

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

2012-2013

FINANCIAL REPORT

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RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

2012-2013
FINANCIAL REPORT

<u>BOARD OF COMMISSIONERS</u>	<u>TERM EXPIRES</u>
Joseph J. Marovich Sr., Chair	June 30, 2013
Sherry Patterson, Vice-Chair	June 30, 2015
Shon DeVries, Secretary-Treasurer	June 30, 2015
Christine Roth, Board Member	June 30, 2013
William (Bill) Beckwith, Board Member	June 30, 2015

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

REGISTERED AGENT
DJ Ezell

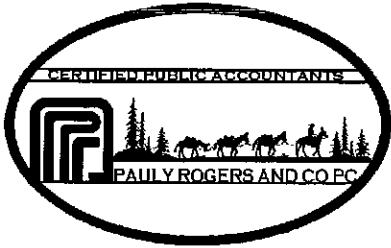
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RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

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PAULY, ROGERS, AND CO., P.C.
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(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

September 20, 2013

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of Rivergrove Water District, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the 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 modified cash basis of accounting described in Note 1; this includes determining that the modified 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 fraud or error.

Auditors' 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 auditors' 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 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 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 modified cash basis financial position of Rivergrove Water District, as of June 30, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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 this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, 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 this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management Discussion and Analysis or the Schedule of Funding Progress and Employer Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Information

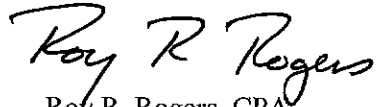
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The listing of board members containing their term expiration dates, located before the table of contents, 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 issued our report dated September 20, 2013, on our consideration of 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.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive, flowing style.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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RIVERGROVE WATER DISTRICT **MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

As management of the Rivergrove Water District, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2013.

Financial Highlights

- Our total modified cash basis net assets exceeded our total liabilities at the close of the fiscal year by \$670,714 with a decrease in net position of \$137,955 between fiscal 2012 and fiscal year 2013.
- Restricted assets going to be used to finance future capital expenditures to meet future development and to upgrade our current water system were \$556,005.
- Also under restricted assets is a fund exclusively used to pay any required unemployment charges, as the District is self-insured for possible unemployment expenses.
- Customer Deposit liabilities increased by \$2,052.
- The District had secured funding through the Safe Drinking Water Loan Fund and on June 30th, 2012 had borrowed \$735,000. The loan payment schedule is 20 yearly payments of \$53,414. The second loan payment will be paid in December 2013 (two down eighteen to go).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements consist of the Balance Sheet-Modified Cash Basis, the Statements of Receipts and Disbursements, and Changes in Net Position-Modified Cash Basis along with the Notes to Basic Financial Statements. Complementing these statements and notes is other Supplemental Information, which provides additional details about the District's operation.

The Statements of Receipts and Disbursements and the Balance Sheet serves as a useful indicator of whether the District's financial position is improving or deteriorating.

RIVERGROVE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2013

Overview of the Financial Statements

Below is the summarized information from the Balance Sheet.

Assets:	<u>2013</u>	<u>2012</u>	<u>Changes</u>
Cash and Investments	\$ 674,172	\$ 811,594	\$ (137,422)
Cash Restricted for Deposits	45,022	42,970	2,052
Total Assets	<u>\$ 719,194</u>	<u>\$ 854,564</u>	<u>\$ (135,370)</u>
Liabilities and Modified Cash Basis Net Position:			
Customer Deposits	\$ 45,022	\$ 42,970	\$ 2,052
Net OPEB Obligation	3,458	2,925	533
Total Liabilities	<u>48,480</u>	<u>45,895</u>	<u>2,585</u>
Modified Cash Basis Net Position			
Restricted - System Development	556,005	664,695	(108,690)
Restricted - Truck & Equipment	-	17,009	(17,009)
Reserved - Unemployment	9,983	9,959	24
Unrestricted	104,726	117,006	(12,280)
Total Modified Cash Basis Net Position	<u>670,714</u>	<u>808,669</u>	<u>(137,955)</u>
 Total Liabilities and Modified Cash Basis Net Position	 <u>\$ 719,194</u>	 <u>\$ 854,564</u>	 <u>\$ (135,370)</u>

RIVERGROVE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2013

The Statements of Receipts, Disbursements and Changes in Net Position present information related to increases and decreases from 2012.

