

**RIVERGROVE WATER DISTRICT**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**RIVERGROVE WATER DISTRICT  
BOARD OF COMMISSIONERS**

JUNE 30, 2020

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Sherry Patterson	1	6/30/23
James Johnson	2	6/30/23
Jonathon McDowell	3	6/30/21
Lawrence Magura	4	6/30/23
Christine Roth	5	6/30/21

All commissioners receive mail at the address below:

17661 Pilkington Road  
Lake Oswego, OR 97035

**RIVERGROVE WATER DISTRICT**  
**TABLE OF CONTENTS**

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-5
<b>BASIC FINANCIAL STATEMENTS</b>	
Fund Financial Statements	
Proprietary Funds:	
Statement of Net Position – Cash Basis	6
Statement of Revenues, Expenses, and Changes in Net Position – Cash Basis	7
Notes to Basic Financial Statements	8-15
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Schedule of Net Position – Cash Basis	16
Combining Schedule of Revenues, Expenditures and Changes in Net Position – Cash Basis	17
Schedule of Revenues, Expenditures and Changes in Fund Balances – Cash Basis - Budget and Actual – General Fund	18
Schedule of Revenues, Expenditures and Changes in Fund Balances – Cash Basis - Budget and Actual – Capital Improvements/SDC Fund	19
Schedule of Revenues, Expenditures and Changes in Fund Balance – Cash Basis - Budget and Actual – Truck and Equipment Fund	20
Schedule of Revenues, Expenditures and Changes in Fund Balance – Cash Basis - Budget and Actual – Unemployment Fund	21
INDEPENDENT AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY OREGON STATE REGULATIONS	22-23



## **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Rivergrove Water District  
Lake Oswego, Oregon

We have audited the accompanying cash basis financial statements of the business-type activities of the Rivergrove Water District (the "District") as of and for the year ended June 30, 2020, 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 A; 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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 – cash basis of the District as of June 30, 2020, and the respective changes in financial position – cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note A.

### **Basis of Accounting**

We draw attention to Note A 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. Our opinion is not modified with respect to that matter.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and budgetary comparison information is 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. 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 combining and budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2020.

## Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis and introductory section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

## Report on Other Legal and Regulatory Requirements

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated October 12, 2020, on our consideration of Rivergrove Water District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to consider an opinion on compliance.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC  
Certified Public Accountants

West Linn, Oregon  
October 12, 2020

By   
Russell T. Ries, Partner

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

This discussion and analysis presents the highlights of financial activities and financial position for the Rivergrove Water District (District). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District.

Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with the District's financial statements.

**REPORT LAYOUT**

The District's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the District. The components of the report include the following:

- Management's Discussion and Analysis. This section of the report provides financial highlights affecting the District.
- Basic Financial Statements and the notes to the financial statements. Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position focus on a District-wide presentation using the cash basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the District.
- The notes to the financial statements provide additional disclosures required by government accounting standards and provide information to assist the reader in understanding the District's financial condition.
- Combining schedules present fund financial statements focus separately on individual proprietary funds, schedules of revenues, expenditures and changes in fund balances for the District's proprietary funds show original budget amounts, final budget amounts, actual amounts and variance between final budget and actual.

**FINANCIAL INFORMATION**

Management Discussion and Analysis for the year ending June 30, 2020:

General Fund resources were below budget by \$55,270. At year end there was approximately \$349,000 in General Fund cash and investments.

General Fund expenditures stayed within budget limits.

General Fund Transfers were made to each fund as budgeted.

Capital Improvement Fund resources exceeded budgeted amounts by \$50,195. At year end there was approximately \$368,000 in Capital Improvement Fund cash and investments.

Capital Improvement Fund expenditures stayed within budget limits.

