

Photo courtesy of Washington County Visitors Association



Year Ended
June 30, 2019

Financial Statements & Supplementary Data
**Service District for
Lighting No. 1**

A Component Unit of Washington County, Oregon

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

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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 N First Avenue
Hillsboro, Oregon 97124-3072

Commissioners as of June 30, 2019

<u>Name</u>	<u>Term Expires</u>
Kathryn Harrington, Chair Commissioner-At-Large	December 31, 2022
Dick Schouten District 1	December 31, 2020
Pam Treece District 2	December 31, 2022
Roy Rogers, Vice Chair District 3	December 31, 2020
Jerry Willey District 4	December 31, 2022

Stephen Roberts, Director of Land Use and Transportation (Interim)

Administrative Staff

Robert Davis, County Administrator
Don Bohn, Assistant County Administrator
Jack Liang, Chief Finance Officer
Roger Dawes, Controller
Josh Salaets, Chief Accountant

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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	4
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements.....	10
Supplementary Data:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis).....	13
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>	14
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	16

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Service District for Lighting No. 1, Hillsboro, Oregon (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2019, 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 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 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.



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INDEPENDENT AUDITOR'S REPORT (Continued)

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2019, and the respective 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 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.

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 11, 2019 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 solely 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 effectiveness of the District's 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

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 11, 2019 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 11, 2019

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SERVICE DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis

June 30, 2019

As management of 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, 2019. 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 assets of the District exceeded liabilities at the close of the fiscal year by \$961. This entire amount is considered unrestricted net position and may be used to meet the ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$49 from 2017-18.
- 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 are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains supplementary data 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 an enterprise fund of the proprietary fund type, and the financial statements present only business-type 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 Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 7 through 9 of this report.

SERVICE DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis (Continued)

June 30, 2019

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 basic financial statements can be found on pages 10 through 12 of this report.

Net Position

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

	2018-19	2017-18
Assets:		
Deposits and receivables	\$ 1,125	1,323
Liabilities:		
Accounts payable	164	313
Net position:		
Unrestricted	\$ 961	1,010

Changes in Net Position

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

	2018-19	2017-18
Revenues:		
Street lighting assessments	\$ 2,076	1,913
Investment Income	53	8
Total revenue	2,129	1,921
Expenses:		
Electricity	1,932	1,861
Administrative costs-Washington County	243	175
Other	3	2
Total expenses	2,178	2,038
Change in net position	(49)	(117)
Net position, beginning of year	1,010	1,127
Net position, end of year	\$ 961	1,010

SERVICE DISTRICT FOR LIGHTING NO. 1
(A Component Unit of Washington County, Oregon)
Management's Discussion and Analysis (Continued)

June 30, 2019

Revenues were higher than last year due to an adjustment 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.

District Fund Budgetary Highlights

There were no changes to the adopted budget for the fiscal year. Actual revenues of \$2,191 were over the final budgeted revenues of \$1,940 by \$251 due to an increase in anticipated street light assessment revenue of \$213 and other income being \$38 higher than expected. Actual expenditures were \$2,178 and came in \$728 under final budgeted expenditures of \$2,906. The \$728 difference represents \$721 of unspent contingency and \$7 in unspent contract expenditures.

Actual beginning fund balance was \$47 under budgeted amount.

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

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

Statement of Net Position

June 30, 2019

(Dollars in thousands)

Current assets:		
Deposits with fiscal agent	\$	1,091
Lighting assessments receivable		<u>34</u>
Total current assets		1,125
Current liabilities:		
Accounts payable		<u>164</u>
Net position:		
Unrestricted	\$	<u><u>961</u></u>

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and
Changes in Net Position

For the fiscal year ended June 30, 2019

(Dollars in thousands)

Operating revenues:	
Street lighting assessments	\$ <u>2,076</u>
Operating expenses:	
Electricity	1,932
Administrative costs - Washington County	243
Other miscellaneous materials and supplies	<u>3</u>
Total operating expenses	<u>2,178</u>
Operating loss	(102)
Non-operating revenue:	
Investment income	<u>53</u>
Change in net position	(49)
Net position July 1, 2018	<u>1,010</u>
Net position June 30, 2019	\$ <u><u>961</u></u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

For the fiscal year ended June 30, 2019

(Dollars in thousands)

Cash flows provided by (used in) in operating activities:	
Cash received from lighting assessments	\$ 2,140
Cash payments for goods and services	<u>(2,327)</u>
Net cash used in operating activities	(187)
Cash flows from investing activity:	
Investment income	<u>53</u>
Net decrease in cash with fiscal agent	(134)
Deposits with fiscal agent, July 1, 2018	<u>1,225</u>
Deposits with fiscal agent, June 30, 2019	<u><u>1,091</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(102)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in assessments receivable	64
Decrease in accounts payable	<u>(149)</u>
Net cash used in operating activities	<u><u>\$ (187)</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2019

(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, 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 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.

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.

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

Notes to Financial Statements (Continued)

June 30, 2019

(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.

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.

3. Vested Compensated Absences, Sick Pay, Pension Plan, and Other Post Employment Benefits (OPEB)

The District's personnel are exclusively contracted Washington County employees. Accordingly, the liability of vested compensated absences is recorded by the County.

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 and OPEB 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.

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

Notes to Financial Statements (Continued)

June 30, 2019

(Dollars in thousands)

Further information regarding vested compensated absences, sick pay, OPERS and OPEB (Other Post Employment Benefits) can be found in the June 30, 2019 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, 2019 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, 2019 were \$243.

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SUPPLEMENTARY DATA

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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 fiscal year ended June 30, 2019

(Dollars in thousands)

	<u>Original and final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:			
Street lighting assessments	\$ 1,925	2,138	213
Other income	<u>15</u>	<u>53</u>	<u>38</u>
Total revenues	<u>1,940</u>	<u>2,191</u>	<u>251</u>
Expenditures:			
Service district operations	2,185	2,178	7
Operating contingency	<u>721</u>	<u>—</u>	<u>721</u>
Total expenditures	<u>2,906</u>	<u>2,178</u>	<u>728</u>
Net change in fund balance	(966)	13	979
Fund balance July 1, 2018	<u>966</u>	<u>920</u>	<u>(47)</u>
Fund balance June 30, 2019	\$ <u><u>—</u></u>	933	<u><u>932</u></u>
Add item to reconcile to net position on a GAAP basis:			
Unavailable revenue		<u>28</u>	
Net position, end of year		\$ <u><u>961</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***

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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**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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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
Service District for Lighting No. 1
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 Service District for Lighting No. 1, Hillsboro, Oregon (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2019.

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 opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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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 (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, Kowala & Warwick, LLP

Lake Oswego, Oregon
December 11, 2019



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& Warwick, LLP**

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

We have audited the basic financial statements of the Service District for Lighting No. 1, Hillsboro, Oregon (the District), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 11, 2019. 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 162-10-330 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).
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.



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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 (Continued)**

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the Board of 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, Kowala & Warwick, LLP

Lake Oswego, Oregon
December 11, 2019

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