

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2025

WITH INDEPENDENT AUDITOR'S REPORT

Prepared by Finance Department

RAINBOW WATER DISTRICT

Year Ended June 30, 2025

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INTRODUCTORY SECTION

RAINBOW WATER DISTRICT

June 30, 2025

BOARD OF COMMISSIONERS

President	Doug Keeler
Vice President	Marla Casley
Secretary/Treasurer	Lou Allocco
Commissioner	Mindy Kephart
Commissioner	James Burrington

DISTRICT ADDRESS

Rainbow Water District
1550 N 42nd Street
Springfield, Oregon 97477

FINANCIAL SECTION

Independent Auditor's Report

Board of Commissioners
Rainbow Water District
Springfield, Oregon

Opinions

We have audited the accompanying basic financial statements of Rainbow Water District ("District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, the schedule of pension contributions, and the schedule of revenues, expenditures and changes in fund balance - budget and actual of the Fire Protection Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, the schedule of the proportionate share of the net pension liability and the schedule of pension contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information contained in the budgetary schedules referred to above is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules referred to above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of budgeted and actual resources and requirements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of budgeted and actual resources and requirements are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budgeted and actual resources and requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Water Operating Fund, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated April 23, 2026 on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Isler CPA



By: Cody Savey, CPA, a member of the firm
Eugene, Oregon
April 23, 2026

**RAINBOW WATER DISTRICT
LANE COUNTY OREGON**

Year Ended June 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rainbow Water District ("District"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2025 and June 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of June 30, 2025 by \$7,495,514, an increase of \$1,141,344. Net position consists of (\$343,863) of unrestricted net position, \$3,029,983 of restricted net position related to fire protection, capital reserves and resilience, and \$4,809,394 is invested in capital assets net of accumulated depreciation, amortization and related debt.
- Total operating revenues were \$2,925,922, an increase of \$685,044 from the prior year. Operating expenses totaled \$3,692,222, an increase of \$241,226 from the prior year. Total general revenues were \$1,907,644, an increase of \$40,653 from the prior year. The difference from these amounts resulted in an increase to net position of \$1,141,344.
- The District has \$6,641,357 in capital assets, net of accumulated depreciation. This is an increase of \$6,380 from the prior year. The District also recognized \$247,911 in depreciation expense in the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements consist of the Statement of Net Position, Statement of Activities, Fund Financial Statements and Statement of Cash Flows along with the Notes to Basic Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a complete understanding of the data provided in the Financial Statements.

The Statement of Net Position presents information on all of the District's assets, liabilities, and net position. Over time, changes in assets, liabilities, and net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statement of Activities presents information related to increases and decreases in net total position. This statement is prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

The Fund Financial statements focus separately on the District's major governmental funds and proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental funds are reported using the modified accrual basis of accounting. Government fund statements provide a detailed short-term view of the governmental fund operations and basic services it provides. These statements may be useful in assessing a government's near-term financing requirements. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements are reported using the full accrual basis of accounting. The District's enterprise funds charge fees to customers to help cover the costs of certain services provided. The District's Fire Protection Fund and Water Operations Fund qualify as major funds.

The Statement of Cash Flows is an analysis of the change in the District's cash balance during the fiscal year. It is divided into four components, cash provided from operating activities, cash from non-capital financing activities, cash used for capital and related financing activities, and cash from investing activities.

The Notes to the Basic Financial statements are an integral part of the financial statements. Notes provide additional details and statistical information about the figures represented, accounting basis, policies and procedures as well as compliance, stewardship and accountability.

**RAINBOW WATER DISTRICT
LANE COUNTY OREGON**

Year Ended June 30, 2025

FINANCIAL ANALYSIS

The financial operations of the District are primarily related to the retail and wholesale distribution of water in and around Lane County.

Revenues from the sale of water increased from \$2,160,303 to \$2,307,951 due to rate increases.