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Operating Receipts:			
Sales	\$ 455,700	\$ 398,748	\$ 56,952
New Service Fees	118,540	152,794	(34,254)
Deposits	7,600	7,900	(300)
Reimbursed Maintenance	370	2,125	(1,755)
Total Operating Receipts	<u>582,210</u>	<u>561,567</u>	<u>20,643</u>
Operating Disbursements:			
Personal Services	236,955	239,178	(2,223)
Materials and Services	239,105	185,259	53,846
OPEB Obligation	533	973	(440)
Capital Outlay	206,287	597,823	(391,536)
Total Operating Disbursements	<u>682,880</u>	<u>1,023,233</u>	<u>(340,353)</u>
Non-Operating Receipts:			
Debt Service	(53,414)	(14,260)	(39,154)
Interest	4,427	4,760	(333)
Miscellaneous Income	7,502	2,922	4,580
Loan Proceeds	-	463,619	(463,619)
Proceeds from Sale of Equipment	4,200	-	4,200
Total Non-Operating Receipts	<u>(37,285)</u>	<u>457,041</u>	<u>(494,326)</u>
Net Change in Modified Cash Basis fund Equity	(137,955)	(4,625)	(133,330)
Modified Cash Basis Fund Equity - Beginning of Year	808,669	813,294	(4,625)
Modified Cash Basis Fund Equity - End of Year	<u>\$ 670,714</u>	<u>\$ 808,669</u>	<u>\$ (137,955)</u>

RIVERGROVE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2013

Financial Analysis

The Financial operations of the District are primarily related to the retail distribution of water to customers in the Rivergrove Water District. Water is also sold to a few out of District customers. Water sale receipts increased \$56,952 in comparison to last fiscal year. The increase is attributed to a 16% water rate increase that was in effect as of the October 10th, 2012 billing. The September/October 2012 weather also helped in water sales. The District also added 15 new customers with one inch meters throughout the fiscal year. Operating disbursements decreased \$340,353 from fiscal 2012. The Rivergrove Water Supply Improvement Project came to a close which helped decrease our expenditures. Non-operating receipts decreased by \$494,326 due mostly to the District drawing down on its revolving loan in 2012 but not in 2013.

Economic Factors

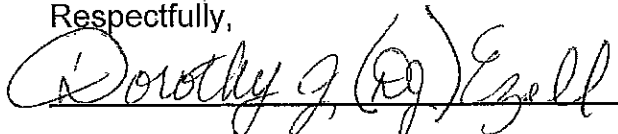
At the end of this fiscal year we see a trend holding of the improved economy as new meters are being sold to the tune of at least one per month. However the lots in developments available at this time are decreasing and the growth out in the district is limited by the available land.

We are also in the process of updating our District Master plan which should stress the infrastructure improvements that should be future priorities. We will also be looking seriously at rate increases to sustain our current general fund and also fund our future improvements.

Requests for Information

This financial report is designed to provide a general overview of the Rivergrove Water District's finances for parties interested in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Rivergrove Water District, 17661 Pilkington Rd, Lake Oswego, Oregon 97035-5360.

Respectfully,

 Signature

Manager, Rivergrove Water District Title

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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**RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON**

BALANCE SHEET - MODIFIED CASH BASIS

June 30, 2013

ASSETS:

Cash and Investments	\$ 674,172
Cash Restricted for Deposits	45,022
Total Assets	<u>\$ 719,194</u>

LIABILITIES AND MODIFIED CASH BASIS NET POSITION:

Liabilities:

Customer Deposits	\$ 45,022
Net OPEB Obligation	3,458
Total Liabilities	<u>48,480</u>

NET POSITION:

Restricted for System Development	556,005
Restricted for Unemployment	9,983
Unrestricted	<u>104,726</u>

Total Modified Cash Basis Net Position	<u>670,714</u>
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Total Liabilities and Modified Cash Basis Net Position	<u>\$ 719,194</u>
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See accompanying notes to basic financial statements.

**RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
For the Year Ended June 30, 2013**

OPERATING RECEIPTS:

Water Sales	\$ 455,700
New Service Fees	118,540
Water Deposits	7,600
Reimbursed Maintenance	370
Total Operating Receipts	<u>582,210</u>

OPERATING DISBURSEMENTS:

Current:

Personal Services	236,955
Materials and Services	239,105
OPEB Obligation	533
Capital Outlay	206,287
Total Operating Disbursements	<u>682,880</u>
Operating Income	(100,670)

NON-OPERATING RECEIPTS (DISBURSEMENTS):

Debt Service	(53,414)
Proceeds from Sale of Equipment	4,200
Interest	4,427
Miscellaneous Income	7,502
Total Non-Operating Receipts	<u>(37,285)</u>

NET CHANGE IN EQUITY (137,955)

MODIFIED CASH BASIS NET POSITION - BEGINNING OF YEAR 808,669

MODIFIED CASH BASIS NET POSITION - END OF YEAR \$ 670,714

See accompanying notes to basic financial statements.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the modified cash basis. This basis of accounting is an other comprehensive basis of accounting, which is an alternative to generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

Rivergrove Water District is a municipal corporation governed by an elected five member board, which was organized under provisions of Oregon Revised Statutes Chapter 264 for the purpose of operating a water district. As required by generally accepted accounting principles, these financial statements present Rivergrove Water District (the primary government) and any component units. Component units, as established by GASB Statement No. 61, are separate organizations that are included in the District's reporting because of the significance of their operational or financial relationships. There were no component units.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounting records are maintained on a fund accounting basis for budgetary and legal purposes. For financial reporting purposes, the financial statements are presented as a unitary enterprise operation, and as such, are reported as a single enterprise fund in the basic financial statements. The minimum numbers of funds is maintained consistent with legal and managerial requirements.

Financial operations are accounted for in the following budgetary funds:

GENERAL FUND

This fund accounts for all financial resources and expenses, except those required to be accounted for in another fund. The fund's principal source of revenue is water sales.

UNEMPLOYMENT FUND

This fund accounts for unemployment costs. The principal source of revenue is interest and transfers in from the General Fund. The ending fund balance for this fund is restricted for future unemployment costs.

CAPITAL IMPROVEMENTS FUND

This fund accounts for system improvement charges. The principal source of revenue is system development charges. The ending fund balance for this fund is restricted for system development.

TRUCK & EQUIPMENT FUND

This fund accounts for trucks and equipment. The principal source of revenue is interest and transfers in from the General Fund. The ending fund balance for this fund is restricted for truck and equipment purchases.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING

The modified cash basis of accounting is used. Under the modified cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. In the government-wide statements, under the modified cash basis customer deposits payable are included, which are considered to be a liability until paid. Also included are obligations relating to other post-employment benefits. The fund financial statements follow the cash basis of accounting with no exceptions. This basis of accounting is an other comprehensive basis of accounting, which is an alternative to generally accepted accounting principles.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting, which requires accrual accounting. Under the accrual basis of accounting, the cost of capital assets is capitalized and depreciated over the asset's estimated useful life, debt is recorded as a liability, revenues are recorded when earned irrespective of the collection of cash, and expenses, including depreciation, are recorded when incurred. Management believes the modified cash basis of accounting is preferable due to the District's small size and the necessity of assessing available cash resources. The cash basis of accounting is used in budgeting for the various funds. The cash basis of accounting is allowed under Oregon Local Budget Law.

Operating receipts are sales of water, connection fees, and water deposits. Operating disbursements are the cost of sales and services, and administrative expenses. The primary non-operating receipt is miscellaneous income, followed by interest earnings.

