

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

2018-2019

FINANCIAL REPORT

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

**2018-2019
FINANCIAL REPORT**

BOARD OF COMMISSIONERS

TERM EXPIRES

Marla Casley (President)

June 2019

Lou Allocco (Vice President)

June 2020

Jim McLaughlin (Secretary – Treasurer)

June 2020

Doug Keeler (Member)

June 2019

Mary Beth Wilson (Member)

June 2019

All commissioners receive their mail at the address below.

REGISTERED AGENT

Jamie Porter, Superintendent
1550 North 42nd Street
Springfield, Oregon 97477

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

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**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

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February 12, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Rainbow Water District
Lane County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and each major fund of Rainbow Water District (the District), as of and for the year ended June 30, 2019, and the related notes to the basic 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 basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Rainbow Water District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and GASB Statement No. 83 *Certain Asset Retirement Obligation*. Our opinions are not modified in 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 supplemental 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis or the Schedules of Net Pension Liability and Contributions for PERS because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards 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. 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

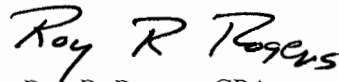
statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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 February 12, 2020, 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.



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

**Management's Discussion and Analysis
to Accompany June 30, 2019 Annual Financial Report
of the Rainbow Water District**

This discussion and analysis is intended to provide an overview of the Rainbow Water District's financial activities based on information known at the time the report was compiled and presented. It complements the more detailed and comprehensive text discussion contained in the Notes section of this Annual Financial Report. Readers are encouraged to review both this section and the Notes section to assist in understanding the Annual Financial Report.

Overview of the Financial Statements

Rainbow Water District's basic financial statements comprise three components:

- 1) government-wide financial statements
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

1. The *statement of net position* presents information on all the District assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
2. The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, e.g. uncollected taxes and earned but not yet used vacation leave.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities such as water sales).

Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary.

1. Governmental Funds

Special Revenue Funds - Special revenue funds are used to account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District has one fund in this category - the Fire Protection Fund (page 31).

**Management's Discussion and Analysis
to Accompany June 30, 2019 Annual Financial Report
of the Rainbow Water District**

2. Proprietary Funds

Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The District historically maintained a separate Streetlight Fund, but currently maintains only one proprietary fund, the Water Operating Fund (page 33).

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for its General Water Fund which is primarily financed by water use charges and fees.

Reserve funds accumulate money for a specific purpose, acting as a savings account. The Capital Replacement Reserve Fund was created by Resolution 2012-02 to gather funds over multiple years for larger replacement/renovation capital projects (page 34).

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* referred to previously, and other schedules and information that are required by the State of Oregon.

Government-Wide Financial Analysis

As noted above, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$4,667,002 at the close of the fiscal year, a 5.6% increase over the prior year. The District's investment in capital assets (land, construction in progress, buildings, improvements, machinery and equipment, bridges and other infrastructure), less any related outstanding debt to acquire those assets, is approximately 86% of the total net assets. The District uses these capital assets to provide service to our customers, consequently, these assets are *not* available for future spending.

Budgetary Highlights

Rainbow Water District derives nearly all of its operating funds from property tax receipts (Fire Protection Fund) and from revenues from water sales to wholesale and retail customers (Water Operating Fund). The Water Operating Fund/General Fund also receives revenue from other sources, such as contract services to other water utilities. The aggregate amount of these other revenues typically amount to less than 10% of the Water Fund's income. The Water Operating Fund is also distinguished from the Fire Protection Fund in that it receives no direct property tax receipts, compared to the Fire Protection Fund which is typically funded solely by property tax receipts. Neither of the District's two main funds are significantly limited for future uses. The District has two loans: a private loan for purchase of the Chase Wellfield land, paid in full this fiscal year, and a state drinking water revolving loan to finance construction of Chase Wellfield Improvements. The District currently has no bonded indebtedness. As part of Chase Wellfield funding, the District was also awarded \$515,000 in forgivable loans (grants).

**Management's Discussion and Analysis
to Accompany June 30, 2019 Annual Financial Report
of the Rainbow Water District**

Rainbow Water District's Changes in Net Position

	Governmental Activities (Fire Protection)		Business-Type Activities (Water Operating)		Notes	Total	
	2018-19	2017-18	2018-19	2017-18		2018-19	2017-18
	REVENUE						
Program Revenues							
Fees, charges and fines for services							
*Charges for services	0	0	1,686,450	1,582,487	1	1,686,450	1,582,487
*Property taxes	1,489,201	1,420,449	0	0		1,489,201	1,420,449
*Misc Revenue / Grant	0	0	0	515,000		0	515,000
*Transfers	(350,000)	(250,000)	350,000	250,000	2	0	0
*(Loss) on Sale of Assets	0	0	(22,358)	(2,164)		(22,358)	(2,164)
*Pension Income	0	0	0	0		0	0
*Interest on investments	15,337	10,574	17,584	10,000		32,921	20,574
Total revenue	1,154,538	1,181,023	2,031,676	2,355,323		3,186,214	3,536,346
EXPENDITURES							
*Water service	0	0	1,652,005	1,516,420		1,652,005	1,516,420
*Pension Expense	0	0	47,407	42,780		47,407	42,780
*Public Safety	1,203,161	1,202,111	0	0		1,203,161	1,202,111
Total expenditures	1,203,161	1,202,111	1,699,412	1,559,200		2,902,573	2,761,311
*Change in Net Position	(48,623)	(21,088)	332,264	796,123		283,641	775,035
*Net assets beginning	542,237	563,325	3,878,489	3,082,366		4,420,726	3,645,691
*Prior Period Adjustment	(37,365)	0	0	0		(37,365)	0
*Net Position ending	456,249	542,237	4,210,753	3,878,489		4,677,002	4,420,726

Notes

- For FY 2018-19 the monthly base rate for a 3/4"-inch residential meter increased to \$19.00 in June 2018. The first tier usage rate remained at \$1.10 per hundred cubic feet (748 gallons). Prior year (FY 2017-18) 3/4"-inch meter rates were \$18.00 (monthly base) and \$1.10 per hundred cubic feet (first tier usage).
- In FY 2018-19, \$125,000 was transferred from the Fire Protection Fund to the Capital Replacement Reserve Fund by authority of Resolution 2019-07 to be expended for "water source, piping or storage capital improvement projects that maintain or enhance water system fire protection capabilities." The Capital Replacement Reserve transfer is not summarized separately since money is still committed for water projects, but stored in a separate asset account. Money budgeted and expended from the Capital Replacement Reserve Fund this year was transferred to the Water Fund first to show capital project spending out of one account for ease of project tracking.

