



# **BARNEY RESERVOIR**

## **JOINT OWNERSHIP COMMISSION**

**Financial Statements for the Year Ended June 30, 2017**

**Hillsboro, Forest Grove, Beaverton, Tualatin Valley Water District, Clean Water Services**



**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**  
Hillsboro, Oregon

Basic Financial Statements  
and Supplemental Information

Year Ended June 30, 2017

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**BOARD OF COMMISSIONERS**

**JUNE 30, 2017**

**Commissioner:**

Mac Martin, Chair

Denny Doyle, Vice Chair

Peter Truax, Vice Chair

John Godsey, Vice Chair

Dick Schmidt, Vice Chair

**Representing:**

Clean Water Services

City of Beaverton

City of Forest Grove

City of Hillsboro

Tualatin Valley Water District

**Commission Address**

City of Hillsboro  
150 East Main Street  
Hillsboro, Oregon 97123

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Barney Reservoir Joint Ownership Commission  
Hillsboro, Oregon

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Barney Reservoir Joint Ownership Commission, Hillsboro, Oregon (the Commission), as of and for the year ended June 30, 2017, 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.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

Board of Commissioners  
Barney Reservoir Joint Ownership Commission  
Page 2

### **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, 2017, and the changes in financial position, and 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 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.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

Board of Commissioners  
Barney Reservoir Joint Ownership Commission  
Page 3

**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 22, 2017, 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.

By:   
\_\_\_\_\_  
Timothy R. Gillette, Partner

Lake Oswego, Oregon  
November 22, 2017

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION

Hillsboro, Oregon

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2017

As management of the Barney Reservoir Joint Ownership Commission (the Commission), a joint venture between the Cities of Hillsboro, Forest Grove, and Beaverton, the Tualatin Valley Water District (TVWD), and Clean Water Services (a component unit of Washington County, Oregon), 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, 2017.

#### Financial Highlights

- The Commission's assets totaled approximately \$24.2 million at June 30, 2017, and consisted of approximately \$314,000 in deposits and investments held by the City of Hillsboro, and other current assets and capital assets of approximately \$23.9 million.
- Net position (assets minus liabilities) was approximately \$24.2 million at June 30, 2017.
- As of June 30, 2017, the Commission had no outstanding debt.
- Net position decreased by approximately \$731,000 from June 30, 2016, primarily due to depreciation expense which is not recaptured from the joint venture partners.

#### Report Layout

Taken together, the sections of this report provide a comprehensive financial look at the Commission. 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 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 assist the reader in understanding the Commission's financial condition.

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**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 changes 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 \$24.2 million at June 30, 2017. The largest portions of its assets were capital assets. A condensed version as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Deposits and investments held by the City of Hillsboro	\$ 314,222	\$ 320,249
Current and other assets	57,281	48,272
Capital assets, net	<u>23,859,993</u>	<u>24,562,687</u>
<b>Total assets</b>	24,231,496	24,931,208
<b>Current liabilities</b>	<u>54,130</u>	<u>23,154</u>
<b>Net position</b>	<u><u>\$ 24,177,366</u></u>	<u><u>\$ 24,908,054</u></u>

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**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>2017</u>	<u>2016</u>
Operating revenue	\$ 364,912	\$ 391,674
Operating expenses:		
Contractually paid salary and fringe benefits	183,733	246,870
Other expenses	190,899	158,037
Depreciation	768,130	770,994
Total operating expenses	<u>1,142,762</u>	<u>1,175,901</u>
Operating loss	(777,850)	(784,227)
Nonoperating income:		
Interest earnings	2,309	1,825
Loss before contributions	(775,541)	(782,402)
Contributions from venturers	44,853	-
Change in net position	(730,688)	(782,402)
Net position, beginning of year	<u>24,908,054</u>	<u>25,690,456</u>
Net position, end of year	<u>\$ 24,177,366</u>	<u>\$ 24,908,054</u>

The cost of the Commission's activities totaled approximately \$1.1 million for the year ended June 30, 2017 as shown in the Statement of Revenues, Expenses and Changes in Net Position. The expenses, excluding depreciation, paid by operating revenues were approximately \$375,000 for 2017. Operating expenses exceeded operating revenues by approximately \$10,000 excluding depreciation, for 2017. The decline in Net Position is primarily due to depreciation expense which is not recaptured from the joint venturers. The Commission has elected not to fund depreciation. Excluding depreciation expense, all operating expenses are charged to the joint venturers on a monthly basis.