D. BUDGET

A budget is prepared and legally adopted for each fund on the cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on the cash basis of accounting. The budget process begins each fiscal year with the establishment of the budget committee. Generally, recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published in early spring with a public hearing being held approximately three weeks later. The board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30th.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGET (CONTINUED)

Disbursement budgets are appropriated at the following levels for the each fund: Personal Services, Materials and Services, Capital Outlay, Contingency, and Transfers to Other Funds. Disbursements cannot legally exceed the appropriation levels. Supplemental appropriations may occur if the Board approves them due to a need that was not determined at the time the budget was adopted. Budget amounts shown in the financial statements reflect the original budget amounts. Disbursements of the various funds were within authorized appropriations for the year, except in the Truck & Equipment fund where total disbursements exceeded appropriations by \$38.

E. INVESTMENTS

GASB 31 has been adopted, which requires investments to be reported at fair value. The difference between cost and fair value is not considered material by management.

F. VACATION AND SICK PAY

Vacation and other potential compensated absences are not accrued as earned due to the use of the modified cash basis of accounting. Such obligations are paid as used by employees. As of June 30, 2013, the amount of vacation pay and other compensated absences at pay rates in effect as of year-end approximated \$12,572.

G. RETIREMENT PLANS

Employees are offered a deferred compensation plan in accordance with the requirements of Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their wages until future years. The plan is administered, and the assets of the plan are held by, a third party. The availability of the plan to current and former employees is subject to Internal Revenue Service regulations.

For the years ended June 30, 2013, 2012, and 2011, there were contributions of \$19,572, \$19,504, and \$19,136 respectively, and the employees contributed \$13,205, \$13,250, and \$12,845, respectively, to the plan.

H. CUSTOMER DEPOSITS

Deposits are received to assure payment of water billings and to guarantee payment for services. Deposits are refunded to customers or applied to billings when necessary. They are considered to be liabilities and are not recorded as receipts until applied to billings.

I. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. SUPPLY INVENTORY

Under the cash basis of accounting, inventory is not recorded in the financial statements. Any inventory on hand at year end was considered to be immaterial by management.

2. CASH AND INVESTMENTS

State statutes govern the cash management policies. Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

DEPOSITS

For the fiscal year ended June 30, 2013, the bank balance of \$64,118 was covered by federal depository insurance.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), the District may now have on deposit at any one bank depository and its branches a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, deposits will not be recovered. For the fiscal year ended June 30, 2013, all of the deposits are insured.

INVESTMENTS

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. 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 Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2013.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2013. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Cash and Investments at June 30, 2013 and 2012 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	2013	2012
Petty Cash/Cash Drawer	\$ 400	\$ 400
Checking	9,307	2,719
Restricted Cash	45,022	42,970
Investments	664,465	808,475
Total	\$ 719,194	\$ 854,564

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There were no investments that have a maturity date beyond 3 months.

Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. No formal investment policy has been adopted for custodial credit risk. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, investments are made mainly in the LGIP, which is not required to have a risk rating. At June 30, 2013, 100% of total investments were in the State Treasurer's Investment Pool.

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 664,465	\$ 664,465	\$ -
Total	\$ 664,465	\$ 664,465	\$ -

3. CAPITAL ASSETS

Non-expendable equipment purchased or constructed at a value of \$5,000 or more and a useful life in excess of one year is generally recorded as a capital outlay disbursement. The original historical cost of such assets has been estimated or tracked and is recorded, but under the modified cash basis of accounting, the cost of capital assets is not required to be displayed in the financial statements. The costs of significant betterments to capital assets are similarly recorded as disbursements and not capitalized. Depreciation is not recorded. Normal repairs and maintenance are charged to disbursements as capital outlay or as materials and services. When property is retired or sold, any related proceeds are recorded as receipts.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. LEASE COMMITMENTS

There was an original lease for office space for the period of November 2007 through October 2012, with an option to renew. An addendum was made extending the lease and establishing the monthly rate beginning November 2012 at \$978 until July 2013; \$1,000 until November 2015; and \$1,050 until October 2017, with certain operating expenses of the property included in the lease payment. Payments under this agreement for the year ended June 30, 2013 were \$11,730.

There is also a lease for a copier at \$314 per month from November 2011 until October 2017.