**Management's Discussion and Analysis
to Accompany June 30, 2019 Annual Financial Report
of the Rainbow Water District**

Rainbow Water District's Changes in Net Position

	Governmental Activities (Fire Protection)		Business-Type Activities (Water Operating)		Notes	Total	
	2018-19	2017-18	2018-19	2017-18		2018-19	2017-18
	ASSETS						
Current							
*Cash & Cash Equivalents	399,630	448,253	581,693	453,865		983,123	902,118
*Receivables	56,619	93,984	284,921	210,480		341,540	304,464
*Prepaid Insurance			18,118	15,397		18,118	15,397
*Inventory			29,121	24,112		29,121	24,112
Noncurrent (Capital)							
*Land/construct in prog			174,292	174,292		174,292	174,292
*Other capital assets			6,290,580	6,094,506		6,290,580	6,094,506
Total Assets	456,249	542,237	7,378,725	6,972,652		7,834,974	7,514,889
Deferred Outflows (Net Pension Related)			407,600	336,960	1	407,600	336,960
EXPENDITURES							
Current							
*Accounts Payable			95,105	337,606		95,105	337,606
*Payroll Liabilities			31,685	51,849		31,685	51,849
*Customer Deposits			23,931	23,351		23,931	23,351
*Due within 1 year			82,989	41,768		82,989	41,768
Noncurrent							
*Proportionate share NPL			895,446	795,754		895,446	795,754
*Due in >1 year			2,360,926	2,113,660		2,360,926	2,113,660
Total Liabilities			3,490,082	3,363,988		3,490,082	3,363,988
Deferred Inflows (Net Pension Related)			85,490	67,135	1	85,490	67,135
NET POSITION							
*Net invest in cap assets			4,034,299	4,125,765		4,034,299	4,125,765
*Restricted	456,249	542,237	334,991	226,367		791,240	768,604
*Unrestricted			(158,537)	(473,643)		(158,537)	(473,643)
Total Net Position	456,249	542,237	4,210,753	3,878,489		4,667,002	4,420,726

Notes

1. *Deferred Inflows and Outflows of Resources provide a place to reflect the impact of pension earnings and pension obligations, estimated now but to be actually determined at a future point in time.*

**Management's Discussion and Analysis
to Accompany June 30, 2019 Annual Financial Report
of the Rainbow Water District**

There were several noteworthy items which are reflected in this year's financial report.

PAGE 1-2

- District interest and investment earnings are increasing along with rising interest rates.
- Property tax revenues in the Fire Protection Fund increased to \$1,489,201. These revenues are a combination of the Permanent Tax Base and the (5-year) Local Option Levy that was approved in November 2018. The Assessed Values used to calculate property taxes rose by 3.02% over the prior year.
- Total expenses in the Fire Protection Fund held steady, rising slightly to \$1,203,161. No additional savings are expected from the Eugene-Springfield merger.
- Expenses for the year exceeded revenues by \$48,623. The balance in the Local Government Investment Pool (Fire Protection Fund) decreased to \$399,630.

PAGE 7-9

- The monthly retail base rate increased to \$19.00, and the usage rate stayed at \$1.10 per hundred cubic feet at the beginning of FY 2018-19. Over the fiscal year about 1,507 million gallons were sold, about 94% of the 1,608 million gallons that were produced.
- Revenue from SUB wholesale and Rainbow retail water sales increased 5.6% over the prior year to \$1,568,465. Rainbow retail sales were up \$41,119 and SUB wholesale sales up by \$42,665 over the prior year. Rainbow earned \$9,238 from the City of Springfield for fire hydrant maintenance. Income from contract services to other utilities was \$78,611 with Rainbow providing contract management and operations assistance and earning \$7,313 from Shangri-La Water District, \$26,527 from Deerhorn Community Water Association, and \$44,771 from Marcola Water District.
- Water Operating Expenses increased from the prior year to \$1,652,005. Cash and Cash Equivalents in the Water Operating Fund increased from \$453,865 to \$581,693 over the previous year. While cash assets were expended, net assets increased due to the large investment in assets (Chase WTP) that offset depreciation.

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- The final payment for the Chase Wellfield property was made in February 2019. This land was purchased for \$153,360 under a 5-year private contract.
- A low interest (1.97%) state revolving fund loan was obtained to fund the Chase Water Treatment Facility. \$2,430,573 was borrowed and will be paid back over 20 years.

PAGE 33

- The Capital Replacement Reserve Fund has grown to \$334,991. This fund was created by Resolution 2012-02 to accumulate a large pool of funds that would "provide for the replacement of aging and deteriorated buildings and utility infrastructure."

