

# RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

## AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2018

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

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June 30, 2018

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RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

DISTRICT OFFICIALS

June 30, 2018

BOARD OF COMMISSIONERS

<u>Member</u>	<u>Term Expires</u>
SHON DEVRIES - Chair	6/30/19
CHRISTINE ROTH - Vice Chair	6/30/21
JONATHON MCDOWELL - Secretary/Treasurer	6/30/21
SHERRY PATTERSON - Board Member	6/30/19
JAMES JOHNSON - Board Member	6/30/19

All commissioners receive mail at the address below:  
17661 Pilkington Rd.  
Lake Oswego, OR 97035

MANAGEMENT AND REGISTERED AGENT

DJ EZELL, Manager/Registered Agent  
17661 Pilkington Rd.  
Lake Oswego, OR 97035

**DENNIS R. CONNER**  
CERTIFIED PUBLIC ACCOUNTANT  
CLATSKANIE, OREGON 97016

**INDEPENDENT AUDITOR'S REPORT**  
Cash Basis Financial Statements

To the Board of Directors  
Rivergrove Water District  
Clackamas County, Oregon

I have audited the accompanying cash financial statements of the business-type activities of the Rivergrove Water District (the District), as of and for the year ended June 30, 2018, 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 the cash basis of accounting described in Note 1C; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the District as of June 30, 2018, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting as described in Note 1C.

**Basis of Accounting**

I draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

**Report on Supplementary and Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the District's basic financial statements. The budgetary comparison schedules 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 budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1C.

**Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, I have also issued my report dated November 20, 2018 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Dennis R. Conner  
Certified Public Accountant  
November 20, 2018

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

STATEMENT OF NET POSITION - CASH BASIS

June 30, 2018

<u>ASSETS</u>	<u>Water</u>
Cash and Cash Equivalents	\$ 972,102
Cash Restricted for Deposits	16,709
<u>Total Assets</u>	<u>988,810</u>
<u>NET POSITION</u>	
Restricted for System Development	681,034
Unrestricted	307,776
<u>Total Net Position</u>	<u>\$ 988,810</u>

See Notes to Financial Statements

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

STATEMENT OF RECEIPTS, EXPENDITURES, AND

CHANGES IN NET POSITION - CASH BASIS

Year Ended June 30, 2018

<u>OPERATING RECEIPTS</u>	
Water Sales & Service Installations	\$ 774,524
System Development Charges	46,691
Deposits	16,709
Grants	6,853
Miscellaneous	2,557
Total	<u>847,334</u>
<u>OPERATING EXPENDITURES</u>	
Personal Services	(316,936)
Materials and Services	(268,666)
Capital Outlay	(108,550)
Total	<u>(694,152)</u>
<u>OPERATING INCOME</u>	<u>153,181</u>
<u>NON-OPERATING RECEIPTS</u>	
Interest Income	<u>16,399</u>
<u>NON-OPERATING EXPENDITURES</u>	
Debt Service	<u>(53,414)</u>
CHANGE IN NET POSITION	116,166
<u>NET POSITION, Beginning</u>	<u>872,645</u>
<u>NET POSITION, Ending</u>	<u>\$ 988,811</u>

See Notes to Financial Statements

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1C, these financial statements are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the cash basis of accounting.

**1A FINANCIAL REPORTING ENTITY**

The District's financial reporting entity is composed of the following:

Primary Government: RIVERGROVE WATER DISTRICT

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

**1B BASIS OF PRESENTATION**

The accounts of the District are organized and operated on the basis of a single proprietary fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income similar to the private sector.

Governmental financial statements generally include both government-wide and fund financial statements. However, the District is a special purpose government engaged only in business-type activities, and such organizations present only the financial statements required for enterprise funds.

The accounting records are maintained on a fund basis for budgetary and legal purposes. The District uses the funds listed below:

**General Fund** - This fund accounts for all receipts and expenditures, except those required to be accounted for in another fund. The principal source of revenue is water sales.

**Unemployment Fund** - This fund accounts for unemployment costs. The revenue sources are interest income and transfers from the General Fund.