Commitments related to these leases, for the years ended June 30, are as follows:

Year	Building Lease	Copier	Total
2013-14	\$ 12,000	\$ 3,768	\$ 15,768
2014-15	12,000	3,768	15,768
2015-16	12,400	3,768	16,168
2016-17	12,600	1,256	13,856
2017-18	13,000	-	13,000
Total	<u>\$ 62,000</u>	<u>\$ 12,560</u>	<u>\$ 74,560</u>

5. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for the past three years.

6. 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.

In February of 2009, an agreement was entered into with the State of Oregon Economic and Community Development Department for a loan to construct and rehabilitate wells. As of December 2010, the total project costs were estimated to be \$935,000 and the loan was for \$735,000. The loan terms require repayment over a maximum of 20 years with an interest rate of 3.86%. As of June 30, 2013, \$708,753 is owing on the loan.

Fiscal Year ending June 30,	Principal	Interest
2014	\$ 26,056	\$ 27,358
2015	27,062	26,352
2016	28,107	25,308
2017	29,192	24,223
2018	30,318	23,096
2019-23	170,077	96,995
2024-28	205,535	62,536
2028-32	192,406	18,780
Total	<u>\$ 708,753</u>	<u>\$ 304,648</u>

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	Transfers Out	Transfers In
General Fund	\$ 29,100	\$ -
Capital Improvements Fund	-	25,000
Truck& Equipment Fund	-	4,100
Totals	\$ 29,100	\$ 29,100

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Post-Employment Benefits

Post-retirement health care benefits are provided for retirees, with the cost of the premium 100% borne by the retiree.

Post-Employment Health Insurance Subsidy

Plan Description - A single-employer retiree benefit plan is operated that provides postemployment health insurance benefits to eligible employees and their dependents. There are two active participants participating in the plan, and no retired members in the plan.

The post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums, represents the *implicit* employer contribution.

An irrevocable trust (or equivalent arrangement) was not established to account for the plan.

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - The annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the projected OPEB obligation at the end of the year:

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	2013	2012
Annual Required Contribution (ARC)	\$ 525	\$ 1,040
Interest on NPO	117	78
Adjustment to ARC	(104)	(74)
Annual Pension Cost (APC)	538	1,044
Contributions Made	(5)	(71)
Increase in Net Pension Obligation	533	973
Net Pension Obligation (Asset) at Beginning of Year	2,925	1,952
Net Pension Obligation (Asset) at End of Year	\$ 3,458	\$ 2,925

Fiscal Year	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB Obligation
2013	\$ 538	1%	\$ 3,458

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit cost method. The objective of this method is to fund each participant’s benefits under the plans as they accrue. The unfunded accrued liability is amortized over an open period of 30 years as a percentage of payroll. The actuarial assumptions included an interest rate for discounting future liabilities of 4.0% compounded annually and a payroll growth rate of 3.50%. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS.

Funding Status and Funding Progress – As of July 1, 2013, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,458, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,458. The covered payroll was unavailable.

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
 OTHER POST EMPLOYMENT BENEFITS
 June 30, 2013

PLAN I (HEALTH INSURANCE)
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
July 1, 2012		- \$ 5,307	\$ 5,307	0.00%	\$ TBD	TBD
July 1, 2009		- \$ 8,069	\$ 8,069	0.00%	\$ 181,678	4.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 525	1 %
2012	1,040	7
2011	1,005	2

The above table presents the most recent actuarial valuations for the District's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

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RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

COMBINING BALANCE SHEET - CASH BASIS
 At June 30, 2013

	GENERAL FUND	UNEMPLOYMENT FUND	CAPITAL IMPROVEMENTS FUND	TRUCK & EQUIPMENT FUND	TOTALS 2013
ASSETS:					
Current:					
Cash and Investments	\$ 108,184	\$ 9,983	\$ 556,005	\$ -	\$ 674,172
Cash Restricted for Deposits	45,022	-	-	-	45,022
Total Assets	\$ 153,206	\$ 9,983	\$ 556,005	\$ -	\$ 719,194
FUND BALANCE:					
Restricted for System Development	\$ -	\$ -	\$ 556,005	\$ -	\$ 556,005
Restricted for Unemployment	-	9,983	-	-	9,983
Unrestricted	153,206	-	-	-	153,206
Total Cash Basis Fund Balance	\$ 153,206	\$ 9,983	\$ 556,005	\$ -	\$ 719,194
Adjustment from budgetary basis to Modified Cash:					
OPEB Obligation					(3,458)
Deposits Payable					(45,022)
Ending Fund Balance - Modified Cash Basis					\$ 670,714