**Capital Assets**

The Commission has invested approximately \$23.9 million in capital assets, net of depreciation, at June 30, 2017, as reflected in the following table, which represents a net decrease of approximately \$703,000 from 2016, directly related to capital asset depreciation of approximately \$768,000 and capital asset additions of approximately \$65,000. Capital assets are categorized at June 30, as follows:

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**Capital Assets (continued)**

	June 30	
	<u>2017</u>	<u>2016</u>
Reservoir	\$ 9,800,047	\$ 9,753,566
Dam	28,430,937	28,430,937
Machinery and equipment	55,788	81,042
Construction in progress	18,955	-
Less accumulated depreciation	<u>(14,445,734)</u>	<u>(13,702,858)</u>
Total capital assets, net	<u>\$ 23,859,993</u>	<u>\$ 24,562,687</u>

Additional information on the Commission's capital assets may be found in Notes 1 and 3 in the Notes to Basic Financial Statements.

**Budgetary Highlights**

There were no supplemental budgets or transfers of appropriations for fiscal year 2016-2017.

**Debt Administration**

As of the year-end June 30, 2017, the Commission had no outstanding debt.

**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. The majority of costs associated with the Commission are ongoing maintenance costs with no other major anticipated costs in the immediate future.

**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.

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**BASIC FINANCIAL STATEMENTS**

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**STATEMENT OF NET POSITION**

**JUNE 30, 2017**

**ASSETS:**

Deposits and investments held by the City of Hillsboro	\$ 314,222
Due from joint venturers	56,543
Interest receivable	738
Capital assets, net	<u>23,859,993</u>
<b>TOTAL ASSETS</b>	<b><u>24,231,496</u></b>

**LIABILITIES:**

Accounts payable	35,895
Due to City of Hillsboro	<u>18,235</u>
<b>TOTAL LIABILITIES</b>	<b><u>54,130</u></b>

**NET POSITION:**

Net investment in capital assets	23,859,993
Unrestricted	<u>317,373</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 24,177,366</u></b>

See notes to basic financial statements.

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

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

**YEAR ENDED JUNE 30, 2017**

<b>OPERATING REVENUE</b>	<u>\$ 364,912</u>
<b>OPERATING EXPENSES:</b>	
Contractually paid salaries and fringe benefits	183,733
Support services	58,810
Contractual services	35,343
Repairs and maintenance	15,273
Operating supplies	24,343
Insurance	44,360
Utilities	6,373
Miscellaneous	6,397
Depreciation	<u>768,130</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,142,762</u>
<b>OPERATING LOSS</b>	(777,850)
<b>NON OPERATING INCOME:</b>	
Interest earnings	<u>2,309</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	(775,541)
<b>CONTRIBUTIONS</b>	
Contributions from venturers	<u>44,853</u>
<b>TOTAL CONTRIBUTIONS</b>	<u>44,853</u>
<b>CHANGE IN NET POSITION</b>	(730,688)
<b>NET POSITION - BEGINNING</b>	<u>24,908,054</u>
<b>NET POSITION - ENDING</b>	<u>\$ 24,177,366</u>

See notes to basic financial statements.

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Received from customers	\$ 355,916
Paid to suppliers for goods and supplies	(101,990)
Paid to related entities for goods and services	<u>(241,666)</u>

**NET CASH FROM OPERATING ACTIVITIES** 12,260

**CASH FLOWS FROM CAPITAL ACTIVITIES:**

Contributions from joint venturers	44,853
Acquisition of capital assets	<u>(65,436)</u>

**NET CASH FROM CAPITAL ACTIVITIES** (20,583)

**CASH FLOW FROM INVESTING ACTIVITIES:**

Interest received	<u>2,296</u>
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**NET CHANGE IN DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO** (6,027)

**DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO - BEGINNING** 320,249

**DEPOSITS AND INVESTMENTS HELD BY THE CITY OF HILLSBORO - ENDING** \$ 314,222

**RECONCILIATION OF OPERATING LOSS TO**

**NET CASH FROM OPERATING ACTIVITIES:**

Operating loss	\$ (777,850)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation	768,130
Change in assets and liabilities:	
Increase in due from joint venturers	(8,996)
Increase in accounts payable	30,099
Increase in due to City of Hillsboro	<u>877</u>

**NET CASH FROM OPERATING ACTIVITIES** \$ 12,260

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Barney Reservoir Joint Ownership Commission (the Commission) was organized under Oregon Revised Statute (ORS) 190.085 by an agreement between the Cities of Hillsboro, Forest Grove, and Beaverton, Tualatin Valley Water District (TVWD), and Clean Water Services (a Component Unit of Washington County). The purpose of the Commission is to own and operate the J.W. Barney Reservoir.

All operating expenses, capital asset acquisitions and net income or loss is allocated to the respective joint venturers by the following percentages:

City of Hillsboro	31 %	Tualatin Valley Water District	35 %
City of Forest Grove	2 1/2 %	Clean Water Services	10 %
City of Beaverton	21 1/2 %		

The Commission is managed by the City of Hillsboro.

