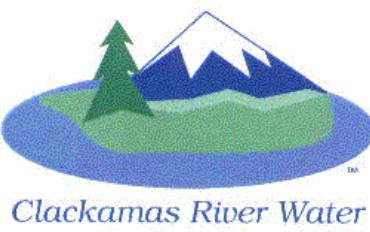


**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
JUNE 30, 2017 and 2016**



**CLACKAMAS REGIONAL
WATER SUPPLY COMMISSION
CLACKAMAS, OREGON**

Clackamas Regional Water Supply Commission

**Basic Financial Statements for the
Years Ended June 30, 2017 and 2016**

Clackamas County, Oregon

Clackamas Regional Water Supply Commission
Clackamas County, Oregon

Basic Financial Statements
and Supplemental Information

Years Ending June 30, 2017 and 2016

Prepared by:
Clackamas River Water
Finance, Accounting and Customer Service Department

Wade Hathhorn, General Manager, Sunrise Water Authority
Todd Heidgerken, General Manager, Clackamas River Water

Clackamas Regional Water Supply Commission

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Clackamas Regional Water Supply Commission
Governing Body under ORS 190.010
Clackamas County, Oregon

Board of Commissioners as of June 30, 2017

Hugh Kalani, Chair	Clackamas River Water
Ron Blake, Vice-Chair	Sunrise Water Authority
Steve Gaschler, Secretary	Sunrise Water Authority
Naomi Angier, Treasurer	Clackamas River Water
Bill Blanas	Clackamas River Water
Ernie Platt	Sunrise Water Authority

Commission Address:
Sunrise Water Authority
10602 SE 129th Avenue
Happy Valley, Oregon 97068

PARTNERS

KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Clackamas Regional Water Supply Commission
Happy Valley, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Clackamas Regional Water Supply Commission (the Commission), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Commission's 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, 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 the required supplementary information, such as 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 management's discussion and analysis, 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 Commission's basic financial statements. The introductory section and supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 6, 2017, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Merina & Company, LLP
West Linn, Oregon
December 6, 2017

Clackamas Regional Water Supply Commission
Clackamas County, Oregon

Management's Discussion and Analysis
For the Year Ended June 30, 2017

As management of the Clackamas Regional Water Supply Commission (CRWSC or Commission), we offer readers of the Commission's financial statements this narrative and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

Financial Highlights

- The assets of the Commission equals its liabilities at June 30, 2017.
- Total assets equal \$97,842 at June 30, 2017 compared to \$135,225 at June 30, 2016. These are current assets of the Commission as a result of intergovernmental receivables at June 30, 2017 and 2016, respectively.
- Total liabilities equal \$97,842 at June 30, 2017 compared to 135,225 at June 30, 2016. These are current liabilities of the Commission and are the accounts payable at June 30, 2017 and 2016, respectively.
- The Commission has no capital assets or long term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements, which are included in the Commission's annual report. The annual report includes the Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; Statement of Cash Flows, and notes to the financial statements. In addition, the budgetary schedule is in the supplemental section of this report.

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's operating results and the change in net position as a result of the current year's operations.

The Statement of Cash Flows focuses on how the Commission obtained and expended its available cash, cash equivalents, and investments. The cash flow statement is

Clackamas Regional Water Supply Commission
Clackamas County, Oregon

Management's Discussion and Analysis
For the Year Ended June 30, 2017

prepared using the direct method and includes the reconciliation of operating income to net cash provided by the operating activities (indirect method) as required by GASB 34.

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

The budgetary schedule is included in the supplemental section of this report. This statement provides more detail information about the Commission. The schedule demonstrates compliance with budgetary legal requirements.

Financial Analysis

Net Position

The Statement of Net Position shows current assets and an equal amount of current liabilities. A Summary of the Commission's Statement of Net Position at June 30, is as follows:

	Condensed Statement of Net Position				
	2017	2016	Difference 2017-2016	Percent Change	2015
Assets:					
Current Assets	\$ 97,842	\$ 135,225	\$ (37,383)	-27.6%	\$99,775
Total Assets	<u>97,842</u>	<u>135,225</u>	<u>(37,383)</u>	<u>-27.6%</u>	<u>99,775</u>
Liabilities					
Current Liabilities	97,842	135,225	(37,383)	-27.6%	99,775
Total Liabilities	<u>97,842</u>	<u>135,225</u>	<u>(37,383)</u>	<u>-27.6%</u>	<u>99,775</u>
Net Position					
Unrestricted	-	-	-	N/A	-
Total Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>	<u>-</u>
Total Liabilities & Net Position	\$ 97,842	\$ 135,225	\$ (37,383)	-27.6%	\$99,775

Current assets represent cash, cash equivalents, and accounts receivable held by the Commission. Activity during fiscal year 2017 decreased current assets over the prior year while during fiscal year 2016 increased over fiscal year 2015.

