by Merina & Company, LLC

BACKGROUND: Tonya Moffitt, of Merina & Company, LLC, will be presenting their audit findings to the Board at the regular QLife meeting at noon on Thursday, September 25, 2014. This audit was of the QLife books as of June 30, 2014, the end of fiscal year 2013-2014.

Ms. Moffitt will again be speaking to you via the conference phone. She had hoped to be able to attend the meeting this year in order to meet you all, but the date of the QLife Board meeting conflicted with her auditing schedule. She will be in Tillamook that day.

The good news is that there were no material errors found in the QLife books for the fiscal year audited. There is no bad news.

BUDGET IMPLICATIONS: None.

ALTERNATIVES:

- A. **Staff Recommendation:** Move to accept the FY13/14 Audit as presented.

**QUALITYLIFE
INTERGOVERNMENTAL AGENCY**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

QUALITYLIFE INTERGOVERNMENTAL AGENCY

Annual Financial Report For the Fiscal Year Ended June 30, 2014

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OFFICIALS OF THE AGENCY

QUALITYLIFE INTERGOVERNMENTAL AGENCY

OFFICIALS OF THE AGENCY

AS OF JUNE 30, 2014

BOARD OF DIRECTORS

Scott Hege, President
511 Washington Street
The Dalles OR 97058

Bill Dick
2520 E 14th Street
The Dalles OR 97058

Erick Larson
1700 E 19th Street
The Dalles OR 97058

Carolyn Wood
1709 Liberty Way
The Dalles OR 97058

Brian Ahier
1126 E 8th Street
The Dalles OR 97058

AGENCY ADDRESS

Administrative Offices
313 Court Street
The Dalles OR 97058

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
QualityLife Intergovernmental Agency
The Dalles, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the QualityLife Intergovernmental Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the QualityLife Intergovernmental Agency, as of June 30, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis 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 an opinion on the financial statements that collectively comprise the QualityLife Intergovernmental Agency's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

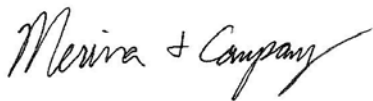
The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated September 11, 2014, on our consideration of the QualityLife Intergovernmental Agency'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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
September 11, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the QualityLife Intergovernmental Agency's (the Agency) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

REPORT CONTENTS

The report consists of enterprise fund financial statements, notes to the financial statements and individual fund schedules. The enterprise fund financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

STATEMENT OF NET POSITION

The Statement of Net Position focuses on the unrestricted net position of the Agency's proprietary activities. The Statement reflects all assets and liabilities for the Agency.

STATEMENT OF ACTIVITIES

The Statement of Revenues, Expenses and Changes in Net Position focuses on the revenues and program cost of providing high-speed Internet access.

STATEMENT OF CASH FLOW

The Statement of Cash Flows presents information on the transactions resulting in cash being provided or used. The statement presents this information for Operating Activities and Capital and Related Financing Activities.

ENTERPRISE FUND FINANCIAL STATEMENTS

Summary Statements of Net Position at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 422,902	\$ 276,616
Capital assets, net of depreciation	<u>1,532,148</u>	<u>1,581,230</u>
Total assets	<u>1,955,050</u>	<u>1,857,846</u>
Liabilities		
Long-term liabilities	128,958	344,555
Other liabilities	<u>59,168</u>	<u>43,011</u>
Total liabilities	<u>188,126</u>	<u>387,566</u>
Net position		
Net investment in capital assets	1,472,995	1,423,183
Unrestricted (deficit)	<u>293,929</u>	<u>47,097</u>
Total net position	<u>\$ 1,766,924</u>	<u>\$ 1,470,280</u>

The net position of the Agency is primarily net investment in capital assets. New construction is primarily related to Phase 4 of the WiFi Project and laterals for new customers.

A summarized version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Revenues		
Operating revenues	\$ 598,745	\$ 536,950
Capital grants and contributions	37,068	99,608
Other	<u>568</u>	<u>229</u>
Total revenues	<u>636,381</u>	<u>636,787</u>
Expenses		
Operating expenses	289,716	342,847
Other	36,936	44,323
Interest on long-term debt	<u>13,085</u>	<u>25,048</u>
Total expenses	<u>339,737</u>	<u>412,218</u>
Increase in net position		
Net position - beginning	<u>1,470,280</u>	<u>1,245,711</u>
Net position - ending	<u>\$ 1,766,924</u>	<u>\$ 1,470,280</u>

Net position increased during the year by \$296,644 due to newly constructed capital assets financed by capital grants, and the reduction of debt during the year.

BUDGETARY HIGHLIGHTS

The original legal appropriations for the QLife General Fund totaled \$672,245 with a contingency of \$27,247. No changes to the original budget were made to this fund. Expenditures were \$143,091 under budget.

The original legal appropriations for the QLife Capital Fund totaled \$478,169 with a contingency and other uses of \$192,877. Changes to the original appropriations were made via a supplemental budget that increased the Materials & Services and Capital Outlay categories. Expenditures were \$196,017 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014 the Agency had investment in capital assets, net of accumulated depreciation, \$1,532,148 consisting primarily of the fiber optic loop. As of June 30, 2006 the system was fully operational and an industrial park fiber optic loop had been added. The Bisector project was completed in FY13/14 at a cost of \$334,050.

The Downtown WiFi Project Phase 4 is funded by contributions from QLife as well as other sources, and is being administered by the City of The Dalles, Oregon. The Agency made all of the agreed upon contributions to the project in FY13/14 in the amount of \$15,180. However, as the City has not yet completed the project, the Agency's contributions are considered "construction in progress" as of June 30, 2014. When the project is completed the entire capital asset will be in the ownership of the Agency.

Debt Outstanding

As of June 30, 2014, the Agency had \$128,958 in long-term debt outstanding, which was used to refinance prior conduit debt and construction. Payments in the amount of \$215,597 were made this year on the principal of the original amount of this debt.

ECONOMIC FACTORS

The QualityLife Intergovernmental Agency will continue to be an important partner in economic development within the City of The Dalles, providing necessary Internet access to support continued growth and quality of services to those within the Agency's boundaries. Google, the search engine, started operations in new facilities in the City in 2006, and expanded their facilities in FY13/14.

FINANCIAL CONTACT

The Agency's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact the Agency's Finance Director at 313 Court Street, The Dalles, Oregon 97058.