Rainbow Water District's revenues and expenses for the years ended June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Operating revenues	\$ 1,835,488	\$ 1,779,645	\$ 2,867,014	\$ 2,240,878	\$ 2,867,014	\$ 2,240,878
Non-operating revenues	1,835,488	1,779,645	220,372	735,562	2,055,860	2,515,207
Total revenues	<u>1,835,488</u>	<u>1,779,645</u>	<u>3,087,386</u>	<u>2,976,440</u>	<u>4,922,874</u>	<u>4,756,085</u>
Operating expenses	1,374,302	1,238,831	2,317,920	2,212,167	3,692,222	3,450,998
Non-operating expenses	148,216	648,216	-	-	148,216	648,216
Total expenses	<u>1,522,518</u>	<u>1,887,047</u>	<u>2,317,920</u>	<u>2,212,167</u>	<u>3,840,438</u>	<u>4,099,214</u>
Change in net position	312,970	(107,402)	769,466	764,273	1,082,436	656,871
Beginning net position*	395,609	503,011	6,017,469	5,194,288	6,413,078	5,697,299
Ending net position	<u>708,579</u>	<u>395,609</u>	<u>6,786,935</u>	<u>5,958,561</u>	<u>7,495,514</u>	<u>6,354,170</u>

* See note 12 for correction of an error.

Total assets, liabilities, and net position were as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 708,579	\$ 395,609	\$ 3,178,256	\$ 2,407,357	\$ 3,886,835	\$ 2,802,966
OPEB RHIA Asset	-	-	-	16,092	0	16,092
Capital assets	-	-	6,641,357	6,634,975	6,641,357	6,634,975
Total assets	<u>708,579</u>	<u>395,609</u>	<u>9,819,613</u>	<u>9,058,424</u>	<u>10,528,192</u>	<u>9,454,033</u>
Deferred Outflows	-	-	587,049	471,193	429,417	471,193
Current liabilities	-	-	429,417	369,618	429,417	369,618
Non-current liabilities	-	-	3,012,078	3,009,905	3,012,078	3,009,905
Total liabilities	<u>-</u>	<u>-</u>	<u>3,441,495</u>	<u>3,379,523</u>	<u>3,441,495</u>	<u>3,379,523</u>
Deferred Inflows	-	-	178,232	191,533	178,232	191,533
Net position:						
Net investment in capital assets	-	-	4,809,394	4,223,956	4,809,394	4,223,956
Restricted	708,579	395,609	2,321,404	1,734,605	3,029,983	2,130,214
Unrestricted	-	-	(343,863)	0	(343,863)	0
Total net position	<u>\$ 708,579</u>	<u>\$ 395,609</u>	<u>\$ 6,786,935</u>	<u>\$ 5,958,561</u>	<u>\$ 7,495,514</u>	<u>\$ 6,354,170</u>

Current and other assets increased by \$1,083,869 primarily due to increases in cash balances at year end. Non-current liabilities increased \$2,173 due to payments on long-term debt and change in pension liability .

RAINBOW WATER DISTRICT
LANE COUNTY OREGON

Year Ended June 30, 2025

CAPITAL ASSETS

The District's capital assets as of June 30, 2025 amount to \$6,641,357 (net of accumulated depreciation), a net increase of \$6,380 from the prior year. Capital assets include land, the distribution system, buildings, plant and office equipment, and automotive equipment. See Note 5 for additional information regarding capital assets.

LONG-TERM DEBT

At the end of the current fiscal year, the District had total debt outstanding of \$1,831,963; consisting of long-term debt, secured by the full faith and credit of the District. During the fiscal year the District retired \$109,960 of the debt. See Note 6 for additional information regarding long-term debt.

ECONOMIC FACTORS

The operating budget for 2025 anticipated higher revenues due to rate increases and revenues from PFAS manufacturer legal settlements. We expect these trends to continue in the future.

