

# Willamette Water Supply System Commission



## Financial Statements

For the fiscal year ended  
June 30, 2020



**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

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**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

**Board Members as of June 30, 2020**

James Duggan, Chair  
Tualatin Valley Water District

Denny Doyle, Vice Chair  
City of Beaverton

David Judah, Board Member  
City of Hillsboro

**WWSS Registered Agent**

Tom Hickmann, PE  
Tualatin Valley Water District  
1850 SW 170th Avenue  
Beaverton, OR 97003  
Ph: (503) 848-3000



## **Report of Independent Auditors**

The Board of Commissioners  
Willamette Water Supply System Commission

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Willamette Water Supply System Commission (the “Commission”) which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements.

### ***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 basic 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<sup>i</sup>. 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willamette Water Supply System Commission as of June 30, 2020, and the results of its operations and cash flows for the years 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual are 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of Willamette Water Supply System Commission'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 Willamette Water Supply System Commission'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 Willamette Water Supply System Commission's internal control over financial reporting and compliance.



## **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 28, 2020, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner  
For Moss Adams LLP  
Portland, Oregon  
December 28, 2020



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020**

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As management of the Willamette Water Supply System Commission (Commission), a joint venture of Tualatin Valley Water District and the cities of Hillsboro and Beaverton, we offer readers of the Commission's financial statements this narrative overview and analysis of the Commission's financial activities for the fiscal year ended June 30, 2020. The Commission was formed in July 2019 to own, operate and maintain the Willamette Water Supply System in order to supply potable water to TVWD, Hillsboro, Beaverton and, potentially, other municipal water providers.

These financial statements include this Management's Discussion and Analysis (MD&A) section to provide users of the basic financial statements with a narrative introductory overview and analysis of the statements.

### **Financial Highlights**

- Net position (assets minus liabilities) was \$169.4 million at June 30, 2020.
- The Commission reported leases based on GASB Statement No. 87. Leased assets are reported on the Statement of Net Position and are amortized over the life of the lease. Lease liabilities are reported at the present value of future payments and are adjusted over time by interest and payments. As of June 30, 2020, lease assets were \$13.7 million and lease liabilities were \$14.9 million.
- Net investment in capital assets is the largest portion of the Commission's net position. In 2020 there was a significant construction in progress of \$165.9 million.

### **Overview of the Financial Statements**

Taken together these sections provide a comprehensive financial look at the Commission. The individual components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides an overview of financial highlights and economic factors affecting the Commission.
- **Basic Financial Statements.** This section includes the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to Basic Financial Statements. The statements focus on an entity-wide presentation using the accrual basis of accounting. They are designed to resemble more closely private-sector financial statements in that all activities are consolidated into a total for the Commission.
  - The Statement of Net Position focuses on resources available for future operations. This statement presents a snap-shot view of the assets of the Commission, its liabilities and the net difference.
  - The Statement of Revenues, Expenses and Changes in Net Position focuses on the current year operating results and the change in capital as a result of the current year operations.

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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- The Statement of Cash Flows focuses on how the Commission obtained and expended its available cash and investments.
- The Notes to the Basic Financial Statement provides additional disclosures required by generally accepted accounting principles and provide information to assist the reader in understanding the Commission's financial condition.

**Statement of Net Position**

The Commission's assets exceeded liabilities by \$169,399,044 at June 30, 2020 as shown in Table 1. A condensed version of the statement of Net Position as of June 30, 2020 is as follows:

**Table 1:**

	<b><u>2020</u></b>
Accounts receivable	\$ 18,702,121
Deposits and Prepaid expenses	1,376,753
Leased assets, net of accumulated amortization	13,703,624
Capital assets, non-depreciable assets	166,367,201
Asset held for sale, non-current assets	<u>4,250,000</u>
<b>Total Assets</b>	<b>204,399,699</b>
Accounts and Retainage payables	20,078,874
Lease Liabilities	<u>14,921,781</u>
<b>Total Liabilities</b>	<b>35,000,655</b>
Net investment in capital assets	145,089,853
Unrestricted	<u>24,309,191</u>
<b>Net Position</b>	<b>\$ 169,399,044</b>

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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**Statement of Revenues, Expenses and Changes in Net Position**

A condensed version of the Commission's Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2020 is as follows:

**Table 2:**

	<u>2020</u>
Administrative Services	\$ 518,361
Operating Expenses	<u>878,409</u>
Operating Income (Loss)	(360,048)
Non Operating Revenue (Expenses)	(436,073)
Capital Contributions	<u>170,195,165</u>
Change in Net Position	169,399,044
Net Position, beginning of period	<u>-</u>
Net Position, end of period	<u>\$ 169,399,044</u>

The cost of the Commission's activities totals \$878,409 for the year ended June 30, 2020. Operating expenses consist of administrative, maintenance, and amortization expenses on lease assets. Nonoperating expenses consist mainly of interest expense for the lease liabilities and capital contributions consist of capital assets purchased by the parties to the Commission.

**Capital Assets**

The Commission has net capital assets of approximately \$166.3 million as of June 30, 2020. Commission's capital assets include \$0.4 million of non-depreciable easements and \$165.9 million of construction- in-progress.

**Long-Term Debt Activity**

As of June 30, 2020, the Commission reported lease liabilities of \$14.9 million. The leases are for subsurface land for the placement of a raw water pipeline and office space. The Commission had no bonded indebtedness at June 30, 2020.

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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**Economic Factors**

The Commission was formed in July 2019 to provide a reliable water supply for the region by helping water system operators balance supply during times of drought or other supply interruptions, as well as recover more quickly after a large natural disaster. Tualatin Valley Water District (the District) was appointed managing agent. Financial records are maintained by the District. Major goals of the Commission are to construct a new water filtration plant, more than 30 miles of water pipelines, and water storage tanks – all built to modern seismic standards. Planning and construction of the WWSS infrastructure is underway and anticipated to be completed by 2026.

**Financial Contact**

The Commission's financial statements are designed to present users including taxpayers, citizens, customers, investors and creditors with a general overview of the Commission's finances and overall accountability. If you have questions about the contents of this report or need additional financial information, please contact Tualatin Valley Water District's Chief Financial Officer at 1850 SW 170th Avenue, Beaverton, Oregon 97003.





**BASIC FINANCIAL STATEMENTS**

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**STATEMENT OF NET POSITION**

**JUNE 30, 2020**

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	<b><u>2020</u></b>
<b>ASSETS</b>	
Accounts receivable	\$ 18,702,121
Prepaid expenses	1,349,316
Deposits	<u>27,437</u>
Total Current Assets	20,078,874
Leased assets, net of accumulated amortization	13,703,624
Capital assets, non-depreciable assets	166,367,201
Asset held for sale, non-current assets	<u>4,250,000</u>
Total Noncurrent Assets	<u>184,320,825</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 204,399,699</u></u></b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 19,294,541
Retainage payable	<u>784,333</u>
Total Current Liabilities	20,078,874
Lease liabilities	<u>14,921,781</u>
<b>TOTAL LIABILITIES</b>	<b>35,000,655</b>
<b>NET POSITION</b>	
Net investment in capital assets	145,089,853
Unrestricted	<u>24,309,191</u>
Total Net Position	169,399,044
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 204,399,699</u></u></b>

The accompanying notes are an integral part of the financial statements.

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2020**

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	<b>2020</b>
<b>OPERATING REVENUES</b>	
Administrative services	\$ 518,361
<b>OPERATING EXPENSES</b>	
Maintenance and repairs	28,211
General and administrative	490,150
Depreciation and amortization expense	360,048
Total Operating Expenses	<u>878,409</u>
<b>OPERATING LOSS</b>	(360,048)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Other revenue	48,792
Interest expense	(484,865)
Total Nonoperating Revenue (Expenses)	<u>(436,073)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>170,195,165</u>
<b>CHANGE IN NET POSITION</b>	169,399,044
<b>NET POSITION, beginning of period</b>	<u>-</u>
<b>NET POSITION, end of period</b>	<u><u>\$ 169,399,044</u></u>

The accompanying notes are an integral part of the financial statements.