Jamie Porter
Superintendent

BASIC FINANCIAL STATEMENTS

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current:			
Cash and Cash Equivalents	\$ 399,630	\$ 581,693	\$ 981,323
Receivables:			
Taxes	56,619	-	56,619
Water Service (net of allowance)	-	284,921	284,921
Prepaid Insurance	-	18,118	18,118
Inventory	-	29,121	29,121
Noncurrent:			
Capital Assets:			
Land and construction in process	-	174,292	174,292
Other capital assets (net of accumulated depreciation)	-	6,290,580	6,290,580
Total Assets	<u>456,249</u>	<u>7,378,725</u>	<u>7,834,974</u>
DEFERRED OUTFLOWS OF RESOURCES			
Net Pension Related Deferrals - PERS	-	407,600	407,600
Total deferred inflows	<u>-</u>	<u>407,600</u>	<u>407,600</u>
LIABILITIES AND NET POSITION:			
Current Liabilities:			
Accounts Payable	-	95,105	95,105
Payroll Liabilities	-	31,685	31,685
Customer Deposits	-	23,931	23,931
Other Liabilities	-	148	148
Due within one year:			
Current maturities of long-term debt		69,647	69,647
Compensated absences payable	-	13,194	13,194
Noncurrent Liabilities:			
Net pension liabilities - PERS	-	895,446	895,446
Due in more than one year		2,360,926	2,360,926
Total Liabilities	<u>-</u>	<u>3,490,082</u>	<u>3,490,082</u>
DEFERRED INFLOWS OF RESOURCES			
Net Pension Related Deferrals - PERS	-	85,490	85,490
Total deferred inflows	<u>-</u>	<u>85,490</u>	<u>85,490</u>
NET POSITION			
Net Investment in Capital Assets	-	4,034,299	4,034,299
Restricted	456,249	334,991	791,240
Unrestricted	-	(158,537)	(158,537)
Total Net Position	<u>\$ 456,249</u>	<u>\$ 4,210,753</u>	<u>\$ 4,667,002</u>

See accompanying notes to the basic financial statements

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

FUNCTIONS	Expenses	PROGRAM REVENUES		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contribution	Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Fire Protection	\$ 1,203,161	\$ -	\$ -	\$ (1,203,161)	\$ -	\$ (1,203,161)
Business-Type Activities:						
Water Service	1,699,412	1,686,450	-	-	(12,962)	(12,962)
Total Primary Government	\$ 2,902,573	\$ 1,686,450	\$ -	(1,203,161)	(12,962)	(1,216,123)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				1,489,201	-	1,489,201
Interest and investment earnings				15,337	17,584	32,921
Transfers, net				(350,000)	350,000	-
Total general revenues (losses)				1,154,538	367,584	1,522,122
Gain (loss) on sale of capital assets				-	(22,358)	(22,358)
Change in net position				(48,623)	332,264	283,641
Net Position- beginning				542,237	3,878,489	4,420,726
Prior Period Adjustment				(37,365)	-	(37,365)
Net Position - ending				\$ 456,249	\$ 4,210,753	\$ 4,667,002

See accompanying notes to the basic financial statements

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

ASSETS:

	<u>Fire Protection</u>
Cash and cash equivalents	\$ 399,630
Property taxes receivable	<u>56,619</u>
Total Assets	<u><u>\$ 456,249</u></u>

LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:

Deferred Inflows of Resources	
Unearned revenue - unavailable property taxes	\$ <u>52,933</u>
Total Deferred Inflows of Resources	<u>52,933</u>
Fund Balances	
Restricted for fire protection services	<u>403,316</u>
Total Fund Balances	<u>403,316</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 456,249</u></u>

See accompanying notes to the basic financial statements

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balances - Governmental Funds	\$ 403,316
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.	<u>52,933</u>
Net Position of Governmental Activities	<u><u>\$ 456,249</u></u>

See accompanying notes to the basic financial statements

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<u>Fire Protection</u>
REVENUE	
Property taxes	\$ 1,489,201
Interest	<u>15,337</u>
Total Revenue	<u>1,504,538</u>
EXPENDITURES	
Fire Protection	<u>1,166,609</u>
Total Expenditures	<u>1,166,609</u>
Excess of Revenue Over, -Under Expenditures	<u>337,929</u>
OTHER FINANCING SOURCES AND USES	
Transfers out	<u>(350,000)</u>
Total Other Financing Sources and Uses	<u>(350,000)</u>
Net change in fund balance	(12,071)
Beginning fund balance	452,752
Prior Period Adjustment	<u>(37,365)</u>
Ending fund balance	<u>\$ 403,316</u>

See accompanying notes to the basic financial statements

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ (12,071)

Amounts reported for government-wide statements in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

(Decrease) Increase in deferred revenues	<u>(36,552)</u>
Net Position of Governmental Activities	<u>\$ (48,623)</u>

See accompanying notes to the basic financial statements

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	Water Fund	Capital Reserve Fund	Total
ASSETS			
Current:			
Cash and cash equivalents	\$ 246,702	\$ 334,991	\$ 581,693
Accounts receivable (net of allowance)	284,921	-	284,921
Prepaid insurance	18,118	-	18,118
Inventory	29,121	-	29,121
Noncurrent:			
Capital assets:			
Land and construction in process	174,292	-	174,292
Other capital assets (net of accumulated depreciation)	6,290,580	-	6,290,580
Total assets	7,043,734	334,991	7,378,725
DEFERRED OUTFLOWS OF RESOURCES			
Net Pension Related Deferrals - PERS	407,600	-	407,600
Total deferred outflows	407,600	-	407,600
LIABILITIES AND FUND EQUITY:			
Current liabilities:			
Accounts payable	95,105	-	95,105
Payroll liabilities	31,685	-	31,685
Customer deposits	23,931	-	23,931
Other Liabilities	148	-	148
Due within one year:			
Current maturities of long-term debt	69,647	-	69,647
Compensated absences payable	13,194	-	13,194
Noncurrent liabilities:			
Net pension liabilities - PERS	895,446	-	895,446
Due in more than one year	2,360,926	-	2,360,926
Total liabilities	3,490,082	-	3,490,082
DEFERRED INFLOWS OF RESOURCES			
Net Pension Related Deferrals - PERS	85,490	-	85,490
Total deferred inflows	85,490	-	85,490
NET POSITION			
Net investment in capital assets	4,034,299	-	4,034,299
Restricted	-	334,991	334,991
Unrestricted	(158,537)	-	(158,537)
Total Net Position	\$ 3,875,762	\$ 334,991	\$ 4,210,753

See accompanying notes to the basic financial statements

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
For the Year Ended June 30, 2019**

