

JOINT WATER COMMISSION

Financial Statements for the Year Ended June 30, 2020

Hillsboro, Forest Grove, Beaverton, Tualatin Valley Water District



**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

Basic Financial Statements
and Supplemental Information

Year Ended June 30, 2020

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION
Hillsboro, Oregon**

JUNE 30, 2020

BOARD OF COMMISSIONERS

Commissioner:

Marc San Soucie, Chair
John Godsey, Vice Chair
Carl Heisler, Vice Chair
Bernice Bagnall, Vice Chair

Denny Doyle
Mark Fagin
Rod Fuiten
Peter Truax
David Judah
Deborah Raber
Jim Doane
Dick Schmidt

Representing:

City of Beaverton
City of Hillsboro
City of Forest Grove
Tualatin Valley Water District

City of Beaverton
City of Beaverton
City of Forest Grove
City of Forest Grove
City of Hillsboro
City of Hillsboro
Tualatin Valley Water District
Tualatin Valley Water District

Commission Address

City of Hillsboro
150 E. Main Street
Hillsboro, Oregon 97123

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION
Hillsboro, Oregon**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Hillsboro, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission, Hillsboro, Oregon (the Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission'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 financial position of the Commission as of June 30, 2020, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Page 2

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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The other schedules, listed in the Table of Contents as Supplemental Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 November 25, 2020, on our consideration of the Commission'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.


Timothy R. Gillette, Partner

Portland, Oregon
November 25, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

As management of the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission (the Commission), a joint venture between the Cities of Hillsboro, Forest Grove, and Beaverton, and the Tualatin Valley Water District, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020.

Financial Highlights

- The Commission's assets totaled approximately \$129 million at June 30, 2020 and consisted of approximately \$2.3 million in accounts receivable and capital assets of approximately \$126.7 million.
- Net position (assets minus liabilities) was approximately \$126.7 million at June 30, 2020.
- As of June 30, 2020, the Commission had no outstanding long term debt.
- Net position increased by approximately \$2.5 million from June 30, 2019, due to investment in the form of contributions from joint venture partners towards various capital projects outpacing expenses, specifically depreciation which is unfunded by the partners.

Report Layout

The individual components of the report layout include the following:

- **Management's Discussion and Analysis.** This section of the report provides an overview of financial highlights and economic factors affecting the Commission.
- **Basic Financial Statements.** Includes the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, and the Notes to Basic Financial Statements. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position focus on an entity-wide presentation using the accrual basis of accounting. They are designed to resemble more closely private-sector financial statements in that all activities are consolidated into a total for the Commission.
 - The Statement of Net Position focuses on resources available for future operations. This statement presents a snap-shot view of the assets of the Commission, the liabilities it owes and the net difference.
 - The Statement of Revenues, Expenses and Changes in Net Position focuses on the current year's operating results and the change in Net Position as a result of the current year's operations.
 - The Statement of Cash Flows focuses on how the Commission obtained and expended its available deposits and investments held by the City of Hillsboro.
 - The Notes to Basic Financial Statements provide additional disclosures to provide information to assist the reader in understanding the Commission's financial condition.

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2020

Report Layout (Continued)

- **Supplemental Information.** Components within this section include:
 - Budgetary Comparison. This schedule includes a comparison of actual revenues and expenditures to the original and final budget.
 - Reconciliation of Change in Fund Balance to Change in Net Position.
- **Independent Auditor's Report Required by Oregon State Regulations.** Consists of supplemental information on the Commission's compliance and internal control as required by Oregon Revised Statutes.

Statement of Net Position

The Commission's assets exceeded liabilities by approximately \$126.7 million at June 30, 2020. The largest portion of its assets were capital assets. A version as of June 30 is as follows:

	2020	2019
Current and other assets	\$ 2,313,951	\$ 2,659,106
Capital assets, net	126,706,428	124,192,088
Total assets	129,020,379	126,851,194
Accounts payable	2,025,200	2,431,587
Due to the City of Hillsboro	288,751	227,519
Total liabilities	2,313,951	2,659,106
Net position	\$ 126,706,428	\$ 124,192,088

Capital assets increased by approximately \$2.5 million due to the investment by joint venture partners in the form of contributions towards various capital projects, outpacing depreciation expense. Project reimbursements from joint venture partners comprise the receivable balance at year-end and payments owed to vendors makes up the majority of the accounts payable balance at year-end.

