

Financial Statements and
Supplementary Data



Service District for Lighting No. 1

(A Component Unit of Washington County, Oregon)



Year ended
June 30, 2012

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WASHINGTON COUNTY SERVICE

DISTRICT FOR LIGHTING NO. 1

(A Component Unit of Washington County, Oregon)

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**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**

Governing Body Under ORS 451.435
Board of County Commissioners
Washington County, Oregon
155 North First Avenue
Hillsboro, Oregon 97124-3072

Commissioners as of June 30, 2012

<u>Name</u>	<u>Term Expires</u>
Andy Duyck, Chair Commissioner-At-Large	December 31, 2014
Dick Schouten, Vice Chair District 1	December 31, 2012
Greg Malinowski District 2	December 31, 2014
Roy Rogers District 3	December 31, 2012
Bob Terry District 4	December 31, 2014

Andrew Singelakis, Director of Land Use and Transportation

Administrative Staff

Robert Davis, County Administrator
Don Bohn, Assistant County Administrator
Rob Massar, Assistant County Administrator
Mary Gruss, Chief Finance Officer
Roger Dawes, Controller
Josh Salaets, Chief Accountant

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**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**

Table of Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows.....	8
Notes to Basic Financial Statements.....	9
Supplementary Data:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)	12
Independent Auditor's Report Required by Oregon State Regulations	13
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15

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INDEPENDENT AUDITOR'S REPORT

December 18, 2012

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Service District for Lighting No. 1
Hillsboro, OR

We have audited the accompanying basic financial statements of the Washington County Service District for Lighting No. 1 (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the District as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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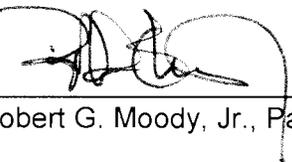
INDEPENDENT AUDITOR'S REPORT (Continued)

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Service District for Lighting No. 1
December 18, 2012

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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the District. The Schedule of Revenues, Expenditures and Changes in Fund Balance, budget and actual, is presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance, budget and actual, is fairly stated in all material respects in relation to the financial statements as a whole.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr., Partner

**Washington County Service District for Lighting No. 1
(A Component Unit of Washington County, Oregon)**

Management's Discussion and Analysis

June 30, 2012

As management of Washington County Service District for Lighting No. 1 (the District) a component unit of Washington County, Oregon, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin on page 6. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the District exceeded liabilities at the close of the fiscal year by \$1,208. This entire amount is considered unrestricted net assets and may be used to meet the ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$102 from 2010-11.
- The District has no debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. For purposes of financial statement presentation, the District is classified as a enterprise fund of the proprietary fund type, and the financial statements present only business-type activities.

The *Statement of Net Assets* provides information about the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis of accounting when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents information showing how the District's deposits with fiscal agents changed during the most recent fiscal year.

The basic financial statements can be found on pages 6 through 8 of this report.

**Washington County Service District for Lighting No. 1
(A Component Unit of Washington County, Oregon)**

Management's Discussion and Analysis

June 30, 2012

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 9 through 11 of this report.

District Financial Analysis

Net Assets

The most significant assets consist of deposits with fiscal agent. Liabilities consist entirely of energy costs payable at June 30:

	2011-12	2010-11
Assets:		
Deposits and receivables	\$ 1,346	1,240
Less Liabilities:		
Accounts payable	(138)	(134)
Net assts:		
Unrestricted	\$ 1,208	1,106

Changes in Net Assets

This table shows a summary of the District's changes in net assets for the fiscal year ending June 30:

	2011-12	2010-11
Revenues:		
Street lighting assessments	\$ 1,929	1,746
Investment Income	12	13
Total revenue	1,941	1,759
Expenses:		
Electricity	1,622	1,611
Administration costs-Washington County	216	191
Other	1	1
Total expenses	1,839	1,803
Change in net assets	102	(44)
Net assets, beginning of year	1,106	1,150
Net assets, end of year	\$ 1,208	1,106

**Washington County Service District for Lighting No. 1
(A Component Unit of Washington County, Oregon)**

Management's Discussion and Analysis

June 30, 2012

Revenues were slightly higher due to an increase in assessment rates. Staff monitors the electric utility's projected costs used for budgeting purposes and adjusts rates in subsequent years once actual costs are known. Higher electrical costs during the fiscal year are largely responsible for the increased expenses incurred by the District.