OPERATING REVENUES:	Water Operating	Capital Reserve	Total
Water service	\$ 1,568,465	\$ -	\$ 1,568,465
Contract Services Income	87,849	-	87,849
Other operating revenues	30,136	-	30,136
Total operating revenues	1,686,450	-	1,686,450
OPERATING EXPENSES:			
Personal services	933,179	-	933,179
Materials and services	481,427	-	481,427
Contractual expense	62,093	-	62,093
Capital Outlay	(3,509)	-	(3,509)
Depreciation	178,815	-	178,815
Total operating expenses	1,652,005	-	1,652,005
Operating Income	34,445	-	34,445
NON-OPERATING REVENUE (EXPENSE):			
Interest income	8,960	8,624	17,584
Water Grant	-	-	-
Transfers in	250,000	100,000	350,000
Transfers out	-	-	-
Gain (loss) on disposition of assets	(22,358)	-	(22,358)
Pension Income (expense)	(47,407)	-	(47,407)
Total non-operating revenue (expense)	189,195	108,624	297,819
Net Change in Net Position	223,640	108,624	332,264
Beginning Net Position	3,652,122	226,367	3,878,489
Ending Net Position	\$ 3,875,762	\$ 334,991	\$ 4,210,753

See accompanying notes to the basic financial statements

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Capital Reserve</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,612,589	\$ -	\$ 1,612,589
Cash Paid to Suppliers	(790,094)	-	(790,094)
Cash Paid to Employees	(952,544)	-	(952,544)
Net Cash Provided (Used) by Operating Activities	<u>(130,049)</u>	<u>-</u>	<u>(130,049)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Long-Term Debt	316,913	-	316,913
Payments of Long-term Debt	(29,373)	-	(29,373)
Purchase of Capital Assets	(397,247)	-	(397,247)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(109,707)</u>	<u>-</u>	<u>(397,247)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers In	250,000	100,000	350,000
Transfers Out	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>250,000</u>	<u>100,000</u>	<u>350,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	8,960	8,624	17,584
Net Cash Provided (Used) by Investing Activities	<u>8,960</u>	<u>8,624</u>	<u>17,584</u>
Net Increase (Decrease) in Cash	19,204	108,624	127,828
Cash and Cash Equivalents - Beginning of Year	<u>227,498</u>	<u>226,367</u>	<u>453,865</u>
Cash and Cash Equivalents - End of Year	<u>\$ 246,702</u>	<u>\$ 334,991</u>	<u>\$ 581,693</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 34,445	\$ -	\$ 34,445
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	178,815	-	178,815
Decrease (Increase) in Accounts Receivable	(74,441)	-	(74,441)
Decrease (Increase) in Prepaid Insurance	(2,721)	-	(2,721)
Decrease (Increase) in Inventory	(5,009)	-	(5,009)
Increase (Decrease) in Accounts Payable	(242,501)	-	(242,501)
Increase (Decrease) in Other Liabilities	(19,436)	-	(19,436)
Increase (Decrease) in Accrued Compensated Absences	799	-	799
Net Cash Provided (Used) By Operating Activities	<u>\$ (130,049)</u>	<u>\$ -</u>	<u>\$ (130,049)</u>

See accompanying notes to the basic financial statements

NOTES TO THE
BASIC FINANCIAL STATEMENTS

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

Rainbow Water District (the District) is a municipal corporation governed by an elected board. Several other local governmental entities operate within the service area of Rainbow Water District. In no case does the District exert oversight authority over any of the other agencies in accordance with criteria established by generally accepted accounting principles (GAAP); therefore, none of the other governmental agencies have been included in these financial statements as a component unit of the District.

Generally accepted accounting principles, require these financial statements present Rainbow Water District (the primary government) and any component units, if any. Component units, as established by Government Accounting Standards Board (GASB) Statement No. 61, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

FIRE PROTECTION – MAJOR GOVERNMENTAL FUND

The principal source of revenue is property taxes. The only expenditures are for fire protection and transfers to reserves.

WATER OPERATING – MAJOR ENTERPRISE FUND

This is the district's primary operating fund. This fund accounts for the operations, maintenance and development of water services and the provision of street lights. The fund's primary source of revenue is water charges.

CAPITAL REPLACEMENT RESERVE – NON-MAJOR ENTERPRISE FUND

The purpose of this fund is to provide for the replacement of aging and deteriorated buildings and utility infrastructure.

C. BASIS OF ACCOUNTING

GASB Statement Number 34, *basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments* is followed.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING (CONTINUED)

The basic financial statements are prepared on the accrual basis of accounting using the “economic resources” measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow.

Accordingly, all assets and liabilities are reflected within the balance sheet with the equity section representing “net total position.”

D. BUDGET

A budget is prepared and legally adopted for each fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except that property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, capital outlay is reported as an expenditure rather than capitalized, pension costs are recorded when paid, depreciation and amortization are not recorded and debt and vacation pay are expensed when paid instead of when incurred.

Expense budgets are appropriated at the following levels for each fund:

Personal Services	Contingency
Materials and Services	Contractual
Capital Outlay	Capital Replacement Reserve

Expenditures cannot legally exceed the above appropriation levels. Supplemental appropriations may occur if the Board approves them due to a need, which was not determined at the time the budget was adopted. Budget amounts shown in the basic financial statements reflect the original budget amounts. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2019.

E. OPERATING REVENUES AND EXPENSES

Proprietary funds (enterprise) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund is water charges. Water revenue is recorded when the service is rendered. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. INVESTMENTS

Investments are reported at fair value based on quoted market prices for securities purchased by the District and for cash reported by the investment pool in which the District participates. All investments held have readily available market prices. The change in fair value is reported in the statement of revenues, expenses and changes in net position as investment earnings. Realized gains or losses on the maturity or disposition of securities are not separately disclosed.

G. INVENTORIES

Inventories are valued at cost using the first-in/first-out (FIFO) method.

H. PREPAID INSURANCE

Unexpired insurance premiums at June 30, on insurance policies expiring through 2019 are recorded as prepaid insurance and are recorded as expenditures when used.