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2020

Statement of Revenues, Expenses and Changes in Net Position

A condensed version of the Commission's Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Sale of water	\$ 7,977,677	\$ 7,100,843
Other	436,391	450,770
	<u>8,414,068</u>	<u>7,551,613</u>
Operating Expenses		
Contracted payroll and fringe benefits	2,847,299	2,723,992
Utilities	1,654,151	1,731,229
Other expenses	3,511,299	2,710,844
Depreciation	2,989,706	2,998,968
	<u>11,002,455</u>	<u>10,165,033</u>
Operating Loss	<u>(2,588,387)</u>	<u>(2,613,420)</u>
Non Operating Income (Expense)		
Interest income	29,446	34,707
Interest expense	(29,446)	(34,714)
Total Nonoperating Income (Expense)	<u>-</u>	<u>(7)</u>
Loss before contributions	<u>(2,588,387)</u>	<u>(2,613,427)</u>
Contributions	<u>5,102,727</u>	<u>12,054,283</u>
Change in Net Position	<u>2,514,340</u>	<u>9,440,856</u>
Net Position, beginning of year	<u>124,192,088</u>	<u>114,751,232</u>
Net Position, end of year	<u>\$ 126,706,428</u>	<u>\$ 124,192,088</u>

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2020

Statement of Revenues, Expenses and Changes in Net Position (Continued)

The cost of the Commission's activities totaled approximately \$11 million for the year ended June 30, 2020. As shown in the Statement of Revenues, Expenses and Changes in Net Position, the expenses, excluding depreciation, paid by operating revenues were approximately \$8 million for 2020. However, operating expenses exceeded operating revenues by approximately \$2.6 million for 2020. The operating loss is due to the joint venturers not being charged for depreciation expense of approximately \$3 million. At this time, the Commission's Board has elected not to fund depreciation. All operating costs, excluding depreciation costs, are charged to the joint venture partners on a monthly basis.

An increase in project activity, subsequent contributions from partners, contributions from others, and the election to not fund annual depreciation resulted in Net Position increasing by approximately \$2.5 million for the year ended June 30, 2020.

Capital Assets

The Commission had invested approximately \$126.7 million in capital assets, net of depreciation, at June 30, 2020, as reflected in the following table, which represents a net increase of approximately \$2.5 million from 2019. This is due to investment, primarily in construction in progress related to the expansion of the water treatment plant, outpacing depreciation expense.

	<u>2020</u>	<u>2019</u>
Land	\$ 3,488,576	\$ 3,488,576
Construction in progress	34,950,222	29,561,736
Machinery and equipment	5,873,574	5,758,014
Treatment facilities	51,861,915	51,861,915
Transmission lines	72,028,380	72,028,380
Reservoir	23,769,761	23,769,761
Less accumulated depreciation	<u>(65,266,000)</u>	<u>(62,276,294)</u>
Total capital assets, net	<u>\$ 126,706,428</u>	<u>\$ 124,192,088</u>

Additional information on the Commission's capital assets may be found in Notes 1 and 2 in the Notes to Basic Financial Statements.

Budgetary Highlights

There was a supplemental budget to recognize additional Sale of Water and Special Expenditure for \$101,720 transacted between partners through the Commission for leased capacity.

Debt Administration

As of year-end June 30, 2020 the Commission had no outstanding debt.

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2020

Economic Factors

All personnel are employees of the City of Hillsboro, the managing agency for the Commission. Personnel costs continue to rise with increasing medical and retirement costs. Due to the Commission's funding structure, costs are shared by several entities in an effort to keep costs down. Personnel costs and other overhead costs are charged to all of the joint venturers; therefore, any increasing costs are spread out to all the entities lessening the impact of rising costs on the Commission.