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
For the Year Ended June 30, 2013

	GENERAL FUND	UNEMPLOYMENT FUND	CAPITAL IMPROVEMENTS FUND	TRUCK & EQUIPMENT FUND	TOTALS 2013
RECEIPTS:					
Water Sales	\$ 457,752	\$ -	\$ -	\$ -	\$ 457,752
New Service Fees	8,650	-	101,568	-	110,218
Deposits	7,600	-	-	-	7,600
Fees	8,322	-	-	-	8,322
Reimbursed Maintenance	370	-	-	-	370
Interest	947	59	3,421	-	4,427
Miscellaneous	7,502	-	-	-	7,502
Total Receipts	491,143	59	104,989	-	596,191
DISBURSEMENTS:					
Personal Services	236,955	-	-	-	236,955
Materials and Services	238,983	35	71	16	239,105
Capital Outlay	-	-	185,194	21,093	206,287
Debt Service	-	-	53,414	-	53,414
Total Disbursements	475,938	35	238,679	21,109	735,761
Excess of Receipts Over, (Under) Disbursements	15,205	24	(133,690)	(21,109)	(139,570)
Other Financing Sources, (Uses):					
Proceeds from Sale of Equipment	4,200	-	-	-	4,200
Transfers In (Out)	(29,100)	-	25,000	4,100	-
Total Other Financing Sources, (Uses)	(24,900)	-	25,000	4,100	4,200
Net Change in Cash Basis Fund Balance	(9,695)	24	(108,690)	(17,009)	(135,370)
Beginning Cash Basis Fund Balance	162,901	9,959	664,695	17,009	854,564
Ending Cash Basis Fund Balance	\$ 153,206	\$ 9,983	\$ 556,005	\$ -	\$ 719,194
Adjustment from budgetary basis to Modified Cash:					
OPEB Obligation					(3,458)
Deposits Payable					(45,022)
Ending Fund Balance - Modified Cash Basis					\$ 670,714

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

CASH BASIS SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2013

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
RECEIPTS:				
Water Sales	\$ 449,742	\$ 449,742	\$ 457,752	\$ 8,010
New Service Fees	6,900	6,900	8,650	1,750
Deposits	7,000	7,000	7,600	600
Fees	20,500	20,500	8,322	(12,178)
Grants	2,000	2,000	-	(2,000)
Reimbursed Maintenance	7,080	7,080	370	(6,710)
Interest	1,200	1,200	947	(253)
Miscellaneous	3,000	3,000	7,502	4,502
Total Receipts	<u>497,422</u>	<u>497,422</u>	<u>491,143</u>	<u>(6,279)</u>
DISBURSEMENTS:				
Personal Services	254,387	254,387 (1)	236,955	17,432
Materials and Services	297,055	297,055 (1)	238,983	58,072
Capital Outlay	40,000	40,000 (1)	-	40,000
Contingency	20,000	20,000 (1)	-	20,000
Total Disbursements	<u>611,442</u>	<u>611,442</u>	<u>475,938</u>	<u>135,504</u>
Excess of Receipts Over, (Under) Disbursements	(114,020)	(114,020)	15,205	129,225
Other Financing Sources, (Uses):				
Proceeds from Sale of Equipment	4,500	4,500	4,200	300
Transfers In (Out)	(29,100)	(29,100) (1)	(29,100)	-
Total Other Financing Sources (Uses)	<u>(24,600)</u>	<u>(24,600)</u>	<u>(24,900)</u>	<u>300</u>
Net Change in Cash Basis Fund Balance	(138,620)	(138,620)	(9,695)	128,925
Beginning Cash Basis Fund Balance	<u>138,620</u>	<u>138,620</u>	<u>162,901</u>	<u>24,281</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,206</u>	<u>\$ 153,206</u>

