



JOINT WATER COMMISSION

Financial Statements for the Year Ended June 30, 2022

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 Supplementary Information

Year Ended June 30, 2022

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

Hillsboro, Oregon

JUNE 30, 2022

BOARD OF COMMISSIONERS

Commissioner:

Carl Heisler, Chair
John Godsey, Vice Chair
Laura Mitchell, Vice Chair
Todd Sanders, Chair

Carl Heisler
Peter Truax
David Judah
Deborah Raber
Lacey Beaty
Allison Tivnon
Jim Doane
Bernice Bagnall

Representing:

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

City of Forest Grove
City of Forest Grove
City of Hillsboro
City of Hillsboro
City of Beaverton
City of Beaverton
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**

CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	16
Reconciliation of Change in Fund Balance to Change in Net Position	16
REPORT OF INDEPENDENT AUDITORS REQUIRED BY OREGON STATE REGULATIONS	17

This page is intentionally left blank.

REPORT OF INDEPENDENT AUDITORS

This page is intentionally left blank.

Report of Independent Auditors

The Board of Commissioners
The Joint Water Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Joint Water Commission (the Commission), which comprise the statement of net position as of June 30, 2022, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual, and reconciliation of change in fund balance to change in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the *Minimum Standards for Auditors of Oregon Municipal Corporations*, we have also issued our report dated November 15, 2022, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of the 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.



Keith Simovic, Partner, for
Moss Adams LLP
Portland, Oregon
November 15, 2022

This page is intentionally left blank.

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, 2022

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, 2022.

Financial Highlights

- The Commission's assets totaled approximately \$125.8 million at June 30, 2022 and consisted of approximately \$1.7 million in accounts receivable and capital assets of approximately \$124.2 million.
- Net position (assets minus liabilities) was approximately \$124.2 million at June 30, 2022.
- As of June 30, 2022, the Commission had no outstanding long term debt.
- Net position decreased by approximately \$1.1 million from June 30, 2021, due to depreciation expense which is unfunded by the partners investment, outpacing contributions from joint venture partners towards various capital projects.

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, 2022

Report Layout (Continued)

- **Supplementary 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.
- **Report of Independent Auditors Required by Oregon State Regulations.** Consists of supplementary 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 \$124.2 million at June 30, 2022. The largest portion of its assets were capital assets. A version as of June 30 is as follows:

	2022	2021
Current and other assets	\$ 1,669,074	\$ 1,655,351
Capital assets, net	124,166,574	125,248,983
Total assets	125,835,648	126,904,334
Accounts payable	760,767	1,262,044
Due to the City of Hillsboro	908,307	393,307
Total liabilities	1,669,074	1,655,351
Net position	\$ 124,166,574	\$ 125,248,983

Capital assets decreased by approximately \$1.1 million due to depreciation expense outpacing the investment by joint venture partners in the form of contributions towards various capital projects. 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, 2022

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>2022</u>	<u>2021</u>
Operating Revenues		
Sale of water	\$ 8,719,417	\$ 7,272,108
Other	586,653	210,141
	<u>9,306,070</u>	<u>7,482,249</u>
Operating Expenses		
Contracted payroll and fringe benefits	3,189,139	2,863,992
Utilities	1,794,260	1,784,320
Other expenses	3,852,059	2,682,031
Depreciation	3,034,078	3,012,289
	<u>11,869,536</u>	<u>10,342,632</u>
Operating Loss	<u>(2,563,466)</u>	<u>(2,860,383)</u>
Non Operating Income (Expense)		
Interest income	12,395	16,605
Interest expense	(12,395)	(16,605)
Total Nonoperating Income (Expense)	<u>-</u>	<u>-</u>
Loss before contributions	<u>(2,563,466)</u>	<u>(2,860,383)</u>
Contributions	<u>1,481,057</u>	<u>1,402,938</u>
Change in Net Position	<u>(1,082,409)</u>	<u>(1,457,445)</u>
Net Position, beginning of year	<u>125,248,983</u>	<u>126,706,428</u>
Net Position, end of year	<u>\$ 124,166,574</u>	<u>\$ 125,248,983</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2022

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

The cost of the Commission's activities totaled approximately \$11.9 million for the year ended June 30, 2022. As shown in the Statement of Revenues, Expenses and Changes in Net Position, the expenses, excluding depreciation, paid by operating revenues were approximately \$8.8 million for 2022. However, operating expenses exceeded operating revenues by approximately \$2.6 million for 2022. 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.