Financial Contact

The Commission's financial statements are designed to present users including taxpayers, citizens, customers, investors and creditors with a general overview of the Commission's finances and overall accountability. If you have questions about the contents of this report or need additional financial information, please contact the City of Hillsboro's Finance Director at 150 East Main St., Hillsboro, OR 97123.

BASIC FINANCIAL STATEMENTS

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**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS:

Accounts receivable	\$ 2,313,951
Capital assets, net	<u>126,706,428</u>

TOTAL ASSETS	<u>129,020,379</u>
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LIABILITIES:

Accounts payable	2,025,200
Due to City of Hillsboro	<u>288,751</u>

TOTAL LIABILITIES	<u>2,313,951</u>
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NET POSITION

Net investment in capital assets	<u>126,706,428</u>
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TOTAL NET POSITION	<u><u>\$ 126,706,428</u></u>
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See notes to basic financial statements.

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION**

YEAR ENDED JUNE 30, 2020

OPERATING REVENUES:	
Sale of water	\$ 7,977,677
System development charges	404,763
Other	31,628
	8,414,068
TOTAL OPERATING REVENUES	
OPERATING EXPENSES:	
Contractually paid salaries and fringe benefits	2,847,299
Utilities	1,654,151
Operating supplies	1,361,699
Support services	349,827
Contractual services	711,683
Repairs and maintenance	640,422
Insurance	201,719
Fees and assessments	245,734
Other	215
Depreciation	2,989,706
	11,002,455
TOTAL OPERATING EXPENSES	
OPERATING LOSS	
	(2,588,387)
NONOPERATING INCOME (EXPENSES):	
Interest income	29,446
Interest expense	(29,446)
	-
TOTAL NONOPERATING INCOME (EXPENSES)	
LOSS BEFORE CONTRIBUTIONS	
	(2,588,387)
CONTRIBUTIONS	
Contributions from venturers	5,074,022
Contributions from others	28,705
	5,102,727
TOTAL CONTRIBUTIONS	
CHANGE IN NET POSITION	
	2,514,340
NET POSITION, BEGINNING	
	124,192,088
NET POSITION, ENDING	
	\$ 126,706,428

See notes to basic financial statements.

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION
Hillsboro, Oregon**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Received from customers	\$ 8,632,574
Paid to suppliers for goods and supplies	(6,464,238)
Paid to related entities for goods and services	(3,135,894)
Other operating revenues	31,628

NET CASH FROM OPERATING ACTIVITIES	(935,930)
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets, net of related accounts payable	(4,261,818)
Contributions from joint venturers, net of related accounts receivable	5,025,386
Contributions from others	28,705
Interest income	29,446
Interest expense	(29,446)

NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	792,273
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NET CHANGE IN DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO	(143,657)
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DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO, BEGINNING	143,657
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DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO, ENDING	\$ -
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RECONCILIATION OF OPERATING LOSS TO

NET CASH FROM OPERATING ACTIVITIES:

Operating loss	\$ (2,588,387)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	2,989,706
Change in assets and liabilities:	
Decrease in accounts receivable, net of capital related accounts receivable	250,134
Decrease in accounts payable, net of capital related accounts payable	(1,648,615)
Increase in due to City of Hillsboro	61,232

NET CASH FROM OPERATING ACTIVITIES	\$ (935,930)
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See notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission (the Commission) was organized under Oregon Revised Statute (ORS) 190 and was established by an agreement between the cities of Hillsboro, Forest Grove, and Beaverton, and the Tualatin Valley Water District (TVWD). The Commission is governed by three members from each venturer. The purpose of the Commission is to operate raw water intake facilities, the water treatment plant, and storage and transmission facilities to the venturers.

The Commission is managed by the City of Hillsboro.