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
 - Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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QUALITYLIFE INTERGOVERNMENTAL AGENCY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2014

ASSETS

Current assets:		
Cash and cash equivalents	\$	376,830
Accounts receivables, net		<u>46,072</u>
Total current assets		422,902
Capital assets:		
Construction in progress		15,180
Depreciable assets, net of depreciation		<u>1,516,968</u>
Total capital assets, net		<u>1,532,148</u>
Total assets	\$	<u><u>1,955,050</u></u>

LIABILITIES AND NET POSITION

LIABILITIES:

Current liabilities:		
Accounts payable	\$	58,617
Accrued interest payable		551
Current portion of long-term debt		<u>128,958</u>
Total liabilities		<u>188,126</u>

NET POSITION:

Net investment in capital assets		1,472,995
Unrestricted (deficit)		<u>293,929</u>
Total net position		<u>1,766,924</u>
Total liabilities and net position	\$	<u><u>1,955,050</u></u>

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

**QUALITYLIFE INTERGOVERNMENTAL AGENCY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 For the Fiscal Year Ended June 30, 2014**

	<u>QualityLife Operations</u>
OPERATING REVENUES:	
Charges for services	\$ 598,745
Total operating revenues	<u>598,745</u>
OPERATING EXPENSES:	
Materials and services	225,454
Depreciation	<u>64,262</u>
Total operating expenses	<u>289,716</u>
Operating income (loss)	309,029
NON-OPERATING INCOME (EXPENSE):	
Interest on investment	568
Grants and contributions	37,068
Grant expense	(36,936)
Interest expense	<u>(13,085)</u>
Total non-operating income (expenses)	<u>(12,385)</u>
Change in net position	296,644
NET POSITION, BEGINNING	<u>1,470,280</u>
NET POSITION, ENDING	<u><u>\$ 1,766,924</u></u>

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

QUALITYLIFE INTERGOVERNMENTAL AGENCY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 610,136
Cash paid to suppliers and others	(209,176)
	<hr/>
Net cash provided (used) by operating activities	400,960
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grants and contributions	37,068
Purchase of capital assets	(15,180)
Grant expenses	(36,936)
Principal payments on debt	(215,597)
Interest on long-term obligations	(13,206)
	<hr/>
Net cash provided (used) by capital and related financing activities	(243,851)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	568
	<hr/>
Net cash provided (used) by investing activities	568
	<hr/>
Net increase (decrease) in cash and cash equivalents	157,677

CASH AND CASH EQUIVALENTS, BEGINNING

219,153

CASH AND CASH EQUIVALENTS, ENDING

\$ 376,830

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 309,029
Adjustments	
Depreciation	64,262
Decrease (increase) in:	
Accounts receivable	11,391
Increase (decrease) in:	
Accounts payable and accrued expenses	16,278
	<hr/>
Net cash provided (used) by operating activities	\$ 400,960
	<hr/> <hr/>

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

QUALITYLIFE INTERGOVERNMENTAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Fund Structure

The QualityLife Intergovernmental Agency (the Agency), is a joint venture of Wasco County, Oregon and the City of The Dalles, Oregon. The Agency was formed in 2001 to construct and operate a fiber optic network to provide high-speed internet access to the residents of The Dalles.

The accompanying financial statements present all funds for which the Agency is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the Agency is a primary government with no includable component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Agency is accounted for as a business-type activity for financial reporting purposes and its basic financial statements are prepared on the accrual basis of accounting. Under this method, revenues were recorded when earned and expenses are recorded at the time liabilities are incurred.

The Agency distinguishes operating revenues and expenses from non-operation items. Operating revenues include internet access charges and connection fees, and generally result from providing services in connection with ongoing operations. Operating expenses include the cost of services in connection with ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expense.

When both restricted and unrestricted resources are available, it is the Agency's policy to use restricted resources first, then, unrestricted resources, as they are needed.

For financial reporting purposes, management considers the activities relating to the operation of the Agency as those of a unitary nature and those activities are reported as such. For operating and budgetary purposes, the accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The funds of the Agency are as follows:

Fund Type - Enterprise	Principal Revenue Source	Primary Expenditure Purpose
General	Membership and service fees	General operating expenses
Capital Projects	Grants, City General Fund Contributions, and Charges for Services	Construction of fiber optic network

C. Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

D. Customer Accounts Receivables

Customer accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management has determined that no allowance for doubtful accounts is needed as of June 30, 2014.

E. Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income.

The estimated useful lives of capital assets are as follows:

Equipment	10 years
Fiber optic loop	30-50 years

It is the Agency's policy to record no depreciation on capital assets in the year of acquisition and a full year of depreciation in the year of disposition.

F. Intangible Assets

Purchases of software licenses are recorded at cost at date of acquisition. These intangible assets are being amortized over an estimated useful life of 10 years.

G. Net Position

Net position comprises 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 net position; and unrestricted net position.

Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Restricted net position consists of net earnings for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, or enabling legislation, including self-imposed mandates. Unrestricted net position consists of all other net earnings not included in the above categories.

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DETAILED NOTES

A. Deposits and Investments

Custodial credit risk - deposits. This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2014, none of the Agency's bank balances were exposed to custodial credit risk. The Agency does not have a formal deposit policy for custodial credit risk.

B. Receivables

Receivables represent amounts due to the Agency at June 30, 2014 from user charges.

C. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
General					
Capital Assets, non-depreciable:					
Construction in progress	\$ 334,050	\$ 15,180	\$ -	\$ (334,050)	\$ 15,180
Total capital assets, non-depreciable	<u>334,050</u>	<u>15,180</u>	<u>-</u>	<u>(334,050)</u>	<u>15,180</u>
Capital assets, depreciable:					
Fiber optic loop	1,645,553	-	-	334,050	1,979,603
Equipment	78,581	-	-	-	78,581
Software licenses	7,011	-	-	-	7,011
Total capital assets, depreciable	<u>1,731,145</u>	<u>-</u>	<u>-</u>	<u>334,050</u>	<u>2,065,195</u>
Less accumulated depreciation for:					
Fiber optic loop	(413,577)	(52,106)	-	-	(465,683)
Equipment	(67,045)	(11,536)	-	-	(78,581)
Software licenses	(3,343)	(620)	-	-	(3,963)
Total accumulated depreciation	<u>(483,965)</u>	<u>(64,262)</u>	<u>-</u>	<u>-</u>	<u>(548,227)</u>
Net depreciable capital assets	<u>1,247,180</u>	<u>(64,262)</u>	<u>-</u>	<u>334,050</u>	<u>1,516,968</u>
Net capital assets	<u>\$ 1,581,230</u>	<u>\$ (49,082)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,532,148</u>

D. Long-Term Obligations

Outstanding debt and transactions for the year ended June 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Columbia State Bank - payable in monthly installments of \$11,494, including interest at 5 percent, beginning June 13, 2008. Final payment is due May 13, 2018.	\$ 344,555	\$ -	\$ (215,597)	\$ 128,958	\$ 128,958
Total Business	<u>\$ 344,555</u>	<u>\$ -</u>	<u>\$ (215,597)</u>	<u>\$ 128,958</u>	<u>\$ 128,958</u>

Future maturities of long-term obligations as of June 30, 2014 are as follows:

Year Ending June 30,	<u>Columbia State Bank</u>	
	<u>Principal</u>	<u>Interest</u>
2015	<u>\$128,958</u>	<u>\$ 706</u>
Total	<u>\$128,958</u>	<u>\$ 706</u>

E. Related Party Transactions

The City of The Dalles, Oregon appoints two members and Wasco County, Oregon appoints two members of the QualityLife Intergovernmental Agency Board of Directors. The fifth member is appointed by the other four. The City also provides administrative and other services, rental of office space and pass through of grant revenues to the Agency. The County also provides space and technical services for GIS and fiber management. During the year, the Agency had the following related party transactions.

Charges for services revenue from:

City of The Dalles	\$ 9,840
Wasco County	\$ 16,560

Expenses for administrative and other services from:

City of The Dalles	\$ 15,909
Wasco County	\$ 0

Rent expense to the City of The Dalles: \$ 5,244

In addition, at June 30, 2014, the City owes \$820 and the County owes \$2,760 to the Agency for services received. The Agency also owes the City \$6,843 for current year rent and charges of administrative services rendered, and \$1,501 for right-of-way fees.

F. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has obtained insurance for these risks through the Special Districts Association of Oregon, which operates a public entity risk pool for common risk management and insurance program for special districts. The Agency pays an annual premium to the pool for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified minimums for various insured events.