**CONDENSED FINANCIAL INFORMATION**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Cash and investments	\$ 758,290	\$ 1,199,150	\$ (440,860)
Restricted for system development	367,891	817,670	(449,779)
Unrestricted	<u>390,399</u>	<u>381,480</u>	<u>8,919</u>
Total Net Position	<u>\$ 758,290</u>	<u>\$ 1,199,150</u>	<u>\$ 440,860</u>

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Water service revenue	\$ 862,405	\$ 917,732	\$ (55,327)
System development charges	100,611	117,374	(16,763)
Loan proceeds	158,063	-	158,063
Other resources	<u>36,608</u>	<u>35,660</u>	<u>948</u>
Total business-type resources	1,157,687	1,070,766	(86,921)
Personal services	344,473	297,119	47,354
Materials and services	252,107	305,218	(53,111)
Capital outlay	948,553	204,675	743,879
Debt service	<u>53,414</u>	<u>53,414</u>	<u>-</u>
Total business-type expenses	1,598,547	860,426	738,121
Increase (decrease) in net position	<u>\$ (440,860)</u>	<u>\$ 210,340</u>	<u>\$ (651,200)</u>

## CAPITAL ASSETS

The District acquired the following during 2020:

Power Vac	\$ 44,500
AMR Meters	29,152
Ford F-150	27,089
CIP Reservoir #3	<u>689,272</u>
	<u>\$790,013</u>

## LONG TERM DEBT

At June 30, 2020, the District had long-term debt outstanding of \$503,875 (S09007 Full Faith and Credit). Funds drawn on non-revolving loan from OBDD totaled \$233,009 at June 30, 2020.

## OUTLOOK FOR THE FUTURE, BASED ON CURRENTLY KNOWN FACTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operation. Management is actively monitoring the global situation and its impact on its financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

## FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District at: 17661 Pilkington Road, Lake Oswego, Oregon 97035.

**RIVERGROVE WATER DISTRICT  
STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2020**

**ASSETS**

Current assets:

Cash \$ 709,659

Restricted assets:

Cash 48,631

Total current assets 758,290

**NET POSITION**

Restricted for system development 367,891

Unrestricted 390,399

Total Net Position \$ 758,290

(See accompanying notes to basic financial statements)



**RIVERGROVE WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**OPERATING REVENUES:**

Water revenue and service installations	\$ 862,405
System development charges	100,611
Miscellaneous	11,490
Total operating revenues	<u>974,506</u>

**OPERATING EXPENSES:**

Personal services	344,473
Materials and services	252,107
Total operating expenses	<u>596,580</u>

<b>Operating income</b>	<u>377,926</u>
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**Non-operating revenues (expenses):**

Loan proceeds	158,063
Capital outlay	(948,553)
Interest income	25,118
Debt service	(53,414)
Total non-operating revenues (expenses)	<u>(818,786)</u>

<b>Net income (loss)</b>	(440,860)
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Net Position-July 1, 2019	<u>1,199,150</u>
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<b>Net Position-June 30,2020</b>	<u>\$ 758,290</u>
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(See accompanying notes to basic financial statements)

**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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.

**Financial Reporting Entity**

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

Primary Government: RIVERGROVE WATER DISTRICT

**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 provide 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 and 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.

**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**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, 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, 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.

**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. Fair value of the investments in the Oregon Local Government Investment Pool is the same as the value of the pool shares.

**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**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:

Restricted – consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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.

**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.

**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:

Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables.

Interfund services – sales or purchases of goods and services between funds are reported as revenues and expenditures.

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.

Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

**RIVERGROVE WATER DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Budgetary Information**

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The Budget Officer submits a proposed budget to the Budget Committee. The District is required to budget all funds. The District's budget is prepared for each fund on the modified accrual basis of accounting. Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board of Commissioners for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Board without returning to the Budget Committee for a second approval.

The Board of Commissioners legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, interfund transfer, and contingency). Appropriations lapse as of year-end.

The Board of Commissioners may change the budget throughout the year by transferring appropriations between levels of control or by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the District. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control. During the fiscal year ended June 30, 2019 the Board did not transfer any appropriations between levels of control, nor did they adopt a supplemental budget.