I. CAPITAL ASSETS

Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Major additions, improvements and replacements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are stated at estimated fair value at the date of donation. Gains or losses realized from the sale of capital assets are reflected in the statement of operations. The District capitalizes all individual items over \$5,000.

Property, plant and equipment are depreciated and intangible assets, such as system buy-in-costs, are amortized using the straight-line method over their estimated lives as follows:

Building and Improvements:	40 years
Chlorination equipment	20 years
Chlorination equipment, small	5 years
Fire hydrants	40 years
Office equipment	10 years
Pumping equipment	25 years
Pumping plant rehabilitation	10 years
Reservoirs	60 years
Roads and bridges	50 years
Service lines	40 years
Telemetry/control	20 years
Transmission and distribution mains	50 years
Water quality equipment	10 years
Vehicles and tools	10 years
Wells	50 years
Well rehabilitation	10 years

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. CAPITAL ASSETS (CONTINUED)

All interest costs on borrowings that are used to finance the construction of property, plant and equipment, less any interest earned on investments acquired with the proceeds of the borrowings, are capitalized as capital assets from the date of the borrowings until the assets are ready for their intended use. Most of the borrowings are on a reimbursement basis after the construction is complete. No interest costs were capitalized in the fiscal year ending June 30, 2019.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019 there were deferred outflows of \$407,600 representing PERS pension related deferrals reported in the Statement of Net Position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. The first is unavailable revenue of \$52,933 which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second is pension related deferrals, at June 30, 2019 there were also deferred inflows of \$85,490 representing PERS pension related deferrals reported in the statement of net position.

K. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories.

Net Investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other net position that is not included in the other categories previously mentioned.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. FUND BALANCE

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The Superintendent and Business Manager have the authority to assign fund balance.
- Unassigned fund balance is the residual classification of a General Fund. The District has no General Fund.

There is only a restricted fund balance designated for fire protection services at year end.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

M. COMPENSATED ABSENCES

The liability for compensated absences reported in the proprietary fund statements consist of unpaid, accumulated annual leave balances. All unused vacation leave vests with employees and is payable upon termination of employment.

N. CUSTOMER DEPOSITS

Customer Deposits are for new customers to set up their utility billing accounts with the District and pay a deposit of \$50. The deposit is refundable after 12 months of consistent payments with no more than one late fee.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. RETIREMENT PLANS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

P. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Q. ESTIMATES

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

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorize investing in bankers acceptances, time certificates of deposit, commercial paper, repurchase agreements, obligations of the United States and its agencies and instrumentalities, Local Government Investment Pools and fixed or variable life insurance or annuity contracts for funding the deferred compensation plan.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Deposits and Investments or amounts in Due to Other Funds. In addition, cash is separately held by some of the funds. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

The District had the following cash and investments:

	2019
Cash on Hand	\$ 150
Demand Deposits:	
Checking	59,667
Investments	921,506
Total	\$ 981,323

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2019 was \$120,901, all of which was covered by federal depository insurance.

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2019, none of the bank balances were exposed to custodial credit risk.

Investments

State statutes authorize investment in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon commercial paper) and the state treasurer's investment pool. The investments during the year were invested in the state treasurer's investment pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and 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's compliance with all portfolio guidelines can be found in their annual report when issued.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments.

These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)
If the link has expired please contact the Oregon Short Term Fund directly.

The District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in months)</u>			
	<u>Fair Value</u>	<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 921,506	\$ 921,506	\$ -	\$ -
Total	\$ 921,506	\$ 921,506	\$ -	\$ -

Interest Rate Risk – Investments

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 are no investments that have a maturity date beyond 3 months.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the deposits will not be recovered. There is no formal investment policy for custodial credit risk. All of the investments are with the LGIP. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration Risk - Investments

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, the LGIP is invested in, which is not required to have a risk rating. State statutes do not limit the percentage of investments in this instrument. As of June 30, 2019, 100% of the investments were in the State Treasurer's Investment Pool.

3. RECEIVABLES

A. ACCOUNTS RECEIVABLE – WATER SERVICE

The District bills residential water users and commercial users every month. The water service receivable is \$286,121 (less an allowance of \$1,200) at June 30, 2019. The allowance was based on prior year's amount and has been historically set at \$1,200 to cover bad debt with no changes since implementation.

B. PROPERTY TAXES RECEIVABLE – FIRE PROTECTION

Property taxes levied by the District for fiscal year 2018-19 were \$1,502,173.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

The changes in Proprietary fund Capital Assets for the year ended June 30, 2019 are summarized below:

	Balance 7/1/2018	Additions	(Deletions)	Balance 6/30/2019
Non-Depreciable:				
Land and improvements	\$ 174,292	\$ -	\$ -	\$ 174,292
Total Non-Depreciable	<u>174,292</u>	<u>-</u>	<u>-</u>	<u>174,292</u>
Depreciable:				
Wells	1,072,746	83,445		1,156,191
Pumping Plant	419,799	18,142		437,941
Purification Plant	72,866			72,866
Transmission Plant	1,549,798			1,549,798
Transmission Mains	519,544		(14,550)	504,994
Distribution Mains	1,075,224	78,886	(44,485)	1,109,625
Service Lines	189,387		(1,050)	188,337
Meters	334,389	119,034	(274)	453,149
Hydrants	47,540	3,171	(3,600)	47,111
Buildings and Bridges	163,649			163,649
Tools, Vehicles and Equipment	258,554			258,554
Office Furniture and Equipment	91,488	8,669	(4,900)	95,257
Weyco Corrosion Control	6,510			6,510
Chase Wellfield Devel	1,039,410	31,656		1,071,066
CWTP- Pacific Excavation	2,876,329	54,243		2,930,572
Supplies	13,665			13,665
Total Depreciable	<u>9,730,898</u>	<u>397,246</u>	<u>(68,859)</u>	<u>10,059,285</u>
Total Capital Assets	<u>9,905,190</u>	<u>397,246</u>	<u>(68,859)</u>	<u>10,233,577</u>
Accumulated Depreciation				
Wells	613,470	14,660		628,130
Pumping Plant	218,366	15,661		234,027
Purification Plant	42,679	2,563		45,242
Transmission Plant	784,344	28,839		813,183
Transmission Mains	477,927	1,126	(14,550)	464,503
Distribution Mains	699,964	13,344	(25,023)	688,285
Service Lines	159,545	1,871	(735)	160,681
Meters	155,452	7,395	(144)	162,703
Hydrants	32,116	650	(2,865)	29,901
Buildings and Bridges	113,123	4,047		117,170
Tools, Vehicles and Equipment	188,745	15,597		204,342
Office Furniture and Equipment	66,068	5,385	(3,185)	68,268
Weyco Corrosion Control	4,231	651		4,882
Chase Wellfield Devel	34,198	21,641		55,839
CWTP- Pacific Excavation	43,341	44,019		87,360
Supplies	2,823	1,366		4,189
Total Accumulated Depreciation	<u>3,636,392</u>	<u>\$ 178,815</u>	<u>\$ (46,502)</u>	<u>3,768,705</u>
Capital Assets, Net	<u>\$ 6,268,798</u>			<u>\$ 6,464,872</u>