G. Construction in Progress

The Downtown WiFi Project Phase 4 is funded by contributions from the Agency as well as other sources, and is being administered by the City of The Dalles, Oregon. The Agency has made all of the agreed upon contributions to the project in the amount of \$15,180. However, as the City has not yet completed the project, the Agency's contributions are considered "construction in progress" as of June 30, 2014. When the project is completed the entire capital asset will be in the ownership of the Agency.

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- General Fund
- Capital Projects Fund

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**QUALITYLIFE INTERGOVERNMENTAL AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 574,479	\$ 574,479	\$ 579,330	\$ 4,851
Interest on investments	300	300	568	268
Miscellaneous	50,200	50,200	37,068	(13,132)
Total revenues	<u>624,979</u>	<u>624,979</u>	<u>616,966</u>	<u>(8,013)</u>
EXPENDITURES:				
Materials and services	253,065	253,065	170,285	82,780
Capital outlay	20,000	20,000	-	20,000
Other	50,000	50,000	36,936	13,064
Contingency	27,247	27,247	-	27,247
Total expenditures	<u>350,312</u>	<u>350,312</u>	<u>207,221</u>	<u>143,091</u>
Revenues over (under) expenditures	274,667	274,667	409,745	135,078
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(321,933)</u>	<u>(321,933)</u>	<u>(321,933)</u>	<u>-</u>
Total other financing sources (uses)	<u>(321,933)</u>	<u>(321,933)</u>	<u>(321,933)</u>	<u>-</u>
Net changes in fund balances	(47,266)	(47,266)	87,812	135,078
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>97,223</u>	<u>97,223</u>	<u>93,154</u>	<u>(4,069)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 49,957</u>	<u>\$ 49,957</u>	<u>\$ 180,966</u>	<u>\$ 131,009</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital projects fund balance			183,319	
Capital assets			1,532,148	
Accrued interest payable			(551)	
Long-term debt			<u>(128,958)</u>	
NET POSITION AT END OF YEAR			<u>\$ 1,766,924</u>	

**QUALITYLIFE INTERGOVERNMENTAL AGENCY
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 32,500	\$ 32,500	\$ 19,415	\$ (13,085)
Total revenues	32,500	32,500	19,415	(13,085)
EXPENDITURES:				
Materials and services	19,000	30,988	16,625	14,363
Capital outlay	37,500	56,860	53,724	3,136
Debt service:				
Principal	215,622	215,622	215,597	25
Interest	13,170	13,182	13,206	(24)
Contingency	192,877	178,517	-	178,517
Total expenditures	478,169	495,169	299,152	196,017
Revenues over (under) expenditures	(445,669)	(462,669)	(279,737)	182,932
OTHER FINANCING SOURCES (USES):				
Transfers in	321,933	321,933	321,933	-
Total other financing sources (uses)	321,933	321,933	321,933	-
Net changes in fund balances	(123,736)	(140,736)	42,196	182,932
FUND BALANCE, BEGINNING BUDGETARY BASIS	123,736	140,736	141,123	387
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 183,319	\$ 183,319

**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the QualityLife Intergovernmental Agency, as of and for the year ended June 30, 2014 and have issued our report thereon dated September 11, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether QualityLife Intergovernmental Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294). The Agency is exempt from (ORS Chapter 279).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Agency does not have highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Agency does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the QualityLife Intergovernmental Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

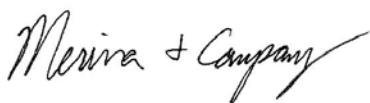
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered QualityLife Intergovernmental Agency'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 Columbia QualityLife Intergovernmental Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of QualityLife Intergovernmental Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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



Merina & Company, LLP
West Linn, Oregon
September 11, 2014

September 11, 2014

To the Board of Directors
QualityLife Intergovernmental Agency

We have audited the financial statements of QualityLife Intergovernmental Agency for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by QualityLife Intergovernmental Agency are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014.

We noted no transactions entered into by QualityLife Intergovernmental Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Agency's financial statements was:

Management's estimate of the accumulated depreciation is based on historical cost and straight-line depreciation.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Capital Assets in Note II.C and Debt in Note II.D to the financial statements summarizes the changes in capital assets and debt for the year ended June 30, 2014.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to QualityLife Intergovernmental Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit management's discussion and analysis and do not express an opinion or provide any assurance on this information.

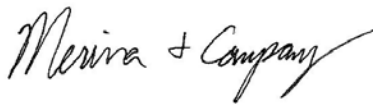
We were engaged to report on the other supplementary information, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of QualityLife Intergovernmental Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

If you should have any questions or comments, we would be pleased to discuss this report with you at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
Certified Public Accountants and Consultants

**INTERGOVERNMENTAL AGREEMENT
BETWEEN
QUALITYLIFE INTERGOVERNMENTAL AGENCY (QLIFE)
AND
PORT OF THE DALLES (PORT)**

This Intergovernmental agreement is entered into by and between the Port of The Dalles, an Oregon municipal corporation formed under ORS Chapter 77 ("Port"), and the QualityLife Intergovernmental Agency, an entity created under ORS 190 and doing business as QLife Network ("QLife") (each of which is referred to herein individually as a "Party" and collectively as the "Parties").

RECITALS:

1. WHEREAS, the Parties hereto are authorized to enter into this Agreement creating an intergovernmental agency pursuant to their respective principal acts and ORS 190.003 to 190.265; and
2. WHEREAS, Port has and is willing to transfer ownership to certain buried conduit in its new North Chenoweth Business Park, as shown on Exhibit A; and
3. WHEREAS, QLife, in support of economic development, is willing to extend fiber optic cable to new customers in the new business park; and
4. WHEREAS, the Port also desires to promote economic development through the use of its telecommunications infrastructure and is willing to transfer ownership of the buried conduit;

NOW, THEREFORE, THE PARTIES agree as follows:

1. Effective Date: The effective date of this Agreement is September ____, 2014.
2. Term: This Agreement shall be perpetual unless the Parties agree to its termination.
3. Use and Ownership of Conduit: Port hereby grant to QLife, without charge, the ownership of the section of buried conduit in the North Chenoweth Business Park, as shown on Exhibit A, on the following terms and conditions:
 - 3.1 QLife will use the conduit to provide services to tenants in the North Chenoweth Business Park that agree to purchase services at same prices and conditions as other customers;
 - 3.2 QLife may install new conduit junction boxes and make such other changes to the conduit as may be necessary to meet its needs in the use of the conduit;
 - 3.3 QLife will have and maintain ownership of the conduit, the inner ducts and any improvements made to the conduit and junction boxes;