REQUEST FOR INFORMATION

Our financial report is designed to provide our ratepayers and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact the Finance Department at the Rainbow Water District. Our address is: 1550 N 42nd St, Springfield, OR 97477.

BASIC FINANCIAL STATEMENTS

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Statement of Net Position

June 30, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 630,929	\$ 2,728,009	\$ 3,358,938
Receivables:			
Taxes	77,650	-	77,650
Water Service (net of allowance)	-	363,682	363,682
Prepaid expenses and other current assets	-	31,242	31,242
Inventory	-	55,323	55,323
Noncurrent assets:			
Capital assets:			
Land	-	174,292	174,292
Capital Assets, Net	-	6,467,065	6,467,065
Total assets	<u>708,579</u>	<u>9,819,613</u>	<u>10,528,192</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	-	587,049	587,049
Total assets and deferred outflows	<u>708,579</u>	<u>10,406,662</u>	<u>11,115,241</u>
LIABILITIES			
Accounts Payable	-	74,514	74,514
Payroll Liabilities	-	83,338	83,338
Deposits Received	-	15,981	15,981
Accrued Interest	-	22,316	22,316
Current Portion of Long-Term Debt	-	112,126	112,126
Accrued compensated absences	-	121,142	121,142
Noncurrent liabilities:			
Due in more than one year-LTD	-	1,719,837	1,719,837
Pension Liability	-	1,292,241	1,292,241
Total liabilities	<u>-</u>	<u>3,441,495</u>	<u>3,441,495</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	-	178,232	178,232
Total liabilities and deferred inflows	<u>-</u>	<u>3,619,727</u>	<u>3,619,727</u>
NET POSITION			
Net Investment in Capital Assets	-	4,809,394	4,809,394
Restricted for:			
Fire Protection Services	708,579	-	708,579
Capital Reserves	-	1,139,404	1,139,404
Resilience	-	1,182,000	1,182,000
Unrestricted	-	(343,863)	(343,863)
Total net position	<u>\$ 708,579</u>	<u>\$ 6,786,935</u>	<u>\$ 7,495,514</u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Statement of Activities

For the Year Ended June 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:					
Fire Protection	\$ 1,374,302	\$ -	\$ (1,374,302)	\$ -	\$ (1,374,302)
Total governmental activities	<u>1,374,302</u>	<u>-</u>	<u>(1,374,302)</u>	<u>-</u>	<u>(1,374,302)</u>
Business-type activities:					
Water Service	<u>2,317,920</u>	<u>2,867,014</u>	<u>-</u>	<u>549,094</u>	<u>549,094</u>
Total business-type activities	<u>2,317,920</u>	<u>2,867,014</u>	<u>-</u>	<u>549,094</u>	<u>549,094</u>
Total activities	<u>\$ 3,692,222</u>	<u>\$ 2,867,014</u>	<u>(1,374,302)</u>	<u>549,094</u>	<u>(825,208)</u>
General Revenues:					
Property taxes, levied for general purposes			1,795,368	-	1,795,368
Interest and investment earnings			40,120	67,488	107,608
Gain (loss) on sale of capital assets			<u>-</u>	<u>4,668</u>	<u>4,668</u>
Total general revenues			<u>1,835,488</u>	<u>72,156</u>	<u>1,907,644</u>
Transfers, net			<u>(148,216)</u>	<u>148,216</u>	<u>-</u>
Change in net position			312,970	769,466	1,082,436
Net Position - Beginning			395,609	5,958,561	6,354,170
Prior Year Correction of error (see note 12)			<u>-</u>	<u>58,908</u>	<u>58,908</u>
Net Position - Beginning, as restated			<u>395,609</u>	<u>6,017,469</u>	<u>6,413,078</u>
Net Position- Ending			<u>\$ 708,579</u>	<u>\$ 6,786,935</u>	<u>\$ 7,495,514</u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