(1) Appropriation Level

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

CASH BASIS SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2013

UNEMPLOYMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
RECEIPTS:				
Interest	\$ 100	\$ 100	\$ 59	\$ (41)
DISBURSEMENTS:				
Personal Services	10,016	10,016	-	10,016
Materials and Services	40	40	35	5
Total Disbursements	<u>10,056</u>	<u>10,056 (1)</u>	<u>35</u>	<u>10,021</u>
Net Change in Cash Basis Fund Balance	(9,956)	(9,956)	24	9,980
Beginning Cash Basis Fund Balance	<u>9,956</u>	<u>9,956</u>	<u>9,959</u>	<u>3</u>
Ending Cash Basis Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,983</u></u>	<u><u>\$ 9,983</u></u>

(1) Appropriation Level

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

CASH BASIS SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2013

CAPITAL IMPROVEMENTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
RECEIPTS:				
Interest	\$ 3,800	\$ 3,800	\$ 3,421	\$ (379)
System Development Charges	85,608	85,608	101,568	15,960
Total Receipts	<u>89,408</u>	<u>89,408</u>	<u>104,989</u>	<u>15,581</u>
DISBURSEMENTS:				
Materials and Services	80	80	71	9
Capital Outlay	748,566	748,566	185,194	563,372
Debt Service	53,414	53,414	53,414	-
Total Disbursements	<u>802,060</u>	<u>802,060 (1)</u>	<u>238,679</u>	<u>563,381</u>
Excess of Receipts Over, (Under) Disbursements	(712,652)	(712,652)	(133,690)	578,962
Other Financing Sources, (Uses):				
Transfers In	25,000	25,000	25,000	-
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	<u>(687,652)</u>	<u>(687,652)</u>	<u>(108,690)</u>	<u>578,962</u>
Beginning Cash Basis Fund Balance	<u>687,652</u>	<u>687,652</u>	<u>664,695</u>	<u>(22,957)</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,005</u>	<u>\$ 556,005</u>

(1) Appropriation Level

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

CASH BASIS SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2013

TRUCK & EQUIPMENT FUND

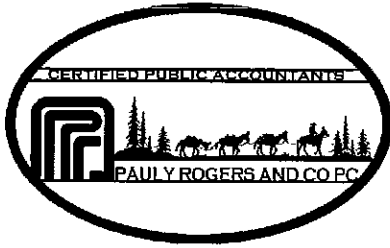
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
RECEIPTS:				
Interest	\$ 200	\$ 200	\$ -	\$ (200)
DISBURSEMENTS:				
Materials and Services	40	40	16	24
Capital Outlay	21,031	21,031	21,093	(62)
Total Disbursements	21,071	21,071 (1)	21,109	(38)
Excess of Receipts Over, (Under) Disbursements	(20,871)	(20,871)	(21,109)	(162)
Other Financing Sources, (Uses):				
Transfers In	4,100	4,100	4,100	-
Total Other Financing Sources (Uses)	4,100	4,100	4,100	-
Net Change in Cash Basis Fund Balance	(16,771)	(16,771)	(17,009)	(238)
Beginning Cash Basis Fund Balance	17,001	17,001	17,009	8
Ending Cash Basis Fund Balance	<u>\$ 230</u>	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ (230)</u>

(1) Appropriation Level

RIVERGROVE WATER DISTRICT
CLACKAMAS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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September 20, 2013

To the Board of Commissioners
Rivergrove Water District
17661 Pilkington Road
Lake Oswego, Oregon 97035

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Rivergrove Water District as of and for the year ended June 30, 2013, and have issued our report thereon dated September 20, 2013. 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 the financial statements are free of material misstatement, we performed tests of 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 Chapters 279A, 279B, 279C).**

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

1. Expenditures exceeded budgeted appropriations as noted on page 9.
2. There was no documentation showing that the budget officer was designated by the Board.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated September 20, 2013.

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



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.