- 3.4 QLife will own and be responsible for the buried conduit as associated with additional improvements for its maintenance and repair;
 - 3.5 QLife will be entitled to extend services from the conduit to users, and all such extensions and service will be owned by QLife.
 - 3.6 When requested by Port, QLife will report, in general terms, the extent of its use of the conduit.
4. Dispute Resolution: If a dispute arises between the Parties regarding breach of this Agreement or interpretation of any term of this Agreement, the Parties shall first attempt to resolve the dispute by negotiation, followed by binding arbitration if negotiation fails to resolve the dispute.
- 4.1 Negotiation. The Board Member or other persons designated by each of the disputing parties will negotiate on behalf of the Parties they represent. The nature of the dispute shall be reduced to writing and shall be presented to each of the disputing Parties who shall then meet and attempt to resolve the issue. If the dispute is resolved at this step, there shall be a written determination of such a resolution, which when signed by each disputing Party will be binding up on the Parties.
 - 4.2 Binding Arbitration. If the dispute cannot be resolved by negotiation within forty-five days, the parties shall submit the matter to binding arbitration. The Parties shall attempt to agree on an arbitrator. If the Parties cannot agree on an arbitrator within ten (10) days, the Parties shall submit the matter of determining an arbitrator to the Presiding Judge of Wasco County Circuit Court. The common costs of the arbitration shall be borne equally by the Parties. Each Party must bear its individual costs and fees.
5. Amendment. This Agreement may be amended by mutual agreement of the Parties, signed by all of the Parties.
6. Merger. This Agreement embodies the entire agreement and understanding between the Parties relating to the use of buried conduit and supersedes all prior agreements and understandings relating the subject matter hereof.
7. Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
8. Notice. Any notice herein required or permitted to be given shall be given in writing, shall be effective when actually received, and may be given by hand delivery or by certified mail, first class postage prepaid, addressed to the Parties as follows:

Executive Director
Port of The Dalles
3636 Klindt Drive
The Dalles, OR 97058

QLife Administrator
City Hall
313 Court Street
The Dalles, OR 97058

9. Counterparts. This Agreement may be executed in counterparts and by the Parties on separate counterparts, any one of which shall constitute an agreement between and among the Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth opposite their names below:

PORT OF THE DALLES

President Date: _____

Secretary Date: _____

QUALITYLIFE Intergovernmental Agency

President Date: _____

Secretary Date: _____

QLife Network

QualityLife Intergovernmental Agency

September 12, 2014

To: Board of Directors, Q-Life Network

From: Keith Mobley, Legal Counsel

Subject: Insurance through Special Districts Association of Oregon -
SDIS Joinder of Trust Agreement

Q-Life Network is one of about 925 public entities or “special districts” in Oregon that are members of and have insurance coverage through the Special Districts Association of Oregon.

In 1985, SDAO created the Special Districts Insurance Services Trust by entering into a Declaration of Trust. Purposes included “. . . operation of a program of self-insurance whereby the Members’ exposures in the areas of tort liability, property, workers compensation, and ancillary program areas may be effectively and economically managed, and whereby insurance and risk retention strategies to manage such risks may be most responsibly and economically funded and to provide life, health, and disability programs and other personnel benefit service to Members.”

Q-Life Network began SDIS coverage on July 1, 2002, initially arranged through Jerry Frazier of Oregon Trail Insurance.

Because the original declaration of trust had not been amended to take into account changes in federal tax and state laws, the SDIS Board of Trustees prepared a new trust agreement. In order to continue coverage, members must sign a “Joinder of Trust Agreement” in the form attached, before October 1, 2014.

Our recommendation is that the board of directors authorize the execution of this document. If there are questions, I will be pleased to answer them, either before or at the board meeting on September 25, 2014.

**QUALITYLIFE INTERGOVERNMENTAL AGENCY
EXHIBIT A
JOINDER TO TRUST AGREEMENT
FOR INITIAL MEMBERS**

By execution of this Joinder, the undersigned public body hereby agrees to become a party to, and is bound by, the First Restatement of Declaration of Trust of the Special Districts Insurance Trust effective as of April 1, 2014 (and as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among the Trustees and the Members, in the same manner as if the undersigned were an original signatory to such Agreement.

The undersigned represents and warrants that (i) the undersigned has received a copy of, and has reviewed the terms of, the Agreement and all related or relevant documents and agreements, (ii) undertakes to become a Member of the Special Districts Insurance Trust with all the rights and obligations thereof, and (iii) such undertaking has been duly authorized as an intergovernmental agreement to create a program of self-insurance pursuant to ORS 30.282.

Capitalized terms used but not defined in this Joinder shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder as of this 25th day of September, 2014.

**QualityLife Intergovernmental Agency,
dba Q-Life Network**

By: _____
Name: Scott Hege
Title: President

Address for Notices:

Nolan K. Young, Administrator
Q-Life Network
313 Court Street
The Dalles, OR 97021

Special Districts Insurance Services Trust

First Restatement of Declaration of Trust

RECITALS

1. Oregon Revised Statutes Chapter 30.282 authorizes Public Bodies within the state of Oregon to create and participate in self-insurance programs through intergovernmental agreements;
2. On July 1, 1985, the Special Districts Association of Oregon and certain trustees entered into a Declaration of Trust for the Special Districts Insurance Services Trust, which set forth the terms and conditions upon which a self-insurance program solely for the benefit of governmental entities would be organized and operated pursuant to Oregon Revised Statutes Chapter 30.282, which Declaration of Trust was amended on October 22, 1987, February 18, 1988, January 25, 1989, June 27, 1991, June 2, 1994, December 9, 1999, September 21, 2000, January 10, 2002, April 17, 2003, and June 7, 2006 (the "Amended Trust Declaration");
3. The Initial Members have made Contributions to the trustees of the Trust and the trustees have implemented a self-insurance program with multiple pools for the benefit of the Initial Members, and the funds associated with such program constitute a trust fund that has been held for the exclusive benefit of the Initial Members participating in a self-insurance program;
4. Article 7 of the Amended Trust Declaration provided that the Amended Trust Declaration could be amended by the Board of Directors of the Special Districts Association of Oregon, by delivery of a copy of the amendment to each Trustee, provided however, that no amendment could operate to the prejudice of any vested rights held by any participant in the program of the Trust under a policy, contract, or other document for the benefit of such participant; and
5. The Board of Directors of the Special Districts Association of Oregon and the trustees of the Trust have determined that a restatement of the Amended Trust Declaration in the form of this First Restatement of Declaration of Trust, is in the best interests of the Initial Members and prospective Members, and have determined that this First Restatement of Declaration of Trust should be submitted to the Initial Members, and to prospective Members as appropriate, to allow them to become Members.

SECTION 1 DEFINITIONS

1.1 **Definitions.** All capitalized terms in this Agreement shall have the meanings given to them in this Section 1.

1.2 **"Agreement"** means this First Restatement of the Declaration of Trust.

1.3 **"Amended Trust Declaration"** means the Special Districts Insurance Services Trust Declaration of Trust described in the Recitals.

1.4 **"Associated"** means, when used in the phrase "Associated with" an organization, the status of being a current employee of, or a member of the governing body of, that organization, or being a volunteer in good standing of an organization (in accordance with the policies and procedures of that organization) who is nominated in a writing signed by the Chair of the Board of Directors of the organization.

1.5 **"Audit Committee"** means the committee established by the Board, as described in Section 4.8(c).

1.6 **"Board"** means the Board of Trustees of the Trust.

1.7 **"Board Observer"** means the person designated by the Sponsoring Member to attend Board meetings pursuant to Section 4.1(b).

1.8 **"Contribution"** means the amount a Member contributes to the Trust annually pursuant to the Coverage Document.

1.9 **"Coverage Document"** means a contract between the Trust and a Member with respect to self-insurance coverage with respect to which a Member makes a Contribution.

1.10 **"Deadlocked"** means a situation in which the vote of the Trustees on a matter is evenly split for two or more meetings at which such matter is submitted to a vote.

1.11 **"Effective Date"** means April 1, 2014.

1.12 **"Executive Committee"** means the committee established by the Board, as described in Section 4.8(a).