GOVERNMENTAL FUND

Balance Sheet

June 30, 2025

	<u>Fire Protection</u>
ASSETS	
Cash and Cash Equivalents	\$ 630,929
Property Taxes Receivable	<u>77,650</u>
Total assets	<u>\$ 708,579</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources:	
Deferred Inflows - Property Taxes	\$ <u>77,650</u>
Total Deferred Inflows of Resources	<u>77,650</u>
FUND BALANCE	
Restricted:	
Fire Protection	<u>630,929</u>
Total Fund Balances	<u>630,929</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 708,579</u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - governmental funds	\$ 630,929
Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds	<u>77,650</u>
Net position of governmental activities	<u>\$ 708,579</u>

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

GOVERNMENTAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2025

	<u>Fire Protection</u>
Revenues:	
Property Taxes	\$ 1,776,626
Interest Income	<u>40,120</u>
Total Revenues	<u>1,816,746</u>
Expenditures:	
Fire Protection	<u>1,374,302</u>
Total Expenditures	<u>1,374,302</u>
Excess of Revenues Over (Under) Expenditures	<u>442,444</u>
Other Financing Sources (Uses):	
Transfers Out	<u>(148,216)</u>
Total Other Financing Sources (Uses)	<u>(148,216)</u>
Change in Fund Balance	294,228
Fund Balance - Beginning	<u>336,701</u>
Fund Balance - End of Year	<u><u>\$ 630,929</u></u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For Year Ended June 30, 2025

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the governmental activities in the statement of activities.

Net Change in Fund Balances - Governmental Funds \$ 294,228

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 revenue in the funds as follows:

(Decrease) Increase in unavailable revenues (Property taxes)	<u>18,742</u>
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Change in Net Position- Governmental Activities \$ 312,970

RAINBOW WATER DISTRICT
LANE COUNTY, OREGON

ENTERPRISE FUND
Statement of Net Position
June 30, 2025

	<u>Water Operating Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,728,009
Accounts receivable, net of allowance	363,682
Inventory	55,323
Prepaid expenses	<u>31,242</u>
Total Current Assets	<u>3,178,256</u>
Non-Current Assets:	
Non-depreciable capital assets	174,292
Depreciable capital assets, net	<u>6,467,065</u>
Total Non-Current Assets	<u>6,641,357</u>
Total Assets	<u>9,819,613</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflows - Pension Related	<u>587,049</u>
Total Assets and Deferred Outflows of Resources	<u>10,406,662</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	74,514
Accrued Compensated Absences	121,142
Accrued Interest	22,316
Payroll Liabilities	83,338
Long-term debt due within one year	112,126
Customer Deposits	<u>15,981</u>
Total Current Liabilities	<u>429,417</u>
Non-current Liabilities:	
Long-term debt less current portion	1,719,837
Net Pension Liabilities- PERS	<u>1,292,241</u>
Total Non-current Liabilities	<u>3,012,078</u>
Total Liabilities	<u>3,441,495</u>
DEFERRED INFLOW OF RESOURCES	
Pension Related Deferrals - PERS	<u>178,232</u>
Total Deferred Inflows	<u>178,232</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,619,727</u>
NET POSITION	
Net investment in capital assets	4,635,102
Restricted to Reserve Fund	1,139,404
Restricted to Resilience Fund	1,182,000
Unrestricted	<u>(169,571)</u>
Total net position	<u>\$ 6,786,935</u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

ENTERPRISE FUND

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2025

Operating revenues:

Water Service	\$ 2,307,951
Contract Service Income	97,193
Other revenue	<u>461,870</u>
Total operating revenues	<u>2,867,014</u>

Operating expenses:

Personal Services	1,346,869
Materials and services	723,140
Depreciation	<u>247,911</u>
Total operating expenses	<u>2,317,920</u>
Operating income (loss)	<u>549,094</u>

Nonoperating revenues (expenses):