**Capital Improvements Fund** - This fund accounts for water system capital improvements. The principal sources of revenue are system development charges and transfers from the General Fund.

**Truck & Equipment Fund** - This fund accounts for expenditures for equipment other than the water system. The revenue sources are interest income and transfers from the General Fund.



## 1C MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### MEASUREMENT FOCUS

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate:

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

### BASIS OF ACCOUNTING

In the financial statements, the District's activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the statements would use the accrual basis of accounting.

## 1D ASSETS, LIABILITIES, AND NET POSITION

### CASH AND INVESTMENTS

The District considers cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool is the same as the value of the pool shares.

### CAPITAL ASSETS

Under the cash basis of accounting expenditures for capital assets are not required to be reported in the financial statements, and depreciation is not recorded. When a capital asset is retired or sold, any proceeds are recorded as receipts.

### NET POSITION CLASSIFICATION

Net position is classified and displayed in two components:

- a. Restricted - Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law though constitutional provisions or enabling legislation.

b. Unrestricted - All other assets that do not meet the definition of "restricted" assets."

It is the District's policy to first use restricted assets prior to the use of unrestricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

## **1E RECEIPTS, AND EXPENDITURES**

### **OPERATING RECEIPTS AND EXPENDITURES**

Operating receipts and expenditures for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and expenditures not related to capital and related financing, noncapital financing, or investing activities.

## **1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

Interfund activity, if any, within and among the proprietary fund categories is reported as follows in the fund financial statements;

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustment to expenditures in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

## **1G USE OF ESTIMATES**

The preparation of financial statements in conformity with the cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **2A CONTRACTUAL REGULATIONS**

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. The District has no instances of noncompliance that are considered material to the financial statements.

## **Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures.

### 3A CASH AND INVESTMENTS

Cash and investments were recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2018. Cash and investments of the District at June 30, 2018 were:

Checking Account - Banner Bank	\$ 18,241
Water Deposits	45,390
Local Government Investment Pool	924,480
Petty Cash & Customer Cash Drawer	700
Total	<u>\$ 988,811</u>

**Deposits:** The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25%, if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits, which is monitored on a weekly basis. At June 30, 2018, total demand deposits per bank statements were \$87,442

**Investments:** At June 30, 2018, the District had invested \$924,480 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual financial Report. The Oregon Short-Term Fund board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2018.

**Credit Risk:** The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon short-Term funds Board, which establish diversification percentages and specify the types and maturities of investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's Office audits of the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2018 was unqualified.

**Concentration Risk:** The District's investment concentration is: LGIP - 93.5%

**Interest Rate Risk:** The District does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

### 3B CUSTOMER DEPOSITS

Deposits are received to assure payment of water bills. They are refunded to customers or applied to billings as necessary. As of June 30, 2018, the balance of customer deposits was \$45,390.

### 3D INTERFUND TRANSFERS AND BALANCES

Transfers are used to move revenues from one fund to another in order to finance various expenditures in accordance with budgetary authorization.

Transfers between funds of the District for the year ended June 30, 2018, were as follows:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 153,000
Capital Improvement	140,000	-
Truck & Equipment	10,000	-
Unemployment	3,000	-
<b>Total Transfers</b>	<b>\$ 153,000</b>	<b>\$ 153,000</b>

At June 30, 2018, there were no interfund balances.

### 3E LONG TERM DEBT

Under the cash basis of accounting, long term debt is not recorded in the financial statements. The following information is reported for disclosure purposes only.

During FY 2008-09, The District entered into a loan agreement with the Oregon Department of Economic and Community Development to construct and rehabilitate wells. The loan principal was \$735,000, the term is 20 years, and the interest rate is 3.86%. The amortization schedule is shown below.

Year Ending June 30	Principal	Interest	Total
2019	31,489	21,926	53,415
2020	32,704	20,710	53,414
2021	33,967	19,448	53,414
2022	35,278	18,137	53,414
2023	36,639	16,775	53,414
2024-28	205,535	61,536	267,071
2029-32	192,406	18,780	211,186
<b>Balance 6/30/18</b>	<b>\$ 568,018</b>	<b>\$ 177,311</b>	<b>\$ 745,329</b>

### 3F LEASE COMMITMENTS

The District currently has three leases, the commitments for which are shown below.