**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 present 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.

**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.

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Due from Joint Venturers**

Due from joint venturers 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 fair 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 are funded with unrestricted net position as agreed upon by the venturers.

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 of the reservoir and dam are computed using the straight-line method over 50 years. Machinery and equipment is depreciated using the same method over five years.

**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 net position first before unrestricted net position is depleted. The Commission did not have restricted net position during the year.

**Revenues**

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

**Pension Plan**

Commission employees are employees of the City of Hillsboro; therefore, no pension 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.

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2017****3. CAPITAL ASSETS**

Capital assets are comprised of:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not depreciated:				
Construction in Progress	\$ -	\$ 18,955	\$ -	\$ 18,955
Capital assets being depreciated:				
Reservoir	9,753,566	46,481	-	9,800,047
Dam	28,430,937	-	-	28,430,937
Machinery and equipment	81,042	-	(25,254)	55,788
Total capital assets being depreciated	<u>38,265,545</u>	<u>46,481</u>	<u>(25,254)</u>	<u>38,286,772</u>
Less accumulated depreciation for:				
Reservoir	(4,259,621)	(193,932)	-	(4,453,553)
Dam	(9,370,104)	(568,619)	-	(9,938,723)
Machinery and equipment	(73,133)	(5,579)	25,254	(53,458)
Total accumulated depreciation	<u>(13,702,858)</u>	<u>(768,130)</u>	<u>25,254</u>	<u>(14,445,734)</u>
Total capital assets, net	<u>\$ 24,562,687</u>	<u>\$ (702,694)</u>	<u>\$ -</u>	<u>\$ 23,859,993</u>

**4. NET POSITION BY JOINT VENTURER**

Changes in net position for the year were as follows:

	Balance June 30, 2016	Loss Before Contributions	Contributions From Venturers	Balance June 30, 2017
City of Hillsboro	\$ 7,721,604	\$ (240,418)	\$ 13,905	\$ 7,495,091
City of Forest Grove	622,377	(19,389)	1,122	604,110
City of Beaverton	5,355,303	(166,741)	9,643	5,198,205
Tualatin Valley Water District	8,717,934	(271,439)	15,698	8,462,193
Clean Water Services	2,490,836	(77,554)	4,485	2,417,767
Total	<u>\$ 24,908,054</u>	<u>\$ (775,541)</u>	<u>\$ 44,853</u>	<u>\$ 24,177,366</u>

**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**5. RELATED PARTY TRANSACTIONS**

The Commission expense to the City was \$183,733 for salaries and benefits for services performed by the City's employees on behalf of the Commission and \$58,810 for support services.

**6. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2017, the Commission has no outstanding construction nor services commitments.

**7. OTHER INFORMATION**

**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.

**SUPPLEMENTAL INFORMATION**

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**BARNEY RESERVOIR JOINT OWNERSHIP COMMISSION**

Hillsboro, Oregon

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

**YEAR ENDED JUNE 30, 2017**

	<u>Budget</u> <u>Original and</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
<b>REVENUES:</b>			
Operating revenues	\$ 466,491	\$ 364,912	\$ (101,579)
Contributions in aid of construction	-	44,853	44,853
Interest	1,500	2,309	809
<b>TOTAL REVENUES</b>	<u>467,991</u>	<u>412,074</u>	<u>(55,917)</u>
<b>EXPENDITURES:</b>			
Personnel services	200,830	183,733	17,097
Materials and services	161,200	75,501	85,699
Capital outlay	106,000	74,875	31,125
Special expenditures	105,961	105,959	2
Contingency	250,775	-	250,775
<b>TOTAL EXPENDITURES</b>	<u>824,766</u>	<u>440,068</u>	<u>384,698</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND CHANGE IN FUND BALANCE</b>	(356,775)	(27,994)	328,781
<b>FUND BALANCE - BEGINNING</b>	<u>356,775</u>	<u>345,365</u>	<u>(11,410)</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ 317,371</u>	<u>\$ 317,371</u>

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

**YEAR ENDED JUNE 30, 2017**

<b>CHANGE IN FUND BALANCE</b>	\$ (27,994)
Adjustments to reconcile to change in Net Position:	
Capital asset additions	65,436
Depreciation	<u>(768,130)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (730,688)</u>

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**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 Councilors  
Barney Reservoir Joint Ownership Commission  
Hillsboro, Oregon

We have audited the financial statements of the Barney Reservoir Joint Ownership Commission, Hillsboro, Oregon (the Commission), as of and for the year ended June 30, 2017, 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 22, 2017. 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).

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 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**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)**

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**OAR 162-10-0230 INTERNAL CONTROL**

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.

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.

*Zalbot, Kowala & Warwick LLP*

Lake Oswego, Oregon  
November 22, 2017

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