Transfers In	173,216
Transfers Out	(25,000)
Interest Income	105,744
Interest expense	(38,256)
Gains (Losses) on Sale of Capital Asset	<u>4,668</u>
Total nonoperating revenues (expenses)	<u>220,372</u>

Change in net position 769,466

Net position - beginning	<u>5,958,561</u>
Prior Period Correction of an Error	<u>58,908</u>
Net Position - beginning, as restated (Note 12)	<u>6,017,469</u>
Net position - end of year	<u>\$ 6,786,935</u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

ENTERPRISE FUND
Statement of Cash Flows

Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,805,293
Paid to Suppliers for Goods and Services	(729,383)
Paid to Employees	<u>(1,228,563)</u>
Net cash used in operating activities	<u>847,347</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in	<u>148,216</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(253,689)
Principal Paid on Debt	(109,960)
Interest Paid	(38,256)
Proceeds from Sale of Assets	<u>4,668</u>
Net cash used in capital and related financing activities	<u>(397,237)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Investments	<u>105,744</u>
Net Change in Cash	704,070
Cash at Beginning of Year	<u>2,023,939</u>
Cash at End of Year	<u><u>\$ 2,728,009</u></u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ 549,094
Adjustments to reconcile to net cash provided by (used in) operating activities:	
Depreciation	247,911
Changes in:	
Water Service Receivable	(61,721)
Prepays	(2,726)
Inventories	(2,382)
Net Change of Expense under GASB 68 & 75	630
Accounts Payable	43
Payroll and related accruals	31,554
Customer deposits	(1,178)
Compensated Absences	<u>86,122</u>
Net cash used in operating activities	<u><u>\$ 847,347</u></u>

The notes to the financial statements are an integral part of this statement

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies

The financial statements of Rainbow Water District have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies used in the preparation of the basic financial statements are described below.

Reporting Entity. Rainbow Water District ("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 basic financial statements as a component unit of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all activities of the primary government. For the most part interfund services provided and used are eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net position presents information on all the District's assets, net outflows of resources, liabilities, and net inflows of resources, with the difference between them reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those costs, usually administrative in nature, which support all District functions and programs and enable direct services to be provided. Program revenues include charges for services that include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary funds. Major funds are reported separate columns in the fund financial statements.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (continued)

Basis of Presentation (Fund Accounting) and 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 streetlights. The fund's primary source of revenue is water charges.

NonMajor Enterprise Funds

The principal source of revenue is transfers from the major funds.

Capital Reserve Fund

The purpose of this fund is to provide for the replacement or construction of new utility infrastructure to enable the District to operate source, storage, treatment and related functions necessary for the provision of water for domestic and fire protection uses.

Resilience Fund

The purpose of this fund is to save for a rainy day and smooth rate increases by managing fluctuations in water revenue over several budget years.

The District's government wide and enterprise fund financial statements are maintained on a flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned, and expenses are recorded at the time 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).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available, and susceptible to accrual, when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District consider revenues to be susceptible to accrual if they are collected by the end of the reporting period (0 days) for all governmental revenues.

Operating and Nonoperating 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 principle ongoing operations. The principal operating revenues of the enterprise fund are 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 revenue and expenses.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (continued)

Budget. A budget is prepared and legally adopted for each fund 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	Capital Reserve
Capital Outlay	Resilience

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, 2025.

Cash and Cash Equivalents. Cash and cash equivalents are considered to be cash on hand, demand deposits, and amounts invested with the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Investments in the LGIP are stated at cost, which approximates fair value. The fair value of investments in the LGIP is the same as the value of the pool shares. The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended, no-load diversified portfolio offered to an agency, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The District has not adopted formal deposit and investment policies and instead follows State Statutes that authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Receivables. Accounts receivable are for residential, commercial, and industrial sales. The District provides for estimated losses on accounts receivable based on prior bad debt experience and review of existing customer receivables. Based on these factors, management has established an allowance for uncollectible accounts equal to the estimated collection losses that management believes will be incurred in collection of all receivables. Accounts receivable are charged off as uncollectible when the District believes that it is probable that all amounts due from the receivable will not be collected.