Clackamas Regional Water Supply Commission
Clackamas County, Oregon

Management's Discussion and Analysis
For the Year Ended June 30, 2017

Current liabilities represent accounts payable owed by the Commission. Activity during fiscal year 2017 decreased current liabilities over fiscal year 2016, while fiscal year 2016 increased current liabilities over fiscal year 2015.

Net Position of the Commission remains unchanged from the prior year.

Change in Net Position

A Summary of Change in Revenue, Expenses, and Net Position as of June 30 is presented as follows:

	2017	2016	Difference 2017-2016	Percent Change	2015
Operating Revenues:					
Water Sales	\$ 820,589	\$ 803,125	\$ 17,464	2.2%	\$ 795,506
Shared labor	216,877	289,888	(73,011)	-25.2%	153,323
	<u>1,037,466</u>	<u>1,093,013</u>	<u>(55,547)</u>	<u>-5.1%</u>	<u>948,829</u>
Operating Expenses:					
Materials & Services	1,080,257	1,180,002	(99,745)	-8.5%	1,069,310
Operating Loss	(42,791)	(86,989)	44,198	-50.8%	(120,481)
Contributions and Distributions	<u>42,791</u>	<u>86,989</u>	<u>(44,198)</u>	<u>-50.8%</u>	<u>120,481</u>
Change in Net Position	-	-	-		-
Net Position, Beginning	-	-	-	N/A	-
Net Position, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>\$ -</u>

Operating Revenues include wholesale water sales to SWA from CRW during the fiscal year. SWA purchases water from CRW on a wholesale basis for its retail customers. Shared labor includes internal labor and other resources shared by SWA and CRW for the mutual benefit of both entities.

Operating Expenses exceeded Operating Revenues by 42,791, \$86,989 and \$120,481 for fiscal years 2017, 2016 and 2015, respectively. This represents expenses purchased through the Commission that benefited SWA and CRW. Both entities made contributions to the Commission equal to these expenses.

The Net Position of the Commission remains unchanged from the prior year. All operating expenses contribute directly to operating revenues or require reimbursement from SWA or CRW.

Clackamas Regional Water Supply Commission
Clackamas County, Oregon

Management's Discussion and Analysis
For the Year Ended June 30, 2017

Capital Assets

As of June 30, 2017, the Commission has no capital assets. Capital purchases are made through the Commission on behalf of SWA or CRW, which will retain ownership of the assets and will include the assets in its financial statements. All purchases are considered expenses during the fiscal year incurred.

Debt Administration

As of June 30, 2017, the Commission has no outstanding debt.

Economic Factors

Management of the Commission is currently delegated to both general managers of SWA and CRW and all personnel are employees of either SWA or CRW. During the fiscal year the Commission has explored and will continue to explore areas where sharing of labor and other resources mutually benefits both entities.

Request of Information

Our financial report is designed to provide a general overview of Clackamas Regional Water Supply Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon 97086.



Carol Bryck, CPFO CTP
Chief Financial Officer
Clackamas Regional Water Supply Commission

Clackamas Regional Water Supply Commission
Clackamas County, Oregon
Statement of Net Position
for the Years Ended June 30, 2017 and 2016

	2017	2016
ASSETS:		
Intergovernmental receivable	\$ 97,842	\$ 135,225
Total Assets	<u>\$ 97,842</u>	<u>\$ 135,225</u>
LIABILITIES:		
Accounts Payable	\$ 97,842	\$ 135,225
Total Liabilities	<u>\$ 97,842</u>	<u>\$ 135,225</u>
NET POSITION		
Unrestricted	<u>-</u>	<u>-</u>
Total net position	<u>-</u>	<u>-</u>
Total liabilities and net position	<u><u>\$ 97,842</u></u>	<u><u>\$ 135,225</u></u>