1. Building: \$1,100/month through November 2022, with a 5 year renewal option at \$1,200/month..
2. Copier: \$410/month. This is a five year lease that ends in October 2021.
3. IT support is outlined in the following table:

IT Item	per Month	Lease End
Network server & 2 desktops (lease to own)	\$345	5/17/21
Managed IT service contract	\$393	3/16/21
Disaster recovery & backup	\$200	5/17/21

**Note 4 - OTHER NOTES**

**4A RETIREMENT PLANS**

The District offers a deferred compensation plan in accordance with Section 457 of the Internal Revenue code. The plan is administered and the assets are held by a third party. District contributions to the plan are shown below.

<u>FY</u>	<u>Amount</u>
2014-15	22,021
2015-16	22,610
2016-17	27,785
2017-18	30,079

**4B VACATION AND SICK PAY**

Vacation and other compensated absences are not accrued as earned since the District uses the cash basis of accounting. These obligations are paid when used. As of June 30, 2018, the amount of vacation pay and other compensated absences is approximately \$16,888.

**4C RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Loss Risk Retained</u>
a. Torts, errors, and omissions	Purchased commercial insurance	None
b. Workers compensation, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4D COMMITMENTS AND CONTINGENCIES**

**CONTINGENCIES**

**Litigation**

The District is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the cash basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceeding. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the District and the State statute relating to judgments, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

SUPPLEMENTARY INFORMATION

# RIVERGROVE WATER DISTRICT

## NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2018

### **BUDGET LAW**

The District prepares its annual operating budget under the provisions of the Oregon Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

Local Budget law process requires that certain, specific actions must happen as a local government prepares its annual budget. The process can be broken down into four phases.

**Phase 1** begins the process. The budget officer puts together a proposed budget. In larger local governments, department heads or program managers may help. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

**Phase 2** is when the budget committee approves the budget. Statutes spell out who can be on the budget committee and who cannot. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

**Phase 3** includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the government body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.

**Phase 4** occurs during the fiscal year when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level on control by department within a fund:

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriations between departments and supplemental appropriations require Board approval. Supplemental budgets for appropriations exceeding 10% of the original budget must also be filed with the Office of State Auditor and Inspector.

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

COMBINING BALANCE SHEET - CASH BASIS

June 30, 2018

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Truck &amp; Equipment Fund</u>	<u>Unemployment Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 256,512	\$ 681,034	\$ 16,256	\$ 18,299	\$ 972,102
Cash Restricted for Deposits	16,709	-	-	-	16,709
<u>Total Assets</u>	<u>273,221</u>	<u>681,034</u>	<u>16,256</u>	<u>18,299</u>	<u>988,810</u>
<u>FUND BALANCE</u>					
Restricted for System Development	-	681,034	-	-	681,034
Unrestricted	273,221	-	16,256	18,299	307,776
<u>Total Fund Balance</u>	<u>\$ 273,221</u>	<u>\$ 681,034</u>	<u>\$ 16,256</u>	<u>\$ 18,299</u>	<u>\$ 988,810</u>