Deletions represent disposal of assets resulting in a loss of book value of \$22,357.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS

Notes Payable: The District entered into a loan agreement to purchase 21 acres at Chase Wellfield. Quarterly payments of \$7,560 began September 1, 2014. The remaining balance of the loan was paid in the 2018-19 fiscal year.

Financing Contract: The District entered into a reimbursement basis financing contract for an estimated project cost of \$3,294,400 of which \$515,000 of the loan is forgivable. The original loan approved amount is \$2,500,000 and for the year ended of June 30, 2019, the District received \$316,913 of the loan amount. The final loan amount is \$2,430,573 and yearly payments begin December 1, 2019.

The following is a summary of long-term obligations for the year ended June 30, 2019:

<u>Loan</u>	<u>Rates</u>	<u>Amount</u>	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>One Year</u>
Chase Wellfield	5.00%	\$ 133,360	\$ 29,373	\$ -	\$ 29,373	\$ -	\$ -
Financing Contract	1.97%	\$ 2,430,573	2,113,660	316,913	-	2,430,573	69,647
Total			<u>\$ 2,143,033</u>	<u>\$ 316,913</u>	<u>\$ 29,373</u>	<u>\$ 2,430,573</u>	<u>\$ 69,647</u>

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Financing Contract</u>		
2020	69,647	78,568	148,215
2021	101,706	46,510	148,216
2022	103,709	44,507	148,216
2023	105,752	42,464	148,216
2024	107,836	40,380	148,216
2025-2029	571,893	169,186	741,079
2030-2034	630,488	110,591	741,079
2035-2039	739,542	45,993	785,535
Total	<u>\$ 2,430,573</u>	<u>\$ 578,199</u>	<u>\$ 3,008,772</u>

The Financing Contract note payable agreement has a default clause stating that should the District default on the loan, the remaining amount of principal and interest can be accelerated to be due immediately. The District has no other significant default or termination clauses contained in the note payable loan agreement under GASB 88.

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all district employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, are held in trust by the plan administrator for the sole benefit of the participants.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of participants and their beneficiaries.

The District has adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The District has little administrative involvement and does not perform the investing functions for this plan, therefore, this plan is not shown in the District's basic financial statements.

7. RISK MANAGEMENT

The District is exposed 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. The District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

8. PROPERTY TAX LIMITATIONS

The Voters of the State of Oregon imposes a constitutional limit on property taxes. The limitation provides that property taxes for operations are limited to \$4.6552 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State Voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to districts from the impact of the tax cuts.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$127,929 excluding amounts to fund employer specific liabilities.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Asset or Liability

At June 30, 2019, the District reported a net pension liability of \$895,446 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2018 and 2017, the District's proportion was .0059 and .0059 percent respectively. Pension expense for the year ended June 30, 2019 was \$47,407.

The rates in effect for the year ended June 30, 2019 were:

- (1) Tier 1 / Tier 2 – 25.71%
- (2) OPSRP general services – 16.11%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 30,460	\$ -
Changes in assumptions	208,190	-
Net difference between projected and actual earnings on pension plan investment	-	39,763
Changes in proportionate share	2,358	38,504
Difference between employer contributions and employer's proportionate share of system contributions	38,663	7,223
Subtotal - Amortized deferrals (below)	279,671	85,490
District contributions subsequent to measurement date	127,929	-
Net deferred outflow (inflow) of resources	\$ 407,600	\$ 85,490

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Subtotal amounts related to pension as deferred outflows of resources, \$279,671, and deferred inflows of resources, (\$85,490), net to \$194,181 and will be recognized in pension expense as follows:

Year ending June 30,	Amount
2020	\$ 104,266
2021	73,848
2022	(5,985)
2023	15,906
2024	6,146
Thereafter	-
Total	\$ 194,181

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent (changed from 7.50 percent)
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	13.5%	21.5%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Source: June 30, 2018 PERS CAFR; p. 98

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		2.50%

Source: June 30, 2018 PERS CAFR; p. 72

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability as of the measurement dates June 30, 2018 and 2017 was 7.20 and 7.50 percent respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1- percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 1,496,460	\$ 895,446	\$ 399,359

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer’s reporting date that are expected to have a significant effect on the employer’s share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

10. OTHER POST EMPLOYEMENT BENEFIT PLAN - RHIA

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFIT PLAN – RHIA (CONTINUED)

retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.53% of annual covered OPERF payroll and 0.45% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with 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) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2019 were considered by management to be immaterial to the basic financial statements.

At June 30, 2019, the District's net OPEB liability/(asset) and deferred inflows and outflows for RHIA were not considered material to the basic financial statements by management and were not accrued on the government wide statements.

11. INTERFUND TRANSFERS

Interfund transfers are comprised of the following at June 30, 2019:

	<u>Transfers Out</u>	<u>Transfers In</u>
Fire Fund	\$ 350,000	\$ -
Water Fund	-	250,000
Capital Reserve Fund	-	100,000
	<u> </u>	<u> </u>
Total Transfers	<u>\$ 350,000</u>	<u>\$ 350,000</u>

Transfers were made to fund operations. There were no interfund receivables/payables at June 30, 2019.