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

Clackamas Regional Water Supply Commission
Clackamas County, Oregon
Statement of Revenues, Expenses and Changes in Net Position
for the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES:		
Water sales	\$ 820,589	\$ 803,125
Shared Resources	216,877	289,888
Total operating revenues	<u>1,037,466</u>	<u>1,093,013</u>
OPERATING EXPENSES:		
Water Purchases	820,589	803,125
Shared labor	176,725	240,252
Professional and Fiscal Fees	12,528	49,813
Software Licensing	50,456	62,530
Operating Supplies	12,949	19,771
Miscellaneous	7,011	4,511
Total operating expenses	<u>1,080,257</u>	<u>1,180,002</u>
Operating Loss before Contributions and Distribution	(42,791)	(86,989)
CONTRIBUTIONS (DISTRIBUTIONS):		
Contributions from members	1,080,257	1,180,002
Distributions to members	<u>(1,037,466)</u>	<u>(1,093,013)</u>
Total Contributions (Distributions)	<u>42,791</u>	<u>86,989</u>
Change in Net Position	-	-
NET POSITION, Beginning	<u>\$ -</u>	<u>\$ -</u>
NET POSITION, Ending	<u>\$ -</u>	<u>\$ -</u>

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

Clackamas Regional Water Supply Commission
Clackamas County, Oregon
Statement of Cash Flows
Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Received from customers	\$ 1,037,466	\$ 1,093,013
Paid to related entities for goods and services	(1,080,257)	(1,180,002)
Net cash from operating activities	<u>(42,791)</u>	<u>(86,989)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITES:		
Contributions from members	1,080,257	1,180,002
Distributions to members	(1,037,466)	(1,093,013)
Net cash from noncapital and related financing activities	<u>42,791</u>	<u>86,989</u>
Net increase (decrease) in cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS, June 30, 2016	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (42,791)	\$ (86,989)
Adjustment to reconcile operating loss to net cash from operating activities:		
Increase in Accounts Receivable	(37,383)	35,450
Increase in Accounts payable	37,383	(35,450)
Net Cash From Operating Activities	<u>\$ (42,791)</u>	<u>\$ (86,989)</u>

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

1. Clackamas Regional Water Supply Commission

Clackamas Regional Water Supply Commission (CRWSC or Commission) was organized under Oregon Revised Statute (ORS) 190 and was established by an agreement between Sunrise Water Authority (SWA) and Clackamas River Water (CRW) in December 2013. The Commission is governed by a Board of Commissioners comprised of an equal number of commissioners from SWA and CRW and the day to day operations of the Commission is shared by the management of SWA and CRW. The purpose of the Commission is to efficiently use assets and resources to the mutual benefit of both parties and their customers. The Commission has no component units and the accompanying basic financial statements present the financial position and activities of the Commission.

2. Summary of Significant Accounting Policies

The follow is a summary of the significant accounting policies utilized by the Commission:

Basis of Presentation and Accounting

For financial reporting purposes, the Commission reports its operations on an enterprise fund basis. Enterprise funds (a proprietary fund type) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and net position associated with the operations are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in net position.

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

2. Summary of Significant Accounting Policies, continued

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.

Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, cash and cash equivalents, are defined as short-term, highly liquid investments that are both:

- a) Readily convertible to known amounts of cash.
- b) So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less from the date of acquisition meet his definition. Currently, the Commission does not have any cash, cash equivalents, and investments.

Accounts Receivable

Accounts receivable are recorded as earned and no allowance for doubtful accounts is required because there are no delinquent accounts.

Net Position

All balances and transactions are presented based on the existence or absence of restrictions. These restrictions are either externally imposed (i.e., by grantor, creditors, contributors, or laws and regulations imposed by other governments) or imposed by law through constitutional provisions or enabling legislation.

Accordingly, the net position of the Commission, and changes therein, are classified and reported as follows:

Restricted – this component of net position consists of assets restricted by the Commission's Board of Commissioners.

2. Summary of Significant Accounting Policies, continued

Net Position, continued

Unrestricted – all other components of net position not included above.

It is the Commission's policy to deplete, when available, restricted net position before unrestricted net position.

Operating vs. Nonoperating Revenues and Expenses

In accordance with GASB requirements of proprietary funds, the Commission distinguishes operating from non-operating revenues and expenses in its Statement of Revenues, Expenditures, and Changes in Net Assets. Operating revenues and expenses result from providing services to SWA or CRW. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Risk Management

The Commission is exposed to various risks of loss related to theft, damage, error and omission, torts, employee injuries, and natural disasters. To minimize its exposure to these risks, Sunrise Water Authority and Clackamas River Water purchase commercial insurance to cover their interest in the Commission.