A slowing in project activity, subsequent contributions from partners, contributions from others, and the election to not fund annual depreciation resulted in Net Position decreasing by approximately \$1.1 million for the year ended June 30, 2022.

Capital Assets

The Commission had invested approximately \$124.2 million in capital assets, net of depreciation, at June 30, 2022, as reflected in the following table, which represents a net decrease of approximately \$1.1 million from June 30, 2021. This is due to depreciation expense outpacing current capital investment.

	<u>2022</u>	<u>2021</u>
Land	\$ 3,791,788	\$ 3,791,788
Construction in progress	37,041,679	35,875,509
Machinery and equipment	6,518,151	6,143,995
Treatment facilities	51,961,642	51,917,839
Transmission lines	72,028,380	72,028,380
Reservoir	24,137,301	23,769,761
Less accumulated depreciation	<u>(71,312,367)</u>	<u>(68,278,289)</u>
Total capital assets, net	<u>\$ 124,166,574</u>	<u>\$ 125,248,983</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 were no supplemental budgets, nor budget transfers of appropriation for the fiscal year.

Debt Administration

As of year-end June 30, 2022, 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, 2022

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

This page is intentionally left blank.

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

STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS:

Accounts receivable	\$ 1,669,074
Capital assets, net	<u>124,166,574</u>

TOTAL ASSETS	<u>125,835,648</u>
---------------------	--------------------

LIABILITIES:

Accounts payable	760,767
Due to City of Hillsboro	<u>908,307</u>

TOTAL LIABILITIES	<u>1,669,074</u>
--------------------------	------------------

NET POSITION

Investment in capital assets	<u>124,166,574</u>
------------------------------	--------------------

TOTAL NET POSITION	<u><u>\$ 124,166,574</u></u>
---------------------------	------------------------------

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, 2022

OPERATING REVENUES:

Sale of water	\$ 8,719,417
System development charges	364,228
Other	222,425
	9,306,070

TOTAL OPERATING REVENUES

9,306,070

OPERATING EXPENSES:

Contractually paid salaries and fringe benefits	3,189,139
Utilities	1,794,260
Operating supplies	1,638,690
Support services	909,752
Contractual services	633,047
Repairs and maintenance	92,465
Insurance	237,329
Fees and assessments	340,676
Other	100
Depreciation	3,034,078
	11,869,536

TOTAL OPERATING EXPENSES

11,869,536

OPERATING LOSS

(2,563,466)

NONOPERATING INCOME (EXPENSES):

Interest income	12,395
Interest expense	(12,395)
	-

TOTAL NONOPERATING INCOME (EXPENSES)

-

LOSS BEFORE CONTRIBUTIONS

(2,563,466)

CONTRIBUTIONS

Contributions from venturers	1,481,057
	1,481,057

CHANGE IN NET POSITION

(1,082,409)

NET POSITION, BEGINNING

125,248,983

NET POSITION, ENDING

\$ 124,166,574

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Received from customers	\$ 9,116,796
Paid to suppliers for goods and supplies	(5,521,852)
Paid to related entities for goods and services	(3,583,891)
Other operating revenues	222,425
	222,425

NET CASH FROM OPERATING ACTIVITIES 233,478

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets, net of related accounts payable	(1,667,661)
Contributions from joint venturers, net of related accounts receivable	1,434,183
Interest income	12,395
Interest expense	(12,395)
	(233,478)

NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES (233,478)

NET CHANGE IN DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO -

DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO, BEGINNING -

DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO, ENDING \$ -

RECONCILIATION OF OPERATING LOSS TO

NET CASH FROM OPERATING ACTIVITIES:

Operating loss	\$ (2,563,466)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	3,034,078
Change in assets and liabilities:	
Decrease in accounts receivable, net of capital related accounts receivable	33,151
Decrease in accounts payable, net of capital related accounts payable	(785,285)
Increase in due to City of Hillsboro	515,000
	515,000
NET CASH FROM OPERATING ACTIVITIES	\$ 233,478

See notes to basic financial statements.

This page is intentionally left blank.