12. TAX ABATEMENTS

As of June 30, 2019, the District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2019 for any program covered under GASB 77.

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. OPERATING LEASES

The District has entered into a lease with Canon for a printer on November 7, 2018 and expires on November 7, 2021 with a \$1 end of term purchase option. Rental expense was \$458 for the year. As of June 30, 2019 minimum annual lease payments for leases with terms in excess of one year are as follows:

	<u>Canon Printer</u>
2019-20	\$ 560
2020-21	560
2021-22	<u>187</u>
Total	<u>\$ 1307</u>

14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$37,365 was made to the Fire Protection Fund to reduce the amount of Property Taxes Receivable on the Governmental Funds Balance Sheet to the amount now verified with county records. (See page 3 of this report). The adjustment is shown on the Statement of Revenues, Expenditures and Changes in Fund Balance (page 5) as a reduction to the fund balance.

REQUIRED
SUPPLEMENTARY INFORMATION

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2019**

<u>FIRE PROTECTION FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Current year property taxes	\$ 1,386,847	\$ 1,386,847	\$ 1,489,201	\$ 102,354
Prior year property taxes	20,000	20,000	-	(20,000)
Interest	5,000	5,000	15,337	10,337
Total Revenues	1,411,847	1,411,847	1,504,538	92,691
EXPENDITURES:				
Contractual	1,203,161	1,203,161 (1)	1,166,609	36,552
Contingency	300,790	300,790 (1)	-	300,790
Total Expenditures	1,503,951	1,503,951	1,166,609	337,342
Excess of Revenues Over, -Under Expenditures	(92,104)	(92,104)	337,929	430,033
Other Financing Sources (Uses):				
Transfers Out	(350,000)	(350,000) (1)	(350,000)	-
Total Other Financing Sources (Uses)	(350,000)	(350,000)	(350,000)	-
Net Change in Fund Balance	(442,104)	(442,104)	(12,071)	430,033
Beginning Fund Balance	480,000	480,000	452,752	(27,248)
Prior Period Adjustment	-	-	(37,365)	(37,365)
Ending Fund Balance	\$ 37,896	\$ 37,896	\$ 403,316	\$ 365,420

(1) Appropriation Level

RAINBOW WATER DISTRICT
LANE COUNTY, OR
REQUIRED SUPPLEMENTARY INFORMATION
for the Fiscal Year Ended June 30, 2019

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPA)	(c) Entity's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.006 %	\$ 895,446	\$ 562,685	159.1 %	82.1 %
2018	0.006	795,754	513,596	154.9	83.1
2017	0.006	911,928	481,819	189.3	80.5
2016	0.007	407,784	447,392	91.1	91.9
2015	0.007	(153,895)	439,364	(35.0)	103.6
2014	0.007	346,470	417,895	82.9	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2019	\$ 127,929	\$ 127,929	\$ -	\$ 629,916	20.3 %
2018	114,331	114,331	-	562,685	20.3
2017	88,169	88,169	-	513,596	17.2
2016	82,665	82,665	-	481,819	17.2
2015	60,158	60,158	-	447,392	13.4
2014	58,148	58,148	-	439,364	13.2

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SUPPLEMENTARY INFORMATION

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2019**

<u>WATER OPERATING FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Water sales	\$ 1,475,000	\$ 1,475,000	\$ 1,568,465	\$ 93,465
Interest	2,400	2,400	8,960	6,560
Contract Services Income	64,221	64,221	87,849	23,628
Miscellaneous income	33,870	33,870	30,136	53,979
Total Revenues	1,575,491	1,575,491	1,695,410	119,919
EXPENDITURES:				
Personal services	949,610	949,610 (2)	932,380	17,230
Materials and services	454,238	454,238 (2)	481,427	(27,189)
Contractual	95,500	95,500 (2)	62,093	33,407
Debt Service	153,000	153,000 (2)	29,373	123,627
Capital outlay	514,143	885,483 (2)	393,738	491,745
Contingency	50,000	50,000 (2)	-	50,000
Total Expenditures	2,216,491	2,587,831 (1)	1,899,011	688,820
Excess of Revenues Over (Under) Expenditures	(641,000)	(1,012,340)	(203,601)	808,739
Other Financing Sources (Uses):				
Gain (loss) from sale of assets	1,000	1,000	-	(1,000)
Chase Wellfield Loan & Grant	-	371,340	316,913	(54,427)
Transfers In	250,000	250,000	250,000	-
Total Other Financing Sources (Uses)	251,000	622,340	566,913	(55,427)
Net Change in Fund Balance	(390,000)	(390,000)	363,312	753,312
Beginning Balance	400,000	400,000	64,681	(335,319)
Ending Fund Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 427,993</u>	<u>\$ 417,993</u>

(1) Appropriation Level

(2) Expenditure levels were appropriated together

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2019**

<u>CAPITAL REPLACEMENT RESERVE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest	\$ 3,000	\$ 3,000	\$ 8,624	\$ 5,624
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>8,624</u>	<u>5,624</u>
EXPENDITURES:				
Capital Outlay	<u>250,000</u>	<u>250,000</u> (1)	<u>-</u>	<u>250,000</u>
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Excess of Revenues Over (Under) Expenditures	(247,000)	(247,000)	8,624	- 255,624
Other Financing Sources (Uses):				
Transfers In	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(147,000)	(147,000)	108,624	255,624
Beginning Fund Balance	<u>226,000</u>	<u>226,000</u>	<u>226,367</u>	<u>367</u>
Ending Fund Balance	<u>\$ 79,000</u>	<u>\$ 79,000</u>	<u>\$ 334,991</u>	<u>\$ 255,991</u>

(1) Appropriation Level

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

<u>WATER OPERATING FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Water sales - retail	\$ 900,000	\$ 900,000	\$ 941,679	\$ 41,679
Water sales - SUB	575,000	575,000	626,786	51,786
Interest income - water	2,400	2,400	8,960	6,560
Reimbursed labor	10,020	10,020	5,080	(4,940)
Account processing fees	-	-	3,542	3,542
Late Fees	-	-	5,912	5,912
Service connection charges	390	390	1,240	850
Contract Service - Hydrant Maintenance	4,221	4,221	9,238	5,017
Contract Service - Marcola	36,000	36,000	44,771	8,771
Contract Service - ShangriLa	12,000	12,000	7,313	(4,687)
Contract Service - Deerhorn	12,000	12,000	26,527	14,527
Misc income	23,460	23,460	14,362	(9,098)
Total Revenues	1,575,491	1,575,491	1,695,410	119,919
EXPENDITURES:				
Personnel services:				
Staff wages	584,272	584,272	541,334	42,938
Extra value bonus	39,680	39,680	7,400	32,280
Part time and emergency pay	-	-	28,062	(28,062)
Vacation pay expense	-	-	33,875	(33,875)
Sick pay expense	9,500	9,500	28,531	(19,031)
Social security and medicare expense	48,574	48,574	47,336	1,238
Workers comp expense	8,200	8,200	5,836	2,364
Employee insurance expense	125,209	125,209	112,077	13,132
PERS expense	134,175	134,175	127,929	6,246
Total personal services	949,610	949,610	932,380	17,230
Materials and services				
Purification expense	70,000	70,000	48,295	21,705
Purification exp-source	-	-	3,219	(3,219)
Telephone telemetry	20,000	20,000	17,918	2,082
Pump power	210,000	210,000	216,135	(6,135)
Maintenance vehicles	26,000	26,000	34,541	(8,541)
Maintenance - District facilities	32,000	32,000	85,627	(53,627)
Customer billing	22,100	22,100	18,518	3,582
Interest expense	4,000	4,000	865	3,135
General office	25,000	25,000	28,998	(3,998)
Special district	5,000	5,000	705	4,295
Bad debt exp	1,800	1,800	1,871	(71)
Contract/Temporary Workers	-	-	-	-
Water purchases	500	500	-	500
Budget & election exp	1,500	1,500	3,596	(2,096)
Source protection exp	2,838	2,838	-	2,838
Dues, school and convention exp	14,000	14,000	12,282	1,718
Street light exp	11,000	11,000	8,304	2,696
Maintenance - Land and Buildings	8,000	8,000	-	8,000
Other expense	500	500	553	(53)
Total materials and services	454,238	454,238	481,427	(27,189)

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

<u>WATER OPERATING FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Contractual services:				
Insurance expense	30,000	30,000	36,907	(6,907)
Engineering studies	12,000	12,000	3,782	8,218
Financial advisor	13,000	13,000		13,000
Legal expense	10,000	10,000	1,509	8,491
Audit expense	14,000	14,000	11,970	2,030
Escrow	-	-	372	(372)
Office IT Support	16,500	16,500	7,553	8,947
Total contractual services	95,500	95,500	62,093	33,407
Debt Service	153,000	153,000	29,373	123,627
Total Debt Service	153,000	153,000	29,373	(123,627)
Capital outlay	514,143	885,483	393,738	491,745
Total capital outlay	514,143	885,483	393,738	491,745
Contingency	50,000	50,000	-	50,000
Total expenditures	2,216,491	2,587,831	1,899,011	565,193
Other Financing Sources (Uses):				
Sale of assets	1,000	1,000	-	(1,000)
Chase Wellfield Loan & Grant	-	371,340	316,913	(54,427)
Transfers In	250,000	250,000	250,000	-
Total Other Financing Sources (Uses)	251,000	622,340	566,913	(55,427)
Net Change in Fund Balance	(390,000)	(390,000)	363,312	629,685
Beginning Fund Balance	400,000	400,000	64,681	(335,319)
Ending Fund Balance	\$ 10,000	\$ 10,000	427,993	\$ 417,993

**RECONCILIATION TO STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - ENTERPRISE FUNDS**

Capital Assets, net of accumulated depreciation	6,464,872
Proportionate share of net pension liability - PERS	(895,446)
Long term debt	(2,430,573)
Compensated absences	(13,194)
Deferred inflows - PERS	(85,490)
Deferred outflows - PERS	407,600
Ending Net Position	\$ 3,875,762

**RAINBOW WATER DISTRICT
LANE COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2019**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2018	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2019
Current:						
2018-19	\$ 1,502,173	\$ 39,782	\$ (6,607)	\$ 489	\$ 1,430,212	\$ 26,061
Prior Years:						
2017-18	25,103	(34)	(2,455)	912	11,380	12,214
2016-17	15,923	134	(2,210)	923	7,243	7,259
2015-16	11,007	136	(2,358)	1,103	6,283	3,333
2014-15	9,676	232	(921)	782	8,201	1,104
Prior	32,275	1,085	3,009	469	28,020	6,648
Total Prior	93,984	1,553	(4,935)	4,189	61,127	30,558
Total	<u>\$ 1,596,157</u>	<u>\$ 41,335</u>	<u>\$ (11,542)</u>	<u>\$ 4,678</u>	<u>\$ 1,491,339</u>	<u>\$ 56,619</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,491,339
Accrual of Receivables	
June 30, 2018	(4,499)
June 30, 2019	3,686
Payments in Lieu of Taxes	<u>(1,325)</u>
Total Revenue	<u>\$ 1,489,201</u>

REPORTS ON LEGAL AND
OTHER REGULATORY REQUIREMENTS



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February 12, 2020

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of Rainbow Water District as of and for the year ended June 30, 2019, and have issued our report thereon dated February 12, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether Rainbow Water District's basic 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 the basic 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:

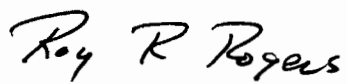
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter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

In connection with our testing nothing came to our attention that caused us to believe Willamette Education Service 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 the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic 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 controls over financial reporting.

This report is intended solely for the information and use of the Board 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.

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

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