Pension Plan

The Commission employees are employees of Sunrise Water Authority or Clackamas River Water; therefore no pension liabilities are attributable to the Commission.

Budget

Under ORS 294.316, intergovernmental entities created under ORS 190 and that impose have no ad valorem property taxes, are not required to separately prepare and adopt a budget.

2. Summary of Significant Accounting Policies, continued

Budget, continued

Oregon Budget Law requires budgets to be adopted annually or biennially, if approved by the governance of the entity, and requires specific procedures to be followed including adequate public notices of budget hearing, adopting the budget and making appropriations. The Commission's budget is adopted for the General Fund on a modified accrual basis of accounting following the main budgetary control categories required under Oregon Budget Law. The final resolution authorizing appropriation for the General Fund sets the level at which actual expenditures cannot be legally exceeded. Unspent appropriations lapse at the end of each budget period.

Unexpected additional resources or expenditures may be added to the budget through the use of a supplemental budget which requires additional procedures outlined in the Oregon Budget Law before adoption by the Commission. Original and supplemental budgets may be modified using 'appropriation transfers' between budgetary control categories, and such transfers require only the approval of the Commission.

There were no supplemental budgets during fiscal year 2016-17. A summary of the Commission's biennial 2016-18 adopted budget is included in the supplementary information section attached to these general purpose financial statements.

3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2017:

Water Sales receivable	\$ 70,886
Unbilled water sales	11,000
Other services	<u>15,955</u>
Total accounts receivable	<u>\$ 97,842</u>

4. Related Party Transactions

The Commission earned a total of \$820,589 and \$803,125 from Sunrise Water Authority for water purchases in fiscal years 2017 and 2016, respectively. Shared labor earnings from Sunrise Water Authority and Clackamas River Water total \$216,877 and \$289,888 for fiscal years 2017 and 2016, respectively. Contributions from the two entities for other shared resources equaled \$42,791 and \$86,988 for fiscal year 2017 and 2016, respectively.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The commission does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Commission does not have an item that qualifies for reporting in this category.

6. Capital Assets

The Commission allows for the purchase of capital assets by CRW or SWA which may be shared with the other member. Ownership of capital assets is retained by CRW or SWA and not the Commission. As such, the Commission does not have capital assets, but all purchases are expensed in the year purchased.

CLACKAMAS REGIONAL WATER SUPPLY COMMISSION
Schedule of Revenue & Expenditures Budget and Actual
for the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Original and Final Budget BN 2016-2018	Year 1 June 30, 2017 Actual	Variance to Final Budget Over (Under)	June 30, 2016 Actual
GENERAL FUND				
Revenues:				
Water Sales	\$ 1,580,950	\$ 820,589	\$ 760,361	\$ 803,125
Interagency Labor Revenue	373,500	216,877	156,623	289,888
Total Revenues:	1,954,450	1,037,466	916,984	\$ 1,093,013
Other Financing Sources:				
Contributions	389,500	42,791	346,709	86,988
Total Revenue and Other Financing Sources	2,343,950	1,080,257	1,263,693	1,180,001
Total Resources	2,343,950	1,080,257	1,263,693	1,180,001
Expenditures:				
Materials & Services:				
Water Purchases	1,580,950	820,589	760,361	803,125
Interagency Shared Labor	373,500	176,725	196,775	240,252
Professional and Fiscal Fees	37,000	12,528	24,472	49,813
Software Licensing	176,800	50,456	126,344	62,530
Operating Supplies	98,700	12,949	85,751	19,771
Miscellaneous	12,000	7,010	4,990	4,510
Total Materials & Services	2,278,950	1,080,257	1,198,693	1,180,001
Capital Outlay:				
Software	15,000	-	15,000	-
Total Capital Outlay	15,000	-	15,000	-
Contingency				
Operating Contingency	50,000	-	50,000	-
Total Expenditures	2,343,950	1,080,257	1,263,693	1,180,001
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

PARTNERS

KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON STATE REGULATION***

Board of Commissioners
Clackamas Regional Water Supply Commission
Happy Valley, Oregon

We have audited the basic financial statements of Clackamas Regional Water Supply Commission (the Commission), as of and for the year ended June 30, 2017 and have issued our report thereon dated December 6, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Commission does not receive any highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Commission does not have any elected officials collecting or receiving money.

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. 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 the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, 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 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.

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 of 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.



For Merina & Company, LLP
West Linn, Oregon
December 6, 2017