**NOTE C – CASH AND INVESTMENTS:**

Cash and investments were recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2020. Cash and investments of the District at June 30, 2020 were:

Checking account – Banner Bank	\$	91,938
Water deposits		48,631
Local Government Investment Pool		617,022
Petty cash & customer cash drawer		<u>700</u>
Total	\$	<u>758,290</u>

**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE C – CASH AND INVESTMENTS (Continued):**

**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 the 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, 2020, total demand deposits were \$147,406.

**Investments**

At June 30, 2020, the District had invested \$617,022 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 loan 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, 2020.

**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, 2020 was unqualified.

**Concentration Risk**

The District's investment concentration is: LGIP – 81.4%

**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE C – CASH AND INVESTMENTS (Continued):**

**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.

**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, 2020, the balance of customer deposits was \$48,631.

**NOTE D – 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, 2020 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 193,000
Capital improvement	175,000	-
Truck & equipment	15,000	-
Unemployment	<u>3,000</u>	<u>-</u>
Total transfers	<u>\$ 193,000</u>	<u>\$ 193,000</u>

At June 30, 2020, there were no interfund balances.

**NOTE E – 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.

The changes in long-term debt for the year ended June 30, 2020 is comprised of the following:

	<u>Outstanding July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2020</u>	<u>Due Within One Year</u>
S09008 Full Faith & Credit	\$ 536,529	\$ -	\$ 32,704	\$ 503,825	\$ 33,967

**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE E – LONG-TERM DEBT (Continued):**

During fiscal year 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%. Future debt service requirements are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 33,967	\$ 19,448	\$ 53,414
2022	35,278	18,137	53,414
2023	36,639	16,775	53,414
2024	38,054	15,361	53,414
2025	39,523	13,891	53,414
2026-30	221,709	45,362	267,071
2031-32	98,655	5,701	104,359
Balance 6/30/20	<u>\$ 503,825</u>	<u>\$ 134,675</u>	<u>\$638,500</u>

**Reservoir 3 Landslide Remediation and Seismic Upgrade**

The District has entered into a contract with the Oregon Infrastructure Finance Authority of the Oregon Business Development Department to finance the construction of the above mentioned project with non-revolving loans. Key provisions include:

- Estimated Project Cost - \$3,491,300.
- Section 2A Loan Amount - \$3,162,200.
- Interest Rate - 2.23% per annum.
- Maturity Date - the 29<sup>th</sup> anniversary of the Repayment Commencement Date.
- Payment Date - December 1.
- Project Completion Deadline - June 30, 2022.
- Repayment Commencement Date - December 2022.
- Name of Federal awarding agency: U.S. Environmental Protection Agency.
- Name of pass-through entity: Oregon Business Development Department.
- CFDA Number and Name: 66.468 Safe Drinking Water State Revolving Fund.

The District will pledge its net revenues from water sales. The District will charge rates and fees in connection with the operation of the system which, when combined with other gross revenues, are adequate to generate net revenues each fiscal year at least equal to 120% of the annual debt service due in the fiscal year on the loan and any outstanding obligations payable from or secured by a lien on and pledge of net revenues that is on parity with the OBDD lien.

At June 30, 2020, the District has drawn \$233,009 in OBDD funds (\$158,063 during 2019-20) and expended \$689,272 in projects costs during 2019-20 on a GAAP basis.

**NOTE F – RETIREMENT PLAN:**

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. The District is required to contribute 12% of annual salary for each participating employee. For the year ended June 30, 2020, the District paid \$24,237 for pension expense.



**RIVERGROVE WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE G – RISK MANAGEMENT:**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; error or omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss including workers' compensation, property damage, general liability, automobile liability and employee dishonest coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## SUPPLEMENTARY INFORMATION

**RIVERGROVE WATER DISTRICT  
 COMBINING SCHEDULE OF NET POSITION – CASH BASIS  
 JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Truck &amp; Equipment Fund</u>	<u>Unemployment Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 300,799	\$ 367,891	\$ 15,618	\$ 25,351	\$709,659
Cash restricted for deposits	<u>48,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,631</u>
Total Assets	<u>349,430</u>	<u>367,891</u>	<u>15,618</u>	<u>25,351</u>	<u>758,290</u>
<b>NET POSITION</b>					
Restricted for system development	-	367,891	-	-	367,891
Unrestricted	<u>349,430</u>	<u>-</u>	<u>15,618</u>	<u>25,351</u>	<u>390,399</u>
Total Fund Balance	<u>\$349,430</u>	<u>\$ 367,891</u>	<u>\$ 15,618</u>	<u>\$ 25,351</u>	<u>\$758,290</u>

**RIVERGROVE WATER DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN NET POSITION – CASH BASIS  
 JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Truck &amp; Equipment Fund</u>	<u>Unemployment Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Water sales & service installations	\$ 862,405	\$ -	\$ -	\$ -	\$862,405
System development charges	-	100,611	-	-	100,611
Deposits	5,700	-	-	-	5,700
Miscellaneous	<u>5,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,790</u>
Total	<u>873,895</u>	<u>100,611</u>	<u>-</u>	<u>-</u>	<u>974,506</u>
<b>OPERATING EXPENSES</b>					
Personnel services	344,473	-	-	-	344,473
Materials & services	<u>252,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,107</u>
Total	<u>596,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,580</u>
<b>OPERATING INCOME</b>	<u>277,315</u>	<u>100,611</u>	<u>-</u>	<u>-</u>	<u>377,926</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	7,195	16,576	824	523	25,118
Capital outlay	(74,849)	(846,615)	(27,089)	-	(948,553)
Debt service	-	(53,414)	-	-	(53,414)
Transfers in	-	175,000	15,000	3,000	193,000
Transfers out	(193,000)	-	-	-	(193,000)
Loan proceeds	<u>-</u>	<u>158,063</u>	<u>-</u>	<u>-</u>	<u>158,063</u>
Total	<u>(260,654)</u>	<u>(550,390)</u>	<u>(11,265)</u>	<u>3,523</u>	<u>(818,786)</u>
<b>CHANGE IN NET POSITION</b>	16,661	(449,779)	(11,265)	3,523	(440,860)
<b>NET POSITION, beginning</b>	<u>332,769</u>	<u>817,670</u>	<u>26,883</u>	<u>21,829</u>	<u>1,199,150</u>
<b>NET POSITION, ending</b>	<u>\$349,430</u>	<u>\$ 367,891</u>	<u>\$ 15,618</u>	<u>\$ 25,351</u>	<u>\$ 758,290</u>

**RIVERGROVE WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-CASH BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Water sales	\$ 873,470	\$ 873,470	\$ 847,646	\$ (25,824)
New service and installation fees	3,400	3,400	5,400	2,000
Deposits	7,500	7,500	5,700	(1,800)
Other fees	20,000	20,000	9,359	
Grants	19,360	19,360		
Miscellaneous	4,120	4,120	5,790	1,670
Interest income	8,510	8,510	7,195	(1,315)
Total revenues	<u>936,360</u>	<u>936,360</u>	<u>881,090</u>	<u>(55,270)</u>
<b>Expenditures</b>				
Personnel services	385,565	385,565	344,473	41,092
Materials and services	401,610	401,610	252,107	149,503
Capital outlay	95,000	95,000	74,849	20,151
Contingency	160,307	160,307		160,307
Total expenditures	<u>1,042,482</u>	<u>1,042,482</u>	<u>671,429</u>	<u>371,053</u>
Excess of revenues over (under) expenditures	(106,122)	(106,122)	209,661	315,783
<b>Other Financing Uses:</b>				
Operating transfers out	<u>(218,000)</u>	<u>(218,000)</u>	<u>(193,000)</u>	<u>25,000</u>
Excess of revenues over (under) expenditures and other uses	(324,122)	(324,122)	16,661	340,783
Fund balances-July 1, 2019	<u>324,122</u>	<u>324,122</u>	<u>332,769</u>	<u>8,647</u>
Fund Balance-June 30, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 349,430</u>	<u>\$ 349,430</u>

**RIVERGROVE WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
CAPITAL IMPROVEMENTS/SDC FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ 20,100	\$ 20,100	\$ 16,576	\$ (3,524)
SDC charges	46,892	46,892	100,611	53,719
Total revenues	<u>66,992</u>	<u>66,992</u>	<u>117,187</u>	<u>50,195</u>
Expenditures				
Capital outlay	2,768,001	2,768,001	846,615	1,921,386
Debt service	53,414	53,414	53,414	0
Contingency	251,501	251,501		251,501
	<u>3,072,916</u>	<u>3,072,916</u>	<u>900,029</u>	<u>2,172,887</u>
Excess of revenues over (under) expenditures	(3,005,924)	(3,005,924)	(782,842)	2,223,082
Other Financing Sources:				
Loan proceeds	2,446,054	2,446,054	158,063	(2,287,991)
Operating transfers in	200,000	200,000	175,000	(25,000)
	<u>2,646,054</u>	<u>2,646,054</u>	<u>333,063</u>	<u>(2,312,991)</u>
Excess of revenues and other sources over (under) expenditures	(359,870)	(359,870)	(449,779)	(89,909)
Fund balances-July 1, 2019	<u>718,435</u>	<u>718,435</u>	<u>817,670</u>	<u>99,235</u>
Fund balance-June 30, 2020	<u>\$ 358,565</u>	<u>\$ 358,565</u>	<u>\$ 367,891</u>	<u>\$ 9,326</u>

**RIVERGROVE WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
TRUCK AND EQUIPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Interest	\$ 400	\$ 400	\$ 824	\$ 424
Sale of surplus property				0
Total revenues	<u>400</u>	<u>400</u>	<u>824</u>	<u>424</u>
<b>Expenditures</b>				
Capital outlay	<u>42,038</u>	<u>42,038</u>	<u>27,089</u>	<u>14,949</u>
Excess of revenues over (under) expenditures	(41,638)	(41,638)	(26,265)	15,373
<b>Other Financing Sources:</b>				
Operating transfers in	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	
Excess of revenues and other sources over (under) expenditures	(26,638)	(26,638)	(11,265)	15,373
Fund balances-July 1, 2019	<u>26,638</u>	<u>26,638</u>	<u>26,883</u>	<u>245</u>
Fund balance-June 30, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,618</u>	<u>\$ 15,618</u>

**RIVERGROVE WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
UNEMPLOYMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Interest	\$ 350	\$ 350	\$ 523	\$ 173
Sale of surplus property				
Total revenues	<u>350</u>	<u>350</u>	<u>523</u>	<u>173</u>
<b>Expenditures</b>				
Personnel services				
Materials and services	24,984	24,984		24,984
Contingency				
	<u>24,984</u>	<u>24,984</u>	<u>0</u>	<u>24,984</u>
Excess of revenues over (under) expenditures	(24,634)	(24,634)	523	24,984
<b>Other Financing Sources:</b>				
Operating transfers in	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Excess of revenues and other sources over (under) expenditures	(21,634)	(21,634)	3,523	25,157
Fund balances-July 1, 2019	<u>21,634</u>	<u>21,634</u>	<u>21,828</u>	<u>194</u>
Fund balance-June 30, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,351</u>	<u>\$ 25,351</u>



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



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

We have audited the basic financial statements of Rivergrove Water District, as of and for the year ended June 30, 2020, and have issued our report thereon dated October 12, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

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

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).**
- Indebtedness limitations, restrictions and repayment.**
- Budgets legally required (ORS Chapter 294).**
- Insurance and fidelity bonds in force or required by law.**
- Authorized investment of surplus funds (ORS Chapter 294).**
- Public contracts and purchasing (ORS Chapter 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Rivergrove Water 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 162-10-0230 Internal Control**

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

Our consideration of the 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 the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

JARRARD, SEIBERT, POLLARD & COMPANY, LLC  
Certified Public Accountants  
West Linn, Oregon

By   
Russell T. Ries, Partner

October 12, 2020