1.13 **"Former Member"** means a Special District, Public Body or Sponsoring Member that was at one time a Member, but whose membership has Terminated.

1.14 **"Initial Members"** means those Special Districts and Public Bodies that had in effect a Coverage Document on the day before the Effective Date.

1.15 **"Joinder"** means a document, substantially in the form attached as Exhibit A, the execution of which constitutes a Member's agreement to be bound by the terms and conditions of this Agreement, and shall include a duly executed resolution in substantially the same form.

1.16 **"Majority"** means more than 50%.

1.17 **"Member"** means a Special District or Public Body that has executed a Joinder to this Agreement and the Sponsoring Member, the membership of which has not Terminated.

1.18 **"Nominating Committee"** means the committee established by the Board as described in Section 4.8(b).

1.19 **"Public Body"** means an entity described in Oregon Revised Statutes 30.260.

1.20 **"Quorum"** means a Majority of the Trustees.

1.21 **"Special District"** means a governmental entity described in Oregon Revised Statutes 198.010.

1.22 **"Sponsoring Member"** means the Special Districts Association of Oregon.

1.23 **"Termination"** means the cessation of the membership of a Member pursuant to this Agreement.

1.24 **"Trust"** means the Special Districts Insurance Services Trust.

1.25 **"Trustee"** means a person who has executed this Agreement or a duplicate thereof agreeing to accept the responsibilities of trusteeship under this Agreement, and who has not resigned or been removed as a Trustee.

1.26 **"Trust Property"** means cash, property or any asset held by the Trustees and subject to this Agreement.

SECTION 2 PURPOSES AND OPERATON OF TRUST

2.1 Purposes. The purposes of the Trust shall continue to be the operation of a program of self-insurance whereby the Members' exposures in the areas of tort liability, property, workers compensation, and ancillary program areas may be effectively and economically managed, and whereby insurance and risk retention strategies to manage such risks may be most responsibly and economically funded, and to provide life, health, and disability programs and other personnel benefit services to Members. The Trustees shall endeavor to accomplish these goals by:

(a) Acting to ensure that there is available to Members markets for liability, property, workers compensation, and ancillary coverages appropriate to risks to which such Members are exposed and markets, programs and services for employee benefits and health, life, and disability insurance coverage needs of Members.

(b) Aggregating the collective buying power of Members and the economic advantages of individual and pooled risk retention and other strategies, where lawful and actuarially sound, and to reduce and stabilize the cost of funding those risks.

(c) Making available to Members resources and expertise in the management of risk through loss prevention and loss control programs, claims management, consulting, data gathering, information sharing and related services.

(d) Acting as a representative and information resource for Members in presenting to appropriate legislative and administrative bodies and committees, data and policy issues related to the cost of public risk in Oregon.

(e) Creating, upon authorization by the Board, pooled self-insured programs funded by Member Contributions and based on sound actuarial analysis, which may be structured as separate pools for various types of risk, with physical or accounting segregation as determined by the Board.

(f) Developing and providing other insurance programs, retirement programs or other related services as are approved by the Board, including but not limited to loan or grant programs in amounts not material to Trust operations and designed to further the objectives of the Trust.

(g) Providing access for Members to coverages with respect to which the Trust is not an indemnitor.

2.2 Trust Property. The Trustees shall collect and manage Trust Property, including but not limited to insurance premiums, Contributions and other revenues, shall make appropriate disbursements from the Trust, and shall oversee the management and administration of the programs of the Trust, approving the necessary contracts, insurance policies, premium contributions, fee schedule group purchases and making such other arrangements and implementing such strategies as necessary to carry out purposes described herein regarding the self-insurance programs, for the exclusive benefit of the Members and as described in this Agreement.

SECTION 3 CONTINUATION OF TRUST AND FUTURE CONTRIBUTIONS

3.1 Trust Agreement. The Trustees and the Sponsoring Member hereby enter into this First Restatement of Declaration of Trust, to be effective on the Effective Date. The Trustees shall invite the Initial Members, and such other Special Districts or Public Bodies as appropriate, to become Members.

3.2 Trust Continuation. The Trust shall continue without interruption on and after the Effective Date and shall be operated from the Effective Date pursuant to this First Restatement of Declaration of Trust.

3.3 Existing and Future Trust Property. The Members confirm that the Trust Property subject to the Amended Trust Declaration as of the Effective Date of this Agreement, including all Contributions and income and profits therefrom, shall remain Trust Property, to be held, managed and distributed pursuant to this Agreement.

3.4 Contributions. Any Contributions made on or after the Effective Date of this Agreement, along with any and all income and profits therefrom, shall be Trust Property, and shall be held, managed and distributed pursuant to this Agreement. A contributing Member's Contribution is irrevocable.

3.5 Agreement by Trustees. The Trustees hereby declare that they will administer, manage, collect, receive, dispose of and distribute all Trust Property for the exclusive benefit of the Members as provided in this Agreement.

SECTION 4 BOARD OF TRUSTEES

4.1 Board of Trustees.

(a) *In General*. The Trust shall be governed by a Board of Trustees ("the Board") composed of not fewer than five, nor more than nine, Trustees. Until changed by a vote of the Board, the number of Trustees shall be seven.

(b) *Board Observer*. As long as the Sponsoring Member is a Member, it shall from time to time designate a Board Observer, who shall be entitled to attend all meetings of the Board, but who shall not be a Trustee, shall have no fiduciary duties, and shall not vote. The Board Observer shall advise the Board on matters potentially affecting Special Districts throughout Oregon, as such matters relate to the activities of the Trust. The Board Observer shall be a nonvoting member of all standing and ad hoc committees of the Board. If the Sponsoring Member ceases to be a Member, there shall be no Board Observer position.

(c) *Continuation of Trustees*. Notwithstanding any requirement of Section 4.3, Trustees of the Trust serving as of the Effective Date shall continue to serve as Trustees until the expiration of their terms of office.

(d) *Election of Trustees*. The Board shall elect a Trustee to fill any vacant Trustee position, which elected Trustee shall serve until expiration of the vacated position.

4.2 Meetings.

(a) *Annual Meeting*. An annual meeting of the Trustees shall be held in June of each year.

(b) *Special Meetings*. Special meetings of the Trustees may be called by the Sponsoring Member, Chair, the Vice-Chair, or a Majority of Trustees, by giving written notice to the Chair or the Vice-Chair.

(c) *Quorum*. A Quorum of Trustees must be present to conduct business at a duly called meeting.

(d) *Manner of Acting*. With respect to any matter to be decided by the Trustees, the Trustees shall act by Majority vote of all Trustees.

(e) *Location of Meeting.* All meetings shall be held within the State of Oregon. While every meeting must have a physical location at which at least one Trustee appears, Trustees may participate in the meeting by means of a conference telephone call or electronic communication method if all persons participating in the meeting can hear each other at the same time.

4.3 Qualifications of a Trustee.

(a) *In General.* Except as provided in Section 4.3(b), as a qualification for appointment and continued service, each Trustee shall be a natural person Associated with a Special District which is a Member.

(b) *Continued Service by Trustee.* If a Trustee becomes no longer Associated with a Member during the Trustee's term of office, the Trustee may serve out the remainder of the Trustee's term.

4.4 Term of Office of Trustee.

(a) *Fixed Terms.* Trustees shall be appointed for a fixed term. Terms shall be three years and shall be staggered so that no more than three Trustees' terms expire during any calendar year. There shall be assigned position numbers to each Trustee position.