Future Financial impacts

The District continues to carry out its mission of providing street lighting to properties within the District. As new subdivisions are completed, the District coordinates the creation of new service areas, the installation of street lights by Portland General Electric, and contracts for power to run them. An effort is underway to reduce energy costs by contracting for power through an auction process. If lower energy costs are achieved in the future, savings will be passed on to customers in the form of reduced street lighting assessments.

Contacting the District's Financial Management

The financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Washington County Department of Support Services, Finance Division, 155 N First Ave., Hillsboro, OR 97124-3072, or call (503) 846-8811.

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BASIC FINANCIAL STATEMENTS

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**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**

Statement of Net Assets

June 30, 2012

(Dollars in thousands)

Current assets:	
Deposits with fiscal agent	\$ 1,251
Lighting assessments receivable	<u>95</u>
Total assets	1,346
Current liabilities:	
Accounts payable	<u>138</u>
Net assets:	
Unrestricted	\$ <u><u>1,208</u></u>

See accompanying notes to basic financial statements.

**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**

Statement of Revenues, Expenses and
Changes in Net Assets

For the year ended June 30, 2012

(Dollars in thousands)

Operating revenues:	
Street lighting assessments	\$ <u>1,929</u>
Total operating revenues	<u>1,929</u>
Operating expenses:	
Electricity	1,622
Other miscellaneous materials and supplies	1
Administrative costs - Washington County	<u>216</u>
Total operating expenses	<u>1,839</u>
Operating income	90
Non-operating revenue:	
Investment income	<u>12</u>
Increase in net assets	102
Net assets, beginning of year	<u>1,106</u>
Net assets, end of year	<u>\$ <u>1,208</u></u>

See accompanying notes to basic financial statements.

**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**

Statement of Cash Flows
For the year ended June 30, 2012
(Dollars in thousands)

Cash flows from (used) in operating activities:	
Cash received from lighting assessments	\$ 1,909
Cash payments for goods and services	<u>(1,835)</u>
Net cash provided by operating activities	74
Cash flows from investing activity:	
Investment income	<u>12</u>
Net increase in cash with fiscal agent	86
Deposits with fiscal agent, beginning of year	<u>1,165</u>
Deposits with fiscal agent, end of year	<u><u>1,251</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	90
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Decrease in assessments receivable	(20)
Increase in accounts payable	<u>4</u>
Net cash from operating activities	<u><u>\$ 74</u></u>

See accompanying notes to basic financial statements.

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WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)
Notes to Basic Financial Statements
June 30, 2012
(Dollars in thousands)

1. The District

The District was formed in October 1980 to administer street lighting in certain unincorporated areas of Washington County. Lighting facilities and power service are provided by Portland General Electric Company.

The District, under the criteria of the Governmental Accounting Standards Board (GASB), is considered a blended component unit of Washington County, Oregon (the County) due to the fact that the Washington County Board of Commissioners is the governing body of the District. All significant activities over which the District exercises oversight responsibility have been included in the basic financial statements.

2. Summary of Significant Accounting Policies

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation and Accounting

The District's basic financial statements are maintained on a flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred.

The District has applied all Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, unless that guidance conflicts with or contradicts Governmental Accounting Standards (GASB) pronouncements. All FASB guidance issued after November 30, 1989, have not been applied as allowed by GASB Statement No. 20.

Operating Revenues, Non-operating Revenues and Operating Expenses

The District has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing street lighting services in certain unincorporated areas of Washington County.

Operating expenses are defined as those expenses directly related to providing the services defined within operating revenues.

Deposits with Fiscal Agent

Deposits with fiscal agent comprise funds held by the Washington County Department of Support Services, Finance Division, on behalf of the District. Unrealized gains and losses as well as interest earnings are allocated from total County earnings based on the proportion of District funds to total County funds.

**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**
Notes to Basic Financial Statements
June 30, 2012
(Dollars in thousands)

The District considers deposits with fiscal agent, which is used as a demand deposit account, to be cash and cash equivalents. This treatment is in conformity with GASB Statement No. 9, which states that deposits having the general characteristics of demand deposit accounts are appropriately classified as cash equivalents.

Lighting Assessments

Lighting assessments are recognized as receivables and revenue at the time property owners are assessed. All assessment receivables are due from property owners within the District.

Vested Compensated Absences and Sick Pay

The District's personnel are exclusively contracted Washington County employees. Accordingly, the liability of vested compensated absences is recorded by the County. Reference should be made to the Washington County, Oregon, Comprehensive Annual Financial Report for the year ended June 30, 2012 for treatment of vested compensated absences and sick pay for County employees.

Budget

A budget is prepared for the District in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The resolution authorizing appropriations sets the level by which expenditures may not legally exceed appropriations. The District's expenditure budget is appropriated at a single amount for its operations, including contingency.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The Board of County Commissioners at a regular Board meeting may adopt supplemental budgets less than 10% of the organizational unit's original budget. A supplemental budget greater than 10% of the organizational unit's original budget requires a hearing before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control with approval by the Board. Expenditure appropriations may not be legally over expended except in the case of reimbursable grant expenditures or other specific circumstances which could not be reasonably estimated at the time the budget was adopted. After budget approval, the Board of Commissioners may approve supplemental appropriations if an occurrence, condition or need exists which was not known at the time the budget was adopted.

There were no supplemental budgets or appropriation transfers during the year. Appropriations lapse at the end of each fiscal year.

**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**
Notes to Basic Financial Statements
June 30, 2012
(Dollars in thousands)

3. Pension Plan and Other Post Employment Benefits

The District's personnel are exclusively contracted Washington County employees. Substantially all of the County's employees are participants in the Oregon Public Employees Retirement System (OPERS), a state-wide cost-sharing multi-employer defined benefit pension plan. Contributions to OPERS are made on a current basis as required by the plan and are charged to expenditures/expenses as funded. The District's retirees, through the County, are provided with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees in accordance with Oregon Revised Statutes 243.303. Further information regarding OPERS and OPEB (Other Post Employment Benefits) can be found in the June 30, 2012 Washington County, Oregon, Comprehensive Annual Financial Report.

4. Insured Risks

Potential liabilities for liability/casualty claims are covered under the self-insurance plans maintained by Washington County. Accordingly, insurance reserves are recorded by the County. Reference should be made to the Washington County, Oregon, Comprehensive Annual Financial Report for the year ended June 30, 2012 for treatment of insurance risks.

5. Transactions with Related Parties

The District's assessments are billed and collected through Washington County's Department of Assessment and Taxation and the District's accounting and clerical functions are performed by County personnel. Washington County charges the District for administrative costs based upon transactions processed. The total charges paid to Washington County for the fiscal year ended June 30, 2012 were \$216.

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SUPPLEMENTARY DATA

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**WASHINGTON COUNTY SERVICE
DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)**

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual (Budgetary Basis)

For the year ended June 30, 2012

(Dollars in thousands)

	Original and Final budget	Actual	Variance positive (negative)
Revenues:			
Street lighting assessments	\$ 1,701	1,907	206
Other income	8	12	4
Total revenues	1,709	1,918	209
Expenditures:			
Service district operations	1,948	1,839	109
Operating contingency	557	—	557
Total expenditures	2,505	1,839	666
Revenues over (under) expenditures	(796)	79	875
Fund balance, beginning of year	796	1,043	247
Fund balance, end of year	\$ —	1,122	1,122
Add item to reconcile to net assets on a GAAP basis:			
Deferred income		86	
Net assets, end of year		\$ 1,208	

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

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

December 18, 2012

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Service District for Lighting No. 1
Hillsboro, OR

We have audited the basic financial statements of the Washington County Service District for Lighting No. 1 (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District'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 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed the 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).
- Budgets legally required (ORS Chapter 294).
- 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 District 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*.



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**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

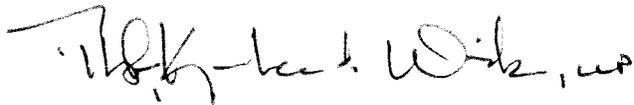
OAR 162-10-230 INTERNAL CONTROL

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards*, dated December 18, 2012, immediately follows this report.

* * * * *

This report is intended solely for the information and use of the Audit Committee, 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.



Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 18, 2012

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
Washington County Service District for Lighting No. 1
Hillsboro, OR

We have audited the basic financial statements of the Washington County Service District for Lighting No. 1 (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (Continued)**

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Audit Committee, Board of Commissioners, and management and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

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