See Notes to Financial Statements



RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

COMBINING STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - CASH BASIS

Year Ended June 30, 2018

	General Fund	Capital Improvements Fund	Truck & Equipment Fund	Unemployment Fund	Total
<u>OPERATING RECEIPTS</u>					
Water Sales & Service Installations	\$ 774,524	\$ -	\$ -	\$ -	\$ 774,524
System Development Charges	-	46,691	-	-	46,691
Deposits	16,709	-	-	-	16,709
Grants	6,853	-	-	-	6,853
Reimbursed Maintenance	-	-	-	-	-
Miscellaneous	2,557	-	-	-	2,557
Total	<u>800,643</u>	<u>46,691</u>	<u>-</u>	<u>-</u>	<u>847,334</u>
<u>OPERATING EXPENDITURES</u>					
Personal Services	(316,936)	-	-	-	(316,936)
Materials and Services	(268,666)	-	-	-	(268,666)
Capital Outlay	(74,863)	(33,686)	-	-	(108,550)
Total	<u>(660,466)</u>	<u>(33,686)</u>	<u>-</u>	<u>-</u>	<u>(694,152)</u>
<u>OPERATING INCOME</u>	<u>140,177</u>	<u>13,005</u>	<u>-</u>	<u>-</u>	<u>153,181</u>
<u>NON-OPERATING RECEIPTS</u>					
Interest Income	5,187	10,696	219	297	16,399
<u>NON-OPERATING EXPENDITURES</u>					
Debt Service	-	(53,414)	-	-	(53,414)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	140,000	10,000	3,000	153,000
Transfers (Out)	(153,000)	-	-	-	(153,000)
Total	<u>(153,000)</u>	<u>140,000</u>	<u>10,000</u>	<u>3,000</u>	<u>-</u>
<u>CHANGE IN FUND BALANCE</u>	<u>(7,636)</u>	<u>110,286</u>	<u>10,219</u>	<u>3,297</u>	<u>116,166</u>
<u>FUND BALANCE, Beginning</u>	<u>280,858</u>	<u>570,748</u>	<u>6,038</u>	<u>15,002</u>	<u>872,645</u>
<u>FUND BALANCE, Ending</u>	<u>\$ 273,221</u>	<u>\$ 681,034</u>	<u>\$ 16,256</u>	<u>\$ 18,299</u>	<u>\$ 988,811</u>

See Notes to Financial Statements

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

**GENERAL FUND**

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>CASH RECEIPTS</u></b>				
Water Sales	\$ 701,000	\$ 701,000	\$ 762,631	\$ 61,631
New Service & Installation Fees	4,800	4,800	3,000	(1,800)
Deposits	18,235	18,235	16,709	(1,526)
Other Fees	14,500	14,500	8,893	(5,607)
Grants	29,000	29,000	6,853	(22,147)
Reimbursed Maintenance	2,500	2,500	-	(2,500)
Interest	2,200	2,200	5,187	2,987
Miscellaneous	4,500	4,500	2,557	(1,943)
Total	<u>776,735</u>	<u>776,735</u>	<u>805,829</u>	<u>29,094</u>
<b><u>CASH EXPENDITURES</u></b>				
Personnel Services	386,020	386,020	316,936	69,084
Materials and Services	361,400	361,400	268,666	92,734
Capital Outlay	75,000	75,000	74,863	137
Operating Contingencies	47,129	47,129	-	47,129
Total	<u>869,549</u>	<u>869,549</u>	<u>660,466</u>	<u>209,083</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(92,814)</u>	<u>(92,814)</u>	<u>145,364</u>	<u>238,178</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer to Capital Improvement Fund	(140,000)	(140,000)	(140,000)	-
Transfer to Unemployment Fund	(3,000)	(3,000)	(3,000)	-
Transfer to Truck & Equipment Fund	(10,000)	(10,000)	(10,000)	-
Total	<u>(153,000)</u>	<u>(153,000)</u>	<u>(153,000)</u>	<u>-</u>
<b><u>NET CHANGE IN CASH BALANCE</u></b>	<u>(245,814)</u>	<u>(245,814)</u>	<u>(7,636)</u>	<u>238,178</u>
<b><u>CASH BALANCE, Beginning</u></b>	<u>245,814</u>	<u>245,814</u>	<u>280,858</u>	<u>35,044</u>
<b><u>CASH BALANCE, Ending</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,221</u>	<u>\$ 273,221</u>