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2020**

	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments received from joint venturers	\$ 518,361
Payments to suppliers for goods and services	(518,361)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributions from joint venturers	62,431,016
Capital outlay and direct purchases of cap assets	(62,047,861)
Payments from other agencies	48,792
Payments on leases	(431,947)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	<b>-</b>
<b>CASH AND INVESTMENTS, beginning of period</b>	<b>-</b>
<b>CASH AND INVESTMENTS, end of period</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING LOSS TO</b>	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	
Operating loss	(360,048)
Adjustments to reconcile operating loss	
to net cash from operating activities	
Depreciation	360,048
Changes in operating accounts	
Accounts receivable	(18,702,121)
Prepaid expenses	(1,349,316)
Deposits	(27,437)
Accounts payable and accrued liabilities	19,294,541
Retainage payable	784,333
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ -</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital assets contributed by joint venturers	\$ 108,569,340
Leased assets transferred in by joint venturers	14,063,672
Lease liability transferred in by joint venturers	(14,868,864)
Equity in leases transferred in	805,192

The accompanying notes are an integral part of the financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Willamette Water Supply System Commission (Commission) was organized in July 2019 under Oregon Revised Statutes (ORS), chapter 190 and was established by an agreement between the cities of Beaverton, Hillsboro, and Tualatin Valley Water District (the District). The Commission is governed by a three-member board, with one member appointed by each party. The purpose of the Commission is to provide the water supply system infrastructure facilities beginning at the Willamette Intake Facilities (WIF) System separation point and continuing to the points of delivery (turnouts). The Commission is managed by Tualatin Valley Water District.

Expenses are allocated on two techniques: one for administration costs, the other for other operating costs. Administration costs to the parties is based on two weighted factors. The first weighted factor is equal shares. Each of the three parties is allocated one-third of the costs recovered based on equal shares. The second factor is based on percentage ownership. For administration costs, the two factors are weighed 25% based on equal shares and 75% based on ownership. The weighted allocations factors by party are:

Weighted Allocation Shares for Administrative Costs					
	Equal Share		Ownership		Total
Party	Unweighted	Weighted	Unweighted	Weighted	Weighted
TVWD	33.3%	8.3%	58.9%	44.2%	52.5%
Hillsboro	33.3%	8.3%	36.1%	27.1%	35.4%
Beaverton	33.3%	8.3%	5.0%	3.7%	12.1%
Total	100.0%	25.0%	100.0%	75.0%	100.0%
Weight		25.0%		75.0%	

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WWSS. Operations, maintenance, and repair expenses unrelated to usage are allocated based on each party's proportionate ownership of the WWSS.

**Basis of Presentation and Accounting**

For financial reporting purposes, the Commission reports its operations on an enterprise fund basis. Enterprise funds (a propriety fund type) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and net position associated with the operations are included on the Statements of Net Position. The Statement of

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in net position.

The accrual basis of accounting is used for financial reporting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

**Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other disclosures. Accordingly, actual results may differ from those estimates.

**Accounts Receivable**

Accounts receivable are recorded as earned and no allowance for doubtful accounts is required as all receivables are due from the joint venturers.

**Capital Assets**

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. All costs associated with the acquisition or construction of capital assets are contributed by the joint venturers.

The Commission defines capital assets as assets with an initial cost of \$7,500 and an estimated useful life of more than one year.

**Lease Assets**

Leased assets are reported at the initial measurement of the lease liability adjusted by initial direct costs and payments made to the lessor at the commencement of the lease, less any lease incentives. Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**Net Position**

The Commission's net position consists of the various net earnings from operating revenues and expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and capital-related liabilities. Unrestricted net position consists of all other net positions not included in other categories.

**Leased Liabilities**

Lease liabilities are initially measured at the present value of payments expected to be made during the lease term, including fixed and variable payments, residual guarantees, termination penalties, lease incentives and any other payments reasonably certain to be made in accordance with the lease agreement.

**Budgets**

The Commission is organized under ORS, Chapter 190 as an Intergovernmental Agreement (IGA) which requires the Board to adopt a work plan and budget. The Commission is accounted for as a fund within the structure of the District, where the budget is prepared and legally adopted for the Commission as part of the total budget for the District. The budget is prepared on a biennial basis as a separate fund on the modified accrual basis of accounting and complies with Oregon Local Budget Law. The level of budgetary control is established at the object classifications (personnel services, materials and services, capital outlay, operating transfers and contingency).

**2. CAPITAL ASSETS**

The Commission has invested approximately \$166.0 million in construction in process and \$0.4 million in easements at June 30, 2020.