(b) *Reappointment.* A Trustee may serve any number of consecutive terms.

4.5 Resignation of a Trustee. A Trustee may resign at any time by giving written notice to the Chair, Vice-Chair or Secretary of the Trust, which resignation shall be effective upon delivery or on such later date specified in the resignation.

4.6 Removal of a Trustee.

(a) *Removal by Trustees.* A Trustee may be removed by a Majority Vote of the Trustees other than the Trustee who is being considered for removal.

(b) *Deadlock Process.* If the Board is Deadlocked on removal of a Trustee, the matter shall be submitted pursuant to the Deadlock Process described in Section 4.13. The Board of Directors of the Sponsoring Member shall determine whether the affected Trustee is to be removed as a Trustee, which decision shall be final. If the Board of Directors of the Sponsoring Member determines that a Trustee should not be removed, that Trustee shall serve until the expiration of his or her term, unless the other Trustees determine that the affected Trustee has engaged in intentional misconduct or gross negligence in carrying out his or her duties, in which case such Trustee may be removed using the processes described in Section (a) and (b) of this Section 4.6.

4.7 Officers.

(a) *Officers.* The officers of the Board shall be a Chair, a Vice-Chair, a Secretary, and a Treasurer. The same person may not concurrently occupy more than two offices.

(b) *Appointment.* Officers shall be elected by the Board at the annual meeting and shall serve a one-year term or until their successors are elected by the Board.

(c) *Resignation.* An officer may resign at any time by giving written notice to the Chair, Vice Chair or Secretary of the Trust, which resignation shall be effective upon delivery or on such later date is specified in the resignation. In the event of a vacancy in an officer's position, the Board shall fill the unexpired portion of the term by election at the next Board meeting.

(d) *Duties of Chair.* The Chair shall, when present, preside at all meetings of the Board and of the Members. He or she shall serve as the chair of the Executive Committee and shall be an ex-officio Member of all other standing committees. The Chair shall perform all duties required of him or her by the Board.

(e) *Duties of Vice-Chair.* The Vice-Chair shall preside at all meetings of the Board and of the Members in the absence of the Chair. He or she shall perform such other duties as assigned by the Board or the Chair. The Vice-Chair shall be the chair of the Nominating Committee.

(f) *Duties of Secretary.* The Secretary will keep or cause to be kept at the Trust's principal office all of the minutes of the meetings of the Board and Members showing the time and place of meeting, the notice given, the names of those present and the content of such meeting in reasonable detail. The Secretary shall perform such other duties as assigned by the Board or the Chair.

(g) *Duties of Treasurer.* The Treasurer will be responsible for oversight of (i) the funds of the Trust; (ii) deposits and withdrawals of such funds in such depositories as may be authorized by the Board; and (iii) the keeping of a full and accurate account of receipts and disbursements at the Trust's principal office. The Treasurer shall be the chair of the Audit Committee and shall perform such other duties as assigned by the Board or the Chair.

4.8 Committees.

(a) *Executive Committee.* The Board shall establish an Executive Committee, the objective of which is to prepare for Board meetings, address the business of the Trust between Board meetings in a manner delegated by the Board, and recommend to the Board the admission of new Members and Termination of existing Members, as necessary.

(b) *Nominating Committee.* The Board shall establish a Nominating Committee, the objective of which is to identify and recommend to the Board appropriate candidates for trusteeship from among the Members.

(c) *Audit Committee.* The Board shall establish an Audit Committee, the objective of which is to assure that the Board is adequately and currently informed of the financial condition of the Trust through reports and other methods.

(d) Other Committees. The Board may establish such other committees as it deems necessary and appropriate to carry out its responsibilities, which committees may be standing or ad hoc committees, in the discretion of the Board.

4.9 Salaries and Expenses. Trustees shall serve without compensation, but shall be entitled to reimbursement for expenses in accordance with the applicable expense policies of the Trust.

4.10 Policies and Procedures. The Trustees may from time to time adopt policies and procedures for operation of the Board, committees, and the Trust that are not inconsistent with this Agreement. The Trustees shall establish and maintain policies and procedures designed to cause the Trust to retain net assets sufficient to satisfy projected liabilities at appropriately high actuarially determined confidence levels in the event of catastrophic loss.

4.11 Powers of Trustees. The Trustees shall have each and every power accorded to Trustees under Oregon law and the authority to act in all matters relating to the Trust and Trust property, including but not limited to the power to:

- (a) make and enter into contracts;
- (b) incur debts, liabilities, and obligations;
- (c) acquire, hold, or dispose of property, contributions and donations of Property, funds, services, and other forms of assistance from any person;
- (d) sue and be sued in the name of the Trust, and to settle or compromise any claim;
- (e) engage and employ agents, employees, consultants, contractors, advisers, and any other personnel to assist in the activities of the Trust;
- (f) receive, collect, and disburse monies from any source;
- (g) authorize and pay or credit to Members (and not Former Members) such amounts, from the excess of available funds over amounts required or projected by the Board to fund Trust operations and claim liabilities, as determined appropriate by the Board, in its sole discretion; and
- (h) do all other things necessary and appropriate to carry out the purposes of the Trust and permitted by law.

4.12 Services Contract. The Trustees may enter into a contract with a Member to perform duties of administration of the Trust, which duties shall include but not be limited to claims administration, loss control, underwriting, and other consulting services as may be specified by contract between the Trust and the service provider.

4.13 Deadlock. If at any time the Trustees are Deadlocked on any issue, the Chair or Vice-Chair shall prepare a memorandum summarizing the facts and circumstances of the

situation in reasonable detail, and shall submit this memorandum to the Chair of the Board of Directors of the Sponsoring Member. The Board of Directors of the Sponsoring Member shall resolve the Deadlock and inform the Trustees of its decision, which decision shall be binding upon the Board.

SECTION 5 MEMBERSHIP

5.1 Sponsoring Member. The Special Districts Association of Oregon is the Sponsoring Member of the Trust. The role of the Sponsoring Member is to provide the experience and continuity needed by the Trust to best serve its Members. The Sponsoring Member shall have ongoing duties to the Trust, including:

- (a) Working closely with others engaged by the Trust to provide various services;
- (b) Appointment of a Board Observer, as described in Section 4.1(b);
- (c) Providing its Executive Director as Trust Administrator for the Trust, who shall act in the role of chief operating officer and shall carry out the day-to-day duties of trust administration, as delegated by the Trustees;
- (d) Facilitating strategic planning for the Trust and recommending strategies for improving services to Members and improvement of ongoing operations of the Trust; and
- (e) Engaging in such other duties as reasonably requested by the Board to carry out the objectives of the Trust.

5.2 Distribution to Sponsoring Member. The Trust shall make an annual distribution to the Sponsoring Member in an amount to be determined by the Board in consultation with the Sponsoring Member.

5.3 Qualifications for Membership. A Member other than the Sponsoring Member must be a Special District or Public Body, within Oregon, that is a member in good standing of the Special Districts Association of Oregon.

5.4 Effect of Membership. A Member shall be eligible to participate in the coverages and services offered by or through the Trust on such terms and conditions as set forth in the Coverage Documents. Once an entity becomes a Member, such membership shall continue until terminated in accordance with this Agreement.

5.5 Initial Members. All entities who are Initial Members on the day before the Effective Date shall be eligible to become Members of the Trust as of the Effective Date by executing a Joinder.