Operation and maintenance expense is determined on a unit basis by the Commission and each joint venturer is charged based on the number of units of water diverted into its separate system. In February 2020, ownership percentages changed with the near completion of the water treatment plant expansion. Historical investment valuation remains accurate as partners who increased ownership paid for the current expansion. All net income or loss this year and going forward is allocated to the respective joint venturers by the following new ownership percentages:

	<u>Previous Ownership</u>	<u>New Ownership</u>
City of Hillsboro	45 %	49.12 %
City of Forest Grove	13 1/3 %	11.76 %
City of Beaverton	25 %	22.06 %
Tualatin Valley Water District	16 2/3 %	17.06 %

Basis of Presentation and Accounting

For financial reporting purposes, the Commission reports its operations on an enterprise fund basis. Enterprise funds (a proprietary fund type) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and net position associated with the operations are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position.

The accrual basis of accounting is utilized for financial reporting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of Estimates

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

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments Held by the City of Hillsboro

All deposits and investments are held by the City of Hillsboro on behalf of the Commission. The Commission considers these items as a demand deposit account, whereby funds may be deposited or withdrawn without prior notice or penalty. Interest earnings are allocated from the City based on the proportion of the Commission's funds to the total of the City of Hillsboro funds.

Accounts Receivable

Accounts receivable are recorded as earned and no allowance for doubtful accounts is required as all receivables are due from the joint venturers.

Capital Assets

Capital assets are recorded at cost or estimated cost if actual cost is not known. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized. All costs associated with the acquisition or construction of capital assets, including any interest costs, are contributed by the joint venturers or paid for by system development charges received from wholesale customers.

The Commission defines capital assets as assets with an initial cost of more than \$15,000 and an estimated life of one year or more. The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend their lives are not capitalized.

Depreciation on capital assets placed in service is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	5
Treatment facilities	25 to 50
Transmission lines	50
Reservoir	50

Net Position

In the Commission-wide statement of net position, equity is referred to as net position and is segregated into the following components: 1) net investment in capital assets and 2) unrestricted. It is the Commission's policy to deplete, when available, restricted revenues/net position first before unrestricted net position is depleted.

Revenues

Operating revenues result from providing services to the joint venturers. All revenues not meeting this definition are reported as nonoperating revenues.

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan and Other Post Employment Benefits

Commission employees are employees of the City of Hillsboro; therefore, no pension or other post employment benefits assets or liabilities are attributable to the Commission.

Budgets

Under ORS 294.316, municipal public utilities operating under separate commissions authorized under ORS 190 and city charters, and which have no ad valorem tax support, are not required to separately prepare and adopt a budget. Rather, such entities' budgets may be included in the city with primary managerial responsibility. Accordingly, a budget is prepared and legally adopted for the Commission as part of the total budget for the City of Hillsboro. The budget is prepared as a separate fund on the modified accrual basis of accounting.

2. CAPITAL ASSETS

Capital assets are comprised of:

	Balance June 30, 2019	Increases	Transfers	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 3,488,576	\$ -	\$ -	\$ 3,488,576
Construction in progress	29,561,736	5,403,978	(15,492)	34,950,222
	<u>33,050,312</u>	<u>5,403,978</u>	<u>(15,492)</u>	<u>38,438,798</u>
Capital assets being depreciated:				
Machinery and equipment	5,758,014	100,068	15,492	5,873,574
Treatment facilities	51,861,915	-	-	51,861,915
Transmission lines	72,028,380	-	-	72,028,380
Reservoir	23,769,761	-	-	23,769,761
Total capital assets being depreciated	<u>153,418,070</u>	<u>100,068</u>	<u>15,492</u>	<u>153,533,630</u>
Less accumulated depreciation for:				
Machinery and equipment	(2,846,393)	(144,852)	-	(2,991,245)
Treatment facilities	(26,254,030)	(945,315)	-	(27,199,345)
Transmission lines	(25,938,499)	(1,424,142)	-	(27,362,641)
Reservoir	(7,237,372)	(475,397)	-	(7,712,769)
Total accumulated depreciation	<u>(62,276,294)</u>	<u>(2,989,706)</u>	<u>-</u>	<u>(65,266,000)</u>
Total capital assets being depreciated, net	<u>91,141,776</u>	<u>(2,889,638)</u>	<u>15,492</u>	<u>88,267,630</u>
Total capital assets, net	<u>\$ 124,192,088</u>	<u>\$ 2,514,340</u>	<u>\$ -</u>	<u>\$ 126,706,428</u>