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, 2022

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. All net income or loss is allocated to the respective joint venturers by the following ownership percentages:

	<u>Ownership</u>
City of Hillsboro	49.12 %
City of Forest Grove	11.76 %
City of Beaverton	22.06 %
Tualatin Valley Water District	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, 2022

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 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 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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan and Other Post Employment Benefits

Commission employees are employees of the City of Hillsboro. While pension and other post employment benefits are included in contracted services provided, there are no direct balances 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, 2021	Increases	Transfers	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 3,791,788	\$ -	\$ -	\$ 3,791,788
Construction in progress	35,875,509	1,744,677	(578,507)	37,041,679
	<u>39,667,297</u>	<u>1,744,677</u>	<u>(578,507)</u>	<u>40,833,467</u>
Capital assets being depreciated:				
Machinery and equipment	6,143,995	206,992	167,164	6,518,151
Treatment facilities	51,917,839	-	43,803	51,961,642
Transmission lines	72,028,380	-	-	72,028,380
Reservoir	23,769,761	-	367,540	24,137,301
Total capital assets being depreciated	<u>153,859,975</u>	<u>206,992</u>	<u>578,507</u>	<u>154,645,474</u>
Less accumulated depreciation for:				
Machinery and equipment	(3,153,087)	(173,633)	-	(3,326,720)
Treatment facilities	(28,150,253)	(957,230)	-	(29,107,483)
Transmission lines	(28,786,783)	(1,424,142)	-	(30,210,925)
Reservoir	(8,188,166)	(479,073)	-	(8,667,239)
Total accumulated depreciation	<u>(68,278,289)</u>	<u>(3,034,078)</u>	<u>-</u>	<u>(71,312,367)</u>
Total capital assets being depreciated, net	<u>85,581,686</u>	<u>(2,827,086)</u>	<u>578,507</u>	<u>83,333,107</u>
Total capital assets, net	<u>\$ 125,248,983</u>	<u>\$ (1,082,409)</u>	<u>\$ -</u>	<u>\$ 124,166,574</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

3. NET POSITION BY JOINT VENTURER

Changes in net position for the year are as follows:

	Balance June 30, 2021	Loss Before Venturers Contributions	Venturers Contributions	Balance, June 30, 2022
City of Hillsboro	\$ 66,751,280	\$ (1,259,174)	\$ 734,895	\$ 66,227,001
City of Forest Grove	6,038,894	(301,464)	173,610	5,911,040
City of Beaverton	15,654,896	(565,501)	325,214	15,414,609
Tualatin Valley Water District	<u>36,803,913</u>	<u>(437,327)</u>	<u>247,338</u>	<u>36,613,924</u>
Total	<u>\$ 125,248,983</u>	<u>\$ (2,563,466)</u>	<u>\$ 1,481,057</u>	<u>\$ 124,166,574</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	\$ 3,374,380
Capitalized contractually paid salaries and fringe benefits	(170,305)
Adjustments for certain accrued salary and fringe benefits	<u>(14,936)</u>
Operating Expense - Contractually paid salaries and fringe benefits	<u>\$ 3,189,139</u>

The Commission owes the City \$908,307 for these services at June 30, 2022.

5. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, the Commission has outstanding construction and services commitments amounting to approximately \$7,409,000.

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.

This page is intentionally left blank.

SUPPLEMENTARY 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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sale of water	\$ 10,876,032	\$ 10,876,032	\$ 8,719,417	\$ (2,156,615)
Contributions in aid of construction	4,960,000	4,960,000	1,481,057	(3,478,943)
System development charges	150,000	150,000	364,228	214,228
Donations and grants	-	-	137,046	137,046
Interest	15,000	15,000	12,395	(2,605)
Other	500,000	500,000	100,315	(399,685)
TOTAL REVENUES	16,501,032	16,501,032	10,814,458	(5,686,574)
EXPENDITURES:				
Personnel services	3,505,915	3,505,915	3,374,380	131,535
Materials and services	5,684,400	5,684,400	4,230,468	1,453,932
Capital outlay	5,110,000	5,110,000	1,767,272	3,342,728
Special expenditures	1,700,717	1,700,717	1,442,338	258,379
Contingency	500,000	500,000	-	500,000
TOTAL EXPENDITURES	16,501,032	16,501,032	10,814,458	5,686,574
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	14,936
Accrued revenue for certain accrued contractual salary and fringe benefits	(14,936)
Depreciation	(3,034,078)
Capital asset additions	1,951,669
CHANGE IN NET POSITION	\$ (1,082,409)

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

This page is intentionally left blank.

Report of Independent Auditors Required by Oregon State Regulations

The Board of Commissioners
The Joint Water Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the Joint Water Commission (the Commission) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Commission's basic financial statements, and have issued our report thereon dated November 15, 2022.

Compliance

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. 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:

- Accounting records and internal control
- Insurance and fidelity bonds
- Public contracts and purchasing

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 grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of commissioners and management of the Commission and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Keith Simovic, Partner,
for Moss Adams LLP
Portland, Oregon
November 15, 2022