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance June 30, 2020</u>
Capital Assets, not being depreciated:					
Construction in progress	\$ -	\$ 165,927,556	\$ -	\$ -	\$ 165,927,556
Capital assets, non-depreciable assets	-	439,645	-	-	439,645
Total Capital Assets not being depreciated	<u>\$ -</u>	<u>\$ 166,367,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,367,201</u>

As of June 30, 2020, a parcel of land, not in use, has been recorded as asset held for sale and its costs removed from the overall project's costs. The land was valued at \$4,250,000. See Subsequent Event note for more details.



**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**3. LEASED ASSETS**

Leased assets consisted of the following at June 30, 2020:

	<i>Balance July 1, 2019</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance June 30, 2020</i>
Leased assets				
Land and easements	\$ -	\$ 12,290,852	\$ -	\$ 12,290,852
Buildings	-	1,772,820	-	1,772,820
Total leased assets	-	14,063,672	-	14,063,672
Less accumulated amortization for				
Land and easements	-	(128,029)	-	(128,029)
Buildings	-	(232,019)	-	(232,019)
Total accumulated amortization	-	(360,048)	-	(360,048)
Total leased assets being amortized, net	<u>\$ -</u>	<u>\$ 13,703,624</u>	<u>\$ -</u>	<u>\$ 13,703,624</u>

**4. LEASE LIABILITIES**

Commission entered into a lease for office space. Base rent increases by 3% per annum. The lease terminates in 2027. Commission also pays variable costs based on operating expenses which are not included in the measurement of the lease liability. In FY 2020, variable payments totaled \$5,823.

Commission entered into a lease with the City of Wilsonville for subsurface land for the placement of a raw water pipeline. The lease terminates in 2115. Annual lease installments are payable through FY 2025 with a balloon payment in 2026. As the annual payments are less than the interest on the lease obligation, the liability will increase until FY 2026 when the balloon payment is made.

Principal and interest to maturity for the Commission's share of leases is as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	(48,956)	488,655	439,699
2022	(44,752)	492,435	447,683
2023	(40,295)	496,201	455,906
2024	(35,573)	499,949	464,376
2025-2030	15,091,357	1,514,501	16,605,859
Total minimum lease payments	<u>\$ 14,921,781</u>	<u>\$ 3,491,740</u>	<u>\$ 18,413,521</u>

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**5. NET POSITION BY JOINT VENTURER**

Changes in net position by joint venturer for the year ending June 30, 2020 is as follow:

<b>Net Position</b>	<b>Tualatin Valley Water District</b>	<b>City of Hillsboro</b>	<b>City of Beaverton</b>	<b>Total</b>
<b>Balance July 1, 2019</b>	\$ -	\$ -	\$ -	\$ -
Contributions	90,102,572	70,584,316	9,508,277	170,195,165
Administrative Services	258,599	182,397	77,365	518,361
Change in Venturer's Capital	<u>(716,867)</u>	<u>(492,027)</u>	<u>(105,588)</u>	<u>(1,314,482)</u>
<b>Balance June 30, 2020</b>	<u>\$ 89,644,304</u>	<u>\$ 70,274,686</u>	<u>\$ 9,480,054</u>	<u>\$ 169,399,044</u>

**6. OTHER INFORMATION**

**Risk Management**

The Commission is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, and natural disasters for which the Commission carries commercial insurance. The Commission does not engage in risk financing activities where risk is retained (self-insurance).

**Related-party Transactions**

The Commission paid \$518,361 in management fees and \$2,444,000 in construction in process for services provided by the District for year ended June 30, 2020. Administrative Services and venturers contributed capital assets were as follows for the years ended June 30:

	<b>2020 Contributions from Venturers</b>	<b>2020 Service Revenue from Venturers</b>
Tualatin Valley Water District	\$ 90,102,572	\$ 258,599
City of Hillsboro	70,584,316	182,397
City of Beaverton	<u>9,508,277</u>	<u>77,365</u>
<b>Contributions from Venturers</b>	<u>\$ 170,195,165</u>	<u>\$ 518,361</u>

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**Commitments**

The Commission has entered into various contracts related to the construction of the Willamette Water Supply System (WWSS). Total outstanding commitments on contracts with greater than \$1.0 million outstanding is approximately \$175 million as of June 30, 2020.