5.6 New Members. Upon application by a Special District or Public Body to become a Member of the Trust, the Board may approve membership of such entity on such terms and

conditions as Board determines, in its sole discretion. The Board shall have the exclusive authority to approve or deny an application for membership, in its sole discretion.

5.7 Termination of Membership.

(a) *Termination of All Coverages.* Upon the termination of all participation in programs of the Trust, including but not limited to coverage under all Coverage Documents with respect to a Member (other than the Sponsoring Member), a Member's membership shall cease.

(b) *Sponsoring Member.* The Board may Terminate the membership of the Sponsoring Member for intentional wrongdoing or gross negligence, in its conduct as a Member, by a vote of two-thirds of the Trustees.

5.8 Liability after Termination of Membership. Upon Termination of membership, the Member will continue to be liable for the payment of any Contributions due as of the date of Termination. In the event the Trust is unable to perform its contractual obligations on a Former Member's behalf, the Member will continue to be liable for the payment of its own claims and liabilities arising out of the period when the Former Member was a Member.

5.9 Resumption of Membership after Termination. A Former Member may reapply for membership three years after Termination of membership. The Board in its discretion may waive this time limit or impose additional waiting periods.

5.10 Duties and Obligations of Members.

(a) *Joinder to First Restatement.* Each Member (other than the Sponsoring Member) shall execute a Joinder to this Agreement in a form approved by the Board and shall execute such other documents as are reasonable and appropriate, in the determination of the Board, to evidence membership in the Trust.

(b) *Information.* Each Member will furnish to the Trustees such underwriting and other information as may be reasonably required to carry out the purposes of the Trust at least 45 days prior to the end of the coverage period as described in the Coverage Documents.

(c) *Contributions.* Each Member shall make an annual Contribution based on the coverages the Member elects to the Trust in the amount determined by the Trustees, which amount shall be communicated to the Members within a reasonable period prior to renewal of coverage. The amount of the Contribution of each Member shall be determined by the Board, in its sole discretion, based on the coverages the member elects.

(d) *Cooperation.* As participants in a self-insured program, Members have an obligation to control claim costs by minimizing risk by establishing best management and safety practices. Each Member shall cooperate fully with the Trustees and their agents in the mitigation of risk and the administration of claims. Members' required cooperation shall include, but not be limited to:

(i) Following the loss prevention and risk management programs of the Trust, and abiding by all conditions, requirements, rules or regulations regarding loss control and risk management which may be promulgated by the Trust or its agents.

(ii) Annually completing a best practices checklist as requested by the Trust and endeavoring to the best of its abilities to adhere to the best practices identified on the checklist.

(iii) Giving prompt notification of any claim to the Trust as provided in the Coverage Documents.

(iv) Permitting the Trust's agents at any reasonable time to inspect the Member's properties and operations, and to examine the Member's books, documents and records of any and every kind pertinent to membership or in the administration of the Trust.

(v) Answering questionnaires pertinent to the operation of the Trust, or any particular pool maintained by the Trust, regarding the operations of the Member.

(e) *Trust Insolvency.* In the event of insolvency of the Trust, each Member or Former Member will continue to be liable for the payment of its own claims and liabilities arising during the period of membership.

5.11 Appointment as Agent. Each Member hereby appoints the Trust or its designated agent to act as the Member's agent and attorney-in-fact to act on its behalf, to execute all contracts, reports, waivers, agreements and service contracts, and to make an arrangement of payment of claims and all other things required for the proper and orderly operation of the Trust. Each Member agrees that the Trust or its designees shall have the sole responsibility for the adjustment and/or settlement of any and all claims.

SECTION 6 LIABILITY OF TRUSTEES AND INDEMNIFICATION

6.1 Errors and Omissions Insurance. The Trustees shall secure errors and omissions insurance covering each Trustee in such amounts and on such terms and conditions as determined appropriate by the Board.

6.2 Indemnity.

(a) *In General.* The Trust will indemnify to the fullest extent permitted by law any person who is made or threatened to be made a party to, witness in, or otherwise involved in, any action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including an action, suit or proceeding by or in the right of the Trust) by reason of the fact that the person is or was a Trustee, Board Observer, or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Trust. The Trust may indemnify to the fullest extent permitted by law any person who is made or threatened to be made a party to, witness in, or otherwise involved in, any action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including an action, suit or proceeding by or in the right of the Trust) by reason of the fact that the person is or

was an employee or agent of the Trust. Any indemnification provided pursuant to this Section 5.4(a) will not be exclusive of any rights to which the person indemnified may otherwise be entitled under any provision of any agreement, statute, policy of insurance, vote or resolution of the Board, contract, or otherwise. Notwithstanding the foregoing, the Trust shall not have any obligation to indemnify any person based on actions of such person that are found to constitute gross negligence or intentional misconduct by a court decision from which no appeal may be taken.

(b) *Advancement of Expenses.* The expenses incurred by a Trustee or other person in connection with any threatened, pending or completed action, suit or proceeding (except for an action, suit or proceeding by or in behalf of the Trust), whether civil, criminal, administrative, investigative, or otherwise, which the Trustee or other person is made or threatened to be made a party to or witness in, or is otherwise involved in, will be paid by the Trust in advance upon the written request of the Trustee or other person if he or she (i) furnishes the Trust a written affirmation that in good faith the Trustee believes that he or she is entitled to be indemnified by the Trust; and (ii) furnishes the Trust a written undertaking to repay such advance to the extent that it is ultimately determined by a court that such Trustee or other person is not entitled to be indemnified by the Trust.

(c) *Amendment.* No amendment to this Section 6.2 that limits the Trust's obligation to indemnify any person will have any effect on such obligation for any act or omission that occurs prior to the later of the effective date of the amendment or the date notice of the amendment is given to the person.

(d) *Further Action.* To the fullest extent permitted by law, no Trustee of the Trust or Board Observer will be personally liable to the Trust or the Members for monetary damages for conduct as a Trustee. Without limiting the generality of the preceding, if after this Section 6.2 becomes effective the Oregon statutes are amended to authorize Trust action further eliminating or limiting the personal liability of a Trustee or Board Observer, then the liability of Trustees of the Trust and the Board Observer will be eliminated or limited to the fullest extent permitted by the Oregon statutes, as so amended. No amendment or repeal of this Section 6.2 nor a change in the law, will adversely affect any right or protection that is based upon this Section 6.2 and that pertains to conduct that occurred prior to the time of such amendment, repeal, adoption or change. No change in the law will reduce or eliminate the rights and protections set forth in this Section 6.2 unless the change in the law specifically requires such reduction or elimination.

6.3 Use of Trust Assets to Defend Trust. Trust Property may be used to defend claims of any type made against the Trust or Trustees, and such use shall not be deemed a conflict of interest for any Trustee.

SECTION 7 TERMINATION OF TRUST

7.1 Termination of Trust. The Trust shall terminate upon a vote to terminate the Trust by (A) the Board of Directors of the Sponsoring Member (if the Sponsoring Member is a Member) and (B) either (i) two-thirds of the Trustees or (ii) three-fourths of the Members. The

Trust shall terminate upon a determination by a court of competent jurisdiction that the purposes of the Trust cannot be accomplished, even with amendment or modification of the Agreement or Trust structure. In the event of termination, the Trust shall continue for the purpose of making allowances for claims, retiring any debt, distributing all assets, and performing all other functions necessary to conclude the affairs of the Trust, all of which shall be the responsibility of the Sponsoring Member, for which it will be paid reasonable compensation.