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2020

3. NET POSITION BY JOINT VENTURER

Changes in net position for the year are as follows:

	Balance June 30, 2019	Loss Before Venturers Contributions	Venturers Contributions	Balance, June 30, 2020
City of Hillsboro	\$ 65,519,899	\$ (1,257,441)	\$ 3,195,365	\$ 67,457,823
City of Forest Grove	6,188,160	(304,394)	329,282	6,213,048
City of Beaverton	15,915,102	(570,243)	636,323	15,981,182
Tualatin Valley Water District	<u>36,568,927</u>	<u>(427,604)</u>	<u>913,052</u>	<u>37,054,375</u>
Total	<u>\$ 124,192,088</u>	<u>\$ (2,559,682)</u>	<u>\$ 5,074,022</u>	<u>\$ 126,706,428</u>

4. RELATED PARTY TRANSACTIONS

The Commission's expense to the City of Hillsboro for contractually paid salary and fringe benefits for services performed by the City's employees on behalf of the Commission, net of adjustments from budgetary expenditures were as follows:

Budgetary Basis - Personnel Services	\$ 2,954,552
Capitalized contractually paid salaries and fringe benefits	(110,840)
Adjustments for certain accrued salary and fringe benefits	<u>3,587</u>
Operating Expense - Contractually paid salaries and fringe benefits	<u>\$ 2,847,299</u>

The Commission owes the City \$288,751 for these services at June 30, 2020.

5. COMMITMENTS AND CONTINGENCIES

As of June 30, 2020, the Commission has outstanding construction and services commitments amounting to approximately \$857,000.

6. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. The Commission does not engage in risk financing activities where the risk is retained (self-insurance). In the past three years insurance coverage has been sufficient to cover any losses.

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SUPPLEMENTAL INFORMATION

**HILLSBORO-FOREST GROVE-BEAVERTON-
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION**
Hillsboro, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
REVENUES:				
Sale of water	\$ 9,072,951	\$ 9,174,671	\$ 7,977,677	\$ (1,196,994)
Contributions in aid of construction	8,084,064	8,084,064	5,074,022	(3,010,042)
System development charges	150,000	150,000	404,763	254,763
Donations and grants	-	-	13,000	13,000
Interest	15,000	15,000	29,446	14,446
Other	500,000	500,000	43,746	(456,254)
TOTAL REVENUES	17,822,015	17,923,735	13,542,654	(4,381,081)
EXPENDITURES:				
Personnel services	3,268,130	3,268,130	2,954,552	313,578
Materials and services	5,077,195	5,077,195	3,853,587	1,223,608
Capital outlay	8,234,064	8,234,064	5,976,275	2,257,789
Special expenditures	742,626	844,346	758,240	86,106
Contingency	500,000	500,000	-	500,000
TOTAL EXPENDITURES	17,822,015	17,923,735	13,542,654	4,381,081
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -

**RECONCILIATION OF CHANGE IN FUND BALANCE
TO CHANGE IN NET POSITION**

CHANGE IN FUND BALANCE	\$ -
Add (deduct) items to reconcile to change in net position:	
Certain accrued contractual salary and fringe benefits	(3,587)
Accrued revenue for certain accrued contractual salary and fringe benefits	3,587
Depreciation	(2,989,706)
Capital asset additions	5,504,046
CHANGE IN NET POSITION	\$ 2,514,340

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS**

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Hillsboro, Oregon

We have audited the financial statements of the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission, Hillsboro, Oregon (the Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 25, 2020. 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 the Commission'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 Oregon Administrative Rules 162-10-000 through 162-10-330 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:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Insurance and fidelity bonds in force or required by law.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)**

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Page 2

COMPLIANCE (Continued)

In connection with our testing, nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the Board of Commissioners, 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.


Portland, Oregon
November 25, 2020