**Subsequent Events**

Subsequent to June 30, 2020, Commission sold parcel of land to Wilshire Sherwood Owner LLC. The sale of the property closed on September 30, 2020. The land was valued at, and sold for \$4,250,000. Since the property was not going to be placed in production it was classified as non-current asset held for sale at June 30, 2020.



**SUPPLEMENTAL INFORMATION**

**WILLAMETTE WATER SUPPLY SYSTEM COMMISSION**

Beaverton, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final	Fiscal Year 2020	
<b>REVENUES</b>				
Administrative Services	\$ 917,788	\$ 917,788	\$ 518,361	\$ (399,427)
Capital Contributions	90,289,012	90,289,012	62,431,016	(27,857,996)
Miscellaneous Income	-	-	48,791	48,791
<b>Total Revenues</b>	<b>91,206,800</b>	<b>91,206,800</b>	<b>62,998,168</b>	<b>(28,257,423)</b>
<b>EXPENDITURES</b>				
Materials and Services	834,788	834,788	518,361	308,426
Capital Outlay	90,289,012	90,289,012	62,479,807	27,809,205
Contingency	83,000	83,000	-	83,000
<b>Total Expenditures</b>	<b>91,206,800</b>	<b>91,206,800</b>	<b>62,998,168</b>	<b>28,200,631</b>
Excess (Deficiency) of revenues over (under) expenditures, and net change in fund balance	-	-	-	-
<b>BEGINNING FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENDING FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Reconciliation of changes in Net position				
Contributions of capital assets			108,569,340	
Capital Outlay			62,479,807	
Depreciation			(360,048)	
Unrealized gain / (loss) on lease			(805,190)	
Interest expense			(484,865)	
<b>Changes in Net Position</b>			<b>\$169,399,044</b>	

## **Report of Independent Auditors 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***

The Board of Commissioners  
Willamette Water Supply System Commission

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 Willamette Water Supply System Commission (the "Commission") as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) 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 Willamette Water Supply System Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be a material weakness and is included in the Schedule of Finding as 2020-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission'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*.

## **The Commission's Responses to the Finding**

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Portland, Oregon  
December 28, 2020



# Willamette Water Supply System

## Schedule of Finding

### Year Ended June 30, 2020

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#### **Finding 2020–001 – Financial Statement Close Process –Reconciliations (Material Weakness in Internal Controls over Financial Reporting)**

*Criteria* – A well established and documented monthly and annual close process serves to detect errors and prevent them from accumulating within a particular period. The strength of this process also helps to ensure that the monthly and annual financial information reported to management and the Board of Commissioners, from which key decisions are made, is as meaningful and reliable as possible.

*Condition* – During the year, assets transferred to the Commission were overstated based on lease payment improperly included in the transfer amount.

*Cause* – Though formal review processes were established during the year, the review did not identify improper lease payments in the transfer of assets.

*Effect* – Management made a significant adjustment after year-end to assets transferred and partner net position.

*Recommendation:* We recommend that management ensures that transferred amount be reviewed in a timely manner alongside general ledger reconciliations to ensure accuracy and reasonableness.

*Views of responsible officials:* Management agrees with the recommendation and will complete timely reviews of asset transfers alongside general ledger reconciliations.

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## **Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Auditing Standards***

Board of Commissioners  
Willamette Water Supply System Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America the basic financial statements of Willamette Water Supply System Commission (the “Commission”) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Willamette Water Supply System Commission basic financial statements, and have issued our report thereon dated December 28, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. We did identify deficiencies in internal control over financial reporting, in the aggregate, that we consider to be a material weakness and is included in the Schedule of Finding as 2020-001.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance of 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 accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2019 and 2020.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

In connection with our testing nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julie Desimone, Partner  
for Moss Adams LLP  
Portland, Oregon  
December 28, 2020

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# About the Willamette Water Supply System

TVWD and cities of Hillsboro and Beaverton are developing the Willamette river at Wilsonville as an additional water supply source.



**TUALATIN VALLEY**  
WATER DISTRICT



The WWSS Commission is a partnership formed under ORS Chapter 190 between the following parties:  
Tualatin Valley Water District and the cities of Hillsboro and Beaverton.  
For more information, visit [tvwd.org/wwss](http://tvwd.org/wwss).