Accounts receivable are also for property taxes in the District's governmental fund. Property taxes are levied and become a lien on July 1st. Property taxes are assessed in October and tax payments are due on November 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th of the same year, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent a month.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (continued)

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

Prepaid Insurance. Unexpired insurance premiums at June 30, 2025, on insurance policies expiring in 2025-26 are recorded as prepaid insurance and are recorded as expenditures when used.

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:

<u>Capital Assets</u>	<u>Depreciable Lives</u>
Building & 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

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, 2025.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (continued)

Compensated Absences. Effective July 1, 2024, the District implemented GASB Statement No. 101, Compensated Absences. This statement requires a single recognition and measurement model for all types of compensated absences and amends certain disclosure requirements. The adoption of GASB Statement No. 101 did not result in a restatement of prior period balances.

Earned but unpaid and unused leave is accrued as part of compensated absences and charged to operating as a current expense in accordance with GASB Statement No. 101. Per the District's policy all unused vacation leave vests with employees and is payable upon termination of employment. All other leaves falling under GASB 101 Statement No. 101 do not vest and are assessed to determine how much of the leave is more likely than not (greater than 50% likelihood) to be used by employees. The liability is measured using pay rates in effect as of the financial statement date and includes salary-related payments such as the District's share of Social Security and Medicare taxes.

Compensated absences activity for the year ended June 30, 2025, was as follows:

<u>Beginning Balance</u>	<u>Net Change in Compensated Absences</u>	<u>Ending Balance</u>
<u>\$ 35,020</u>	<u>\$ 86,122</u>	<u>\$ 121,142</u>

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 result could differ from those estimates.

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, 2025, there were deferred outflows representing PERS pension 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, 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 PERS pension related deferrals, which are reported in the statement of net position.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (continued)

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 has 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 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.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (continued)

Customer Deposits.

Customer Deposits are for new customers to set up their utility billing accounts with the District and pay a deposit of \$80. The deposit is refundable after 12 months of consistent payments with no more than one late fee.

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.

Note 2 - Cash

Cash is comprised of the following at June 30, 2025:

Petty cash	\$	150
Deposits with financial institutions		98,334
Investments in LGIP		<u>2,629,525</u>
Total cash	\$	<u>2,728,009</u>

Oregon Revised Statutes, Chapter 294, authorizes the District to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, and various interest bearing bonds of Oregon municipalities. The District is also authorized to invest in the State of Oregon Local Government Investment Pool ("LGIP"), an external investment pool, within prescribed limits.

Deposits. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program ("PFCP") of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2025, the District's deposits were covered and collateralized by federal depository insurance and the PFCP.

Note 3 - Accounts receivable- Water Service

The District bills residential water users and commercial users every month. The water service receivable is \$363,682 (after an allowance of \$1,200) at June 30, 2025. The allowance was based on prior year's amount and has been historically set at \$1,200 to cover bad debt with no changes considered necessary.

Note 4 - Property Taxes Receivable - Fire Protection

Property taxes receivable for the District at June 30, 2025 were \$77,650. No allowance was considered necessary.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>2024</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2025</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 174,292	\$ -	\$ -	\$ 174,292
Total capital assets, not being depreciated	<u>174,292</u>	<u>-</u>	<u>-</u>	<u>174,292</u>
Capital assets, being depreciated:				
Wells	1,192,778	76,039	-	1,268,817
Pumping Equipment	315,104	23,726	-	338,830
Telemetry	186,443	-	-	186,443
Purification Plant	87,081	-	-	87,081
Transmission Plant	1,958,342	-	-	1,958,342
Transmission Mains	389,778	-	(1,626)	388,152
Distribution Mains	1,464,284	2,659	(1,560)	1,465,383
Service Lines	165,691	-	(525)	165,166
Meters	460,567	-	-	460,567
Hydrants	64,779	22,083	(450)	86,412
Buildings and Bridges	186,881	-	-	186,881
Tools, Vehicles & Equipment	343,161	129,786	(17,725)	455,222
Office Furniture and Equipment	68,369	-	(4,425)	63,944
Weyco Corrosion Control	69,505	-	-	69,505
Chase Wellfield Devel	1,071,067	-	-	1,071,067
CWTP-Pacific Excavation	2,930,572	-	-	2,930,572
Supplies	13,665	-	-	13,665
Streetlight Upgrades	11,018	-	-	11,018
Total capital assets being depreciated	<u>10,979,085</u>	<u>254,293</u>	<u>(26,311)</u>	<u>11,207,067</u>
Less accumulated depreciation for:				
Wells	(687,518)	(13,796)	-	(701,314)
Pumping Equipment	(210,693)	(9,154)	-	(219,847)
Telemetry	(99,635)	(7,578)	-	(107,213)
Purification Plant	(58,233)	(2,568)	-	(60,801)
Transmission Plant	(993,348)	(35,553)	-	(1,028,901)
Transmission Mains	(350,111)	(1,019)	1,626	(349,504)
Distribution Mains	(753,787)	(20,460)	1,560	(772,687)
Service Lines	(130,810)	(1,928)	525	(132,213)
Meters	(84,209)	(11,622)	-	(95,831)
Hydrants	(30,640)	(1,461)	450	(31,651)
Buildings and Bridges	(130,992)	(2,946)	-	(133,938)
Tools, Vehicles & Equipment	(221,362)	(22,375)	17,725	(226,012)
Office Furniture and Equipment	(46,686)	(3,183)	4,425	(45,444)
Weyco Corrosion Control	(18,168)	(3,150)	-	(21,318)
Chase Wellfield Devel	(162,945)	(21,421)	-	(184,366)
CWTP- Pacific Excavation	(527,546)	(88,037)	-	(615,583)
Supplies	(10,893)	(1,109)	-	(12,002)
Streetlight Upgrades	(826)	(551)	-	(1,377)
Total accumulated depreciation	<u>(4,518,402)</u>	<u>(247,911)</u>	<u>26,311</u>	<u>(4,740,002)</u>
Total capital assets, being depreciated, net	<u>6,460,683</u>	<u>6,382</u>	<u>-</u>	<u>6,467,065</u>
Total capital assets, net	<u>\$ 6,634,975</u>			<u>\$ 6,641,357</u>

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 6 - Long-term obligations

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 final approved loan amount was \$2,430,573. The final payment is due in December 2038. 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 that would require disclosure under GASB 88.

The following is a summary of long-term debt transactions for the year ended June 30, 2025:

Loan	Original Issue Amount	Outstanding 7/1/2024	Decreases	Outstanding 6/30/2025	Due Within One Year
Financing Contract	\$ 2,430,573	\$ 1,941,923	\$ (109,960)	1,831,963	112,126
Total		<u>\$ 1,941,923</u>	<u>\$ (109,960)</u>	<u>\$ 1,831,963</u>	<u>\$ 112,126</u>

Annual debt service requirements to maturity at year end are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 112,126	\$ 36,090	\$ 148,216
2027	114,335	33,881	148,216
2028	116,587	31,628	148,215
2029	118,884	29,332	148,216
2030	121,226	26,990	148,216
2031 - 2035	642,909	98,171	741,080
2036 - 2040	<u>605,896</u>	<u>1,424</u>	<u>607,320</u>
	<u>\$ 1,831,963</u>	<u>\$ 257,516</u>	<u>\$ 2,089,479</u>

Note 7 - Statewide Local Government Retirement System

Employees of the District's are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the System. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at <https://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 7- Statewide Local Government Retirement System (continued)

Benefits Provided

1. Tier One/Tier Two Retirement Benefit (Chapter 238).

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 (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 benefit results. Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2021. The limit was \$238,567 for 2025 and it is indexed with inflation every year.