See Notes to Financial Statements

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

**CAPITAL IMPROVEMENTS/ SDC FUND**

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b><u>CASH RECEIPTS</u></b>				
Interest	\$ 5,200	\$ 5,200	\$ 10,696	\$ 5,496
SDC Charges	87,648	87,648	46,691	(40,957)
Total	<u>92,848</u>	<u>92,848</u>	<u>57,387</u>	<u>(35,461)</u>
<b><u>CASH EXPENDITURES</u></b>				
Materials & Services	4,483	4,483	-	4,483
Capital Outlay	993,311	993,311	33,686	959,625
Debt Service	53,414	53,414	53,414	-
Contingency	148,729	148,729	-	148,729
Total	<u>1,199,937</u>	<u>1,199,937</u>	<u>87,101</u>	<u>1,112,837</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(1,107,089)</u>	<u>(1,107,089)</u>	<u>(29,714)</u>	<u>1,077,375</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer From General Fund	140,000	140,000	140,000	-
Loan Proceeds	991,000	991,000	-	(991,000)
Total	<u>1,131,000</u>	<u>1,131,000</u>	<u>140,000</u>	<u>(991,000)</u>
NET CHANGE IN CASH BALANCE	23,911	23,911	110,286	86,375
<u>CASH BALANCE</u> , Beginning	<u>543,881</u>	<u>543,881</u>	<u>570,748</u>	<u>26,867</u>
<u>CASH BALANCE</u> , Ending	<u>\$ 567,792</u>	<u>\$ 567,792</u>	<u>\$ 681,034</u>	<u>\$ 113,243</u>

See Notes to Financial Statements

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

TRUCK & EQUIPMENT FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 219</u>	<u>\$ 164</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	25	25	-	25
Capital Outlay	<u>16,056</u>	<u>16,056</u>	<u>-</u>	<u>16,056</u>
Total	<u>16,081</u>	<u>16,081</u>	<u>-</u>	<u>16,081</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(16,026)</u>	<u>(16,026)</u>	<u>219</u>	<u>16,245</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	<u>(6,026)</u>	<u>(6,026)</u>	<u>10,219</u>	<u>16,245</u>
<u>CASH BALANCE, Beginning</u>	<u>6,026</u>	<u>6,026</u>	<u>6,038</u>	<u>12</u>
<u>CASH BALANCE, Ending</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,256</u>	<u>\$ 16,256</u>

See Notes to Financial Statements

RIVERGROVE WATER DISTRICT

Clackamas County, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

UNEMPLOYMENT FUND

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Interest	125	125	297	172
<u>CASH EXPENDITURES</u>				
Personnel Services	18,058	18,058	-	18,058
Materials & Services	40	40	-	40
Total	18,098	18,098	-	18,098
RECEIPTS OVER (UNDER) EXPENDITURES	(17,973)	(17,973)	297	18,270
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	3,000	3,000	3,000	-
NET CHANGE IN CASH BALANCE	(14,973)	(14,973)	3,297	18,270
<u>CASH BALANCE, Beginning</u>	14,973	14,973	15,002	29
<u>CASH BALANCE, Ending</u>	\$ -	\$ -	\$ 18,299	\$ 18,299

See Notes to Financial Statements

AUDITOR'S COMMENTS AND  
DISCLOSURES REQUIRED BY STATE REGULATIONS

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

To the Board of Directors  
Rivergrove Water District  
Clackamas County, Oregon

I have audited the basic financial statements of the Rivergrove Water District (the District) as of and for the year ended June 30, 2018, and have issued my report thereon dated November 20, 2018. I conducted the audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I 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).

Indebtedness limitations, restrictions, and repayment.

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Programs funded by outside sources.

Authorized investment of surplus funds (ORS Chapter 294).

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

OAR 162-10-230 (Internal Control)

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

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. I consider the following deficiencies in the District's internal control to be significant deficiencies:


Financial Reporting

The District does not have the capability to prepare or determine if the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles. Limited staffing prevents the District from complying with this recommendation. Since controls at that level are not available within the District, the cost benefit of having the auditor prepare the financial statements, including related footnote disclosures, far outweigh the cost of hiring additional staff or hiring an independent outside source to do the same job. The District believes the outsourcing of the financial statement preparation service to the auditor is not unusual for smaller governments.

Inadequate Segregation of Accounting Duties

The District does not have sufficient staff to adequately segregate accounting duties. The District has adopted financial controls that are relevant to smaller governmental units. The District believes there is a substantial cost benefit by not increasing staffing levels at this time. However, the District acknowledges the need for extra vigilance on the part of upper management and the board.

This report is intended solely for the information and use of the board and management of the District, and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.



Dennis R. Conner, CPA  
November 20, 2018