7.2 Distribution of Assets. Upon termination of the Trust, all Trust Property shall be distributed among the Special Districts and Public Bodies who are Members at the date of termination of the Trust, in proportion to their Contributions to the Trust during the 5 years immediately preceding the effective date of termination of the Trust.

7.3 No Assessments. The Trust shall not have the authority to assess Members or Former Members for additional Contributions in the event of Trust insolvency.

SECTION 8 AMENDMENT

8.1 Method of Amendment. This Agreement may be amended by vote of two-thirds of the Trustees and the approval of the Board of Directors of the Sponsoring Member. Amendments shall be distributed to the Members within 60 days of adoption.

8.2 Limitation on Amendments. No amendment to this Agreement shall be adopted which provides for distribution upon dissolution to other than the Members, that causes gratuitous diversion of Trust Property for the benefit of private interests, or retroactively divests a Member of a vested right granted to that Member pursuant to a Coverage Document.

SECTION 9 MISCELLANEOUS

9.1 Title to Trust Property. Legal title to all Trust Property shall be held by the Trustees for the exclusive benefit of the Members as described in this Agreement.

9.2 No Interest in Trust Property by Members. No Member shall have any right to or interest in Trust Property, and no creditor of any Member shall have any claim against Trust Property for any debt or obligation of a Member.

9.3 Intergovernmental Agreement. This Agreement is intended to be an intergovernmental agreement as described in Oregon Revised Statutes 30.282 for three or more Public Bodies to create a program of self-insurance, and shall be interpreted for all purposes as such an agreement.

9.4 Governing Law. This Agreement shall be governed by the laws of the State of Oregon.

9.5 Joinders. Any Joinder to this Agreement executed by a Member will be deemed to be that Member's assent to the entirety of this Agreement, as if such Member had executed an original of this Agreement.

9.6 Dispute Resolution.

(a) *Appeal to Board of Trustees.* In the event of any dispute arising from the operation of the Trust, the affected Member shall first appeal to the Board. In a matter relating to a claim under a Coverage Document, the appeal must be made within 30 days of the Trust's proposed resolution of the disputed claim unless otherwise provided in the Coverage Document. To institute an appeal, the Member must give written notice to the Chair or Vice-Chair of the Board, providing a written summary of the dispute, detailing in reasonable detail the facts and circumstances of the issue and the requested remedies. At the next scheduled Board meeting or at such other time as determined by the Chair, the Board will review the matter, using procedures as promulgated by the Board. The Board's decision will be communicated to the Member within 90 days of the Board's hearing of the appeal.

(b) *Mandatory Mediation.* If a dispute is not resolved by appeal to the Board, it must be submitted to the Arbitration Services of Portland ("ASP"), or its successor, for mediation. The Trust or any Member may commence mediation by providing ASP and the other affected parties a written request for mediation, setting forth the subject of the dispute and the relief requested. The Trust and each affected Member shall cooperate with ASP and with one another in selecting a mediator from the ASP panel of neutrals and in scheduling the mediation proceedings. They agree that they will participate in the mediation in good faith and that they will share equally in the costs (the Trust will pay one half of the costs and the other half will be paid by the affected Member, or if more than one Member, each shall contribute equally to that half or otherwise as they may agree). All of the offers, promises and conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any ASP employees, are confidential and privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, providing that evidence that is otherwise admissible and discoverable will not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

(c) *Mandatory Arbitration.* If the matter is not resolved through mediation, then it shall be submitted to ASP, or its successor, for final and binding arbitration pursuant to the rules of commercial arbitration for ASP. The Trust or a Member may initiate the arbitration with respect to the matter submitted to mediation by filing a written demand for arbitration at any time following the initial mediation session or at any time following 45 days from the date of filing the written request for mediation, whichever occurs first ("Earliest Initiation Date"). The mediation may continue after the commencement of arbitration if the parties agree. At no time prior to the Earliest Initiation Date will either side initiate an arbitration or litigation related to this Agreement, except as provided by the rules of commercial arbitration for ASP or by agreement of the parties. All applicable statutes of limitations and defenses based upon the passage of time shall be tolled until 15 days after the Earliest Initiation Date. The parties will take such action, if any is required, to effectuate such tolling. The dispute will be settled by a single arbitrator. The parties will cooperate with ASP and with one another in selecting an arbitrator and in scheduling arbitration proceedings. Arbitration will occur in Salem, Oregon unless the parties otherwise agree. The parties will be entitled to conduct discovery in accordance with the Federal Rules of Civil Procedure, subject to limitation by the arbitrator to secure the just and efficient resolution of the dispute. If the amount in controversy exceeds \$250,000, the arbitrator's decision shall include a statement specifying in reasonable detail the basis for and computation of the amount of the award,

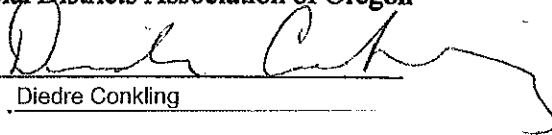
if any. In any arbitration arising out of or related to this Agreement, the arbitrator may not award any incidental, indirect or consequential damages, including damages for lost profits. The decision of the arbitrator will be final and binding. The party prevailing in the arbitration will also be entitled to recover any amount for his or her costs and attorney fees incurred in connection with the arbitration as determined by the arbitrator. Judgment upon the arbitration award may be entered in any court having jurisdiction.

(d) *Coverage Document Dispute Resolution.* The dispute resolution provisions in any Coverage Document shall apply for the matters to which such provisions are made applicable in the Coverage Document, and shall supersede the dispute resolution provisions of this Section 9.6. If a Coverage Document is silent, or the dispute resolutions contained within it do not apply to a particular dispute, the dispute resolution provisions of this Section 9.6 shall apply.

This First Declaration of Trust is executed by the Sponsoring Member and by the Trustees, who by affixing their signature hereto, agree to accept their appointment as Trustees under this First Restatement of the Declaration of Trust of the Special Districts Insurance Services Trust as of the Effective Date.

SPONSORING MEMBER:

Special Districts Association of Oregon

By: 
Diedre Conkling


Its: SDAO Board of Directors President

TRUSTEES:


Position No. 1



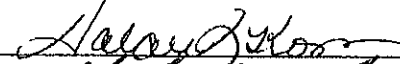
Position No. 2



Position No. 3




Position No. 4



Position No. 5



Position No. 6



Position No. 7

EXHIBIT A
FORM OF
JOINDER TO TRUST AGREEMENT
FOR INITIAL MEMBERS

By execution of this Joinder, the undersigned public body hereby agrees to become a party to, and is bound by, the First Restatement of Declaration of Trust of the Special Districts Insurance Trust effective as of April 1, 2014 (and as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among the Trustees and the Members, in the same manner as if the undersigned were an original signatory to such Agreement.

The undersigned represents and warrants that (i) the undersigned has received a copy of, and has reviewed the terms of, the Agreement and all related or relevant documents and agreements, (ii) undertakes to become a Member of the Special Districts Insurance Trust with all the rights and obligations thereof, and (iii) such undertaking has been duly authorized as an intergovernmental agreement to create a program of self-insurance pursuant to ORS 30.282.

Capitalized terms used but not defined in this Joinder shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder as of this ____ day of _____, 2014.

[Name of District]

By: _____

Name: _____

Title: _____

Address for Notices:

With copies to:

