



Financial Statements & Supplementary Data

North Bethany County Service District

(A Component Unit of Washington County, Oregon)



Year Ended June 30, 2015

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NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

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NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Governing Body Under ORS 451.45
Board of County Commissioners
Washington County, Oregon
155 N. First Avenue
Hillsboro, Oregon 97124-3072

Commissioners as of June 30, 2015

<u>Name</u>	<u>Term Expires</u>
Andy Duyck, Chair Commissioner-At-Large	December 31, 2018
Dick Schouten District 1	December 31, 2016
Greg Malinowski District 2	December 31, 2018
Roy Rogers, Vice Chair District 3	December 31, 2016
Bob Terry District 4	December 31, 2018

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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NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

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**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
North Bethany County Service District
Hillsboro, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Bethany County Service District, Hillsboro, Oregon (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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 opinions 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 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 District'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 District'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 opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
North Bethany County Service District

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2015, and the respective changes in financial position and budgetary comparison information 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 the 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Data, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Data 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 Supplementary Data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
North Bethany County Service District

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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 December 21, 2015, on our consideration of the District'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.

TALBOT, KORVOLA & WARWICK, LLP

By 
Julie B. Fahey, Partner

Lake Oswego, Oregon
December 21, 2015

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NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis
June 30, 2015

As management of the North Bethany County Service District for Roads (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, 2015. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin on page 7. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The liabilities of the District exceeded assets at the close of the fiscal year by \$1,644. This entire deficit amount is considered unrestricted net position.
- The District's total net position increased by \$442 from 2013-14.
- The District has long term notes payable to the primary government of \$1,770.

Overview of the Basic 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary data in addition to the 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 governmental fund of the special revenue fund type, and financial statements present only governmental activities.

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

The *Statement of Activities* presents information showing how the District's net position changed during the year. All changes in net position are reported on the accrual basis of accounting similar to the method used by most private-sector companies and are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The *Balance Sheet* presents the assets, deferred outflows or resources, liabilities, and deferred inflows of resources, of the District and indicates whether any of the resulting fund balance is restricted or available for use in the coming year. The *Statement of Revenues, Expenditures, and Changes in Fund Balances* presents information showing how the District's fund balance changed during the most recent fiscal year. The fund financial statements are reported on a modified accrual basis.

NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis (Continued)
June 30, 2015

Notes to the 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 financial statements can be found on pages 12 through 15 of this report.

Government-Wide Financial Analysis

Net Position

The net position of the District increased by \$442 during the fiscal year. The most significant assets consist of deposits with fiscal agent.

	2014-15	2013-14
Assets:		
Deposits	\$ 180	359
Property taxes receivable	1	-
Total assets	181	359
Current liabilities:		
Accounts payable	20	31
Retainage payable	35	114
Total current liabilities	55	145
Noncurrent liability:		
Note payable	1,770	2,300
Net position:		
Unrestricted	\$ (1,644)	(2,086)

Changes in Net Position

This table shows a summary of the District's changes in net position for 2015 and 2014.

	2014-15	2013-14
Revenues:		
Property taxes	\$ 74	36
Intergovernmental	500	732
Interest	2	8
Total revenues	576	776
Expenses:		
Land use and transportation	134	2,925
Change in net position	442	(2,149)
Net position, beginning of year	(2,086)	63
Net position, end of year	\$ (1,644)	(2,086)

NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis (Continued)
June 30, 2015

All residents in the District pay additional property taxes for road construction services. The taxes were established by a vote of the residents of the District.

Program expenses for the District are exclusively made up of contract services provided to the District by Washington County. Such services are primarily in the form of construction of County roads within the District.

District Fund Financial Analysis

Balance Sheet

The District's Balance Sheet includes assets of \$180 in deposits with fiscal agent and \$1 in property tax receivable.

Liabilities of the District total \$35 in retainage payable, \$20 in accounts payable, and a note payable to Washington County in the amount of \$1,770. Unassigned fund balance at June 30, 2015 totaled \$125.

Statement of Revenues, Expenditures and Changes in Fund Balance

Total revenues were \$575, a decrease of \$201 compared to last year. A \$238 decrease in intergovernmental and interest revenue was offset by a \$37 increase in property tax revenue. The \$232 decrease in intergovernmental revenue is a result of additional revenue from outside agencies received in 2013-14 for the P15 road project.

District Fund Budgetary Highlights

There were no changes to the adopted budget for the fiscal year. Total budgeted revenues were \$551. Actual revenues were \$575 which is over the budget estimate by \$24.

Budgeted expenditures were \$671; however, actual expenditures were \$664. The difference of \$7 includes \$20 of unspent debt services and \$13 of overspent program expenditures. Expenditures vary from year to year due to timing of contracted work.

Future Events that will Financially Impact the District

The District continues to carry out its mission of providing road maintenance to the public right of way within the District boundary. The District has a permanent property tax rate of \$0.2456⁽¹⁾ per \$1,000⁽¹⁾ of assessed value.

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.

⁽¹⁾ Amounts not expressed in thousands.

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BASIC FINANCIAL STATEMENTS

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NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Statement of Net Position

June 30, 2015

(Dollars in thousands)

Assets:	
Deposits with fiscal agent	\$ 180
Property taxes receivable	<u>1</u>
Total assets	<u>181</u>
Current liabilities:	
Accounts payable	20
Retainage payable	<u>35</u>
Total current liabilities	55
Noncurrent liability:	
Note payable	<u>1,770</u>
Total liabilities	<u>1,825</u>
Net position:	
Unrestricted	\$ <u><u>(1,644)</u></u>

See accompanying notes to financial statements.

NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Statement of Activities

For the year ended June 30, 2015

(Dollars in thousands)

Program expenses:	
Land use and transportation	\$ <u>134</u>
General revenues:	
Property taxes	74
Intergovernmental	500
Interest	<u>2</u>
Total general revenues	<u>576</u>
Change in net position	442
Net position, beginning of year	<u>(2,086)</u>
Net position, end of year	\$ <u><u>(1,644)</u></u>

See accompanying notes to financial statements.

**NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)**

Balance Sheet
June 30, 2015
(Dollars in thousands)

Assets:	
Deposits with fiscal agent	\$ 180
Property tax receivable	<u>1</u>
Total Assets	<u><u>181</u></u>
Liabilities:	
Accounts payable	20
Retainage payable	<u>35</u>
Total Liabilities	55
Deferred inflow or resources:	
Unavailable revenue	1
Fund balance:	
Unassigned	<u>125</u>
Total liabilities, deferred inflow of resources, and fund balance	<u><u>181</u></u>

Reconciliation of the Balance Sheet to the Statement of Net Position

Fund balance	125
Amounts reported in the Statement of Net Position are different because:	
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations and, therefore, are not reported as revenue in the governmental fund.	1
Long-term liabilities are not due and payable in the current period, and; therefore, are not reported in the governmental funds.	<u>(1,770)</u>
Net position on the Statement of Net Position	<u><u>\$ (1,644)</u></u>

See accompanying notes to financial statements.

NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Statement of Revenues, Expenditures and
Changes in Fund Balance

For the year ended June 30, 2015

(Dollars in thousands)

Revenues:	
Property taxes	\$ 73
Intergovernmental	500
Miscellaneous	2
Total revenue	575
Expenditures:	
Current:	
Land use and transportation	122
Debt service:	
Principal	530
Interest	12
Total debt service	542
Total expenditures	664
Net change in fund balance	(89)
Fund balance, beginning of year	214
Fund balance, end of year	125

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities

Net change in fund balance	(89)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental fund. In the Statement of Activities, property taxes are recognized when levied.	1
The issuance of long-term debt provides current financial resources for the governmental fund, while the repayment of principal of long-term debt consumes the current financial resources of the governmental fund.	530
Change in net position	\$ 442

See accompanying notes to financial statements.

**NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)**

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

For the year ended June 30, 2015

(Dollars in thousands)

	<u>Original and final budget</u>	<u>Actual</u>	<u>Variance positive (negative)*</u>
Revenues:			
Property taxes	\$ 50	73	23
Intergovernmental	500	500	—
Miscellaneous	<u>1</u>	<u>2</u>	<u>1</u>
Total revenues	<u>551</u>	<u>575</u>	<u>24</u>
Expenditures:			
Current:			
Land use and transportation	<u>109</u>	<u>122</u>	<u>(13)</u>
Debt Service:			
Principal	550	530	20
Interest	<u>12</u>	<u>12</u>	<u>—</u>
Total debt service	<u>562</u>	<u>542</u>	<u>20</u>
Total expenditures	<u>671</u>	<u>664</u>	<u>7</u>
Net change in fund balance	(120)	(89)	31
Fund balance, beginning of year	<u>120</u>	<u>214</u>	<u>94</u>
Fund balance, end of year	<u>\$ —</u>	<u>125</u>	<u>125</u>

See accompanying notes to financial statements.

* All appropriations of this fund are made under a single organization unit. Accordingly, negative variances on individual line items do not represent overexpenditures.

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NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Notes to Financial Statements

June 30, 2015

(Dollars in thousands)

1. The District

The North Bethany County Service District for Roads (the District) was formed under the provisions of ORS Chapter 451 and approved by the voters in May 2011. The District pays for a portion of construction of public roads in the North Bethany area of Washington County and is funded by an established permanent rate.

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, and therefore is an integral part of the County reporting entity. 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 accounting records are maintained on the modified accrual basis of accounting but the basic financial statements are presented at both the government-wide and fund financial level, on a full accrual and modified accrual basis, respectively.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

**NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)**

Notes to Financial Statements (Continued)

June 30, 2015

(Dollars in thousands)

Fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District has classified its entire ending fund balance as unassigned, in accordance with GASB Statement No. 54.

The District's general revenues consist of tax and intergovernmental revenues. Program expenses are defined as those expenses directly related to providing road maintenance services.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the government-wide presentation.

Payments made to Washington County's Department of Land Use, Housing and Transportation were in exchange for services and have been classified as program expenditures/expenses.

Deferred Inflow of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet, and is deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Notes to Financial Statements (Continued)

June 30, 2015

(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.

Property Taxes

Property taxes become a lien against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15 and May 15. All property taxes receivable 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 Comprehensive Annual Financial Report for the year ended June 30, 2015 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 District's expenditure budget is appropriated at a single amount for its operations.

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.

NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)

Notes to Financial Statements (Continued)

June 30, 2015

(Dollars in thousands)

3. Notes Payable

Washington County loaned the District \$2,300 via an intergovernmental agreement dated September 18, 2012; the purpose of the loan was for constructing the road referred to as P-15, a neighborhood route within the District. The District shall repay the County for the funds loaned as soon as practicable, with any balance due being paid on or before September 18, 2042. Beginning in fiscal year 2013-14, any outstanding balance under this agreement will bear interest at the Local Government Investment Pool rate, determined once per year on the first day of each fiscal year, and applied to the loan balance as of the first day of the same fiscal year for the remaining duration of the agreement or until the balance is paid in full.

4. 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 multiple-employer defined benefit pension plan. Contributions to OPERS are made on a current basis as required by the plan. 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, 2015 Washington County, Oregon, Comprehensive Annual Financial Report.

5. 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 Comprehensive Annual Financial Report for the year ended June 30, 2015 for treatment of insurance risks.

6. Transactions with Related Parties

The District's property taxes are levied and collected through Washington County's Assessment and Taxation Department. The District also contracts with Washington County to provide certain road maintenance services. The District's accounting and clerical functions are performed by County personnel. Washington County charges the District for administrative costs incurred. The total charges paid to Washington County for the fiscal year ended June 30, 2015 were \$122.

SUPPLEMENTARY DATA

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**NORTH BETHANY COUNTY SERVICE DISTRICT FOR ROADS
(A Component Unit of Washington County, Oregon)**

Schedule of Property Tax Transactions
and Outstanding Balances

For the year ended June 30, 2015

(Dollars in thousands)

<u>Fiscal year</u>	<u>Taxes receivable June 30, 2014</u>	<u>Certified levy</u>	<u>Corrections and adjustments</u>	<u>Deduct cash collections</u>	<u>Deduct discounts allowed</u>	<u>Add interest collected</u>	<u>Taxes receivable June 30, 2015</u>
2014-15	\$ —	76	—	(73)	(2)	—	1
2013-14	—	—	—	—	—	—	—
2012-13	—	—	—	—	—	—	—
2011-12	—	—	—	—	—	—	—
	<u>\$ —</u>	<u>76</u>	<u>—</u>	<u>(73)</u>	<u>(2)</u>	<u>—</u>	<u>1</u>

Reconciliation to Property tax revenue:

Collections above	\$	73
Accrual of receivables:		
June 30, 2014		—
June 30, 2015		<u>1</u>
Total property tax revenue	\$	<u><u>74</u></u>

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**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***

&

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

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& Warwick, LLP

Certified Public Accountants
& Consultants

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**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**

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
North Bethany County Service District
Hillsboro, Oregon

We have audited, in accordance with the 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 governmental activities and the major fund of the North Bethany County Service District, Hillsboro, Oregon (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 21, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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)**

INDEPENDENT AUDITOR'S REPORT (Continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
December 21, 2015



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of County Commissioners of
Washington County, Oregon, as Governing Body of
North Bethany County Service District
Hillsboro, Oregon

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 basic financial statements of the North Bethany County Service District, Hillsboro, Oregon (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2015, and have issued our report thereon dated December 21, 2015.

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 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).

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

COMPLIANCE (Continued)

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*, except as follows:

- The District reports a deficit net position of \$1,644,000 on a GAAP basis as of June 30, 2015.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

RESTRICTIONS ON USE

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

Talbot, Karola & Warwick, LLP

Lake Oswego, Oregon
December 21, 2015

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