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. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two 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.

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 one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

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 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 when determining the monthly benefit.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equity investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 7- Statewide Local Government Retirement System (continued)

2. *OPSRP Pension Program (OPSRP DB)*

Pension Benefits.

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. 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:

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 65, or 58 with 30 years of retirement credit.

A member of the OPSRP 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, or, if the pension program is terminated, the date on which termination becomes effective.

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.

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.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. *OPSRP Individual Account Program (OPSRP IAP)*

Pension Benefits

An Individual Account Program (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.

Record keeping

OPERS contracts with Voya Financial to maintain IAP participant records.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 7- Statewide Local Government Retirement System (continued)

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. This 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, 2022 actuarial valuation and became effective July 1, 2024. Employer contributions for the year ended June 30, 2025 were \$202,386. The rates in effect for the fiscal year ended June 30, 2025 were 30.01 percent for Tier One/Tier Two General Services, 23.95 percent for OPSRP Pension Program General Services.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District's proportionate share of the net pension liability is \$1,292,241. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. 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 entities, actuarially determined. At June 30, 2025, the District's proportion was 0.00620984 percent, which changed from its proportion measured as of June 30, 2024 of 0.00581377 percent.

For the year ended June 30, 2025, the District recognized pension expense of \$203,620. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 76,553	\$ 3,084
Change in assumptions	129,922	166
Net difference between projected and actual earnings on pension plan investments	82,093	-
Changes in proportion and differences between District contributions and proportionate share of contributions	61,025	132,793
Differences between employer contributions and employer's proportionate share of system contributions	<u>36,201</u>	<u>42,189</u>
Sub-total before post-measurement date contributions	385,794	178,232
District contributions subsequent to the measurement date	<u>201,255</u>	<u>-</u>
Total	<u>\$ 587,049</u>	<u>\$ 178,232</u>

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 7- Statewide Local Government Retirement System (continued)

Deferred outflows of resources related to pensions of \$201,255 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	(20,779)
2027		117,469
2028		64,839
2029		39,728
2030		<u>6,305</u>
Total	\$	<u>207,562</u>

Actuarial Assumptions:

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Valuation Date	December 31, 2022
Measurement Date	June 30, 2024
Experience Study	2022, published July 24, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.4 %
Long-term Expected Rate of Return	6.9%
Discount Rate	6.9%
Projected Salary Increases	3.4% percent overall payroll growth
Cost Living Adjustments (COLA)	Blend of 2.00% COLA and Graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Date Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 7- Statewide Local Government Retirement System (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 methods and assumptions shown above are based on the 2022 Experience Study which reviewed experience for the four-year period ending on December 31, 2022.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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 was 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. Additional detail can be found at <https://www.oregon.gov/pers/>.

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from 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.

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Notes to Financial Statements

June 30, 2025

Note 7 - Statewide Local Government Retirement System (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.9 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 (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
Proportionate share of net pension liability (asset)	\$ 2,038,457	\$ 1,292,241	\$ 667,248

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Assumptions and Other Inputs

Changes in actuarial methods and assumptions implemented since the December 31, 2020 valuation are described in the 2020 Experience Study (Study), published July 2021.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

Note 8 - Interfund Transfers

Interfund transfers are comprised of the following at June 30, 2025.

	Transfers Out	Transfers In
Fire Fund	\$ 148,216	\$ -
Water Fund	25,000	148,216
Resilience Fund	-	25,000
Total Transfers	\$ 173,216	\$ 173,216

Transfers were made to fund operations. There were no interfund receivables/payables at June 30, 2025

Note 9 - 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 propriety 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 increases, 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 Financial Statements

June 30, 2025

Note 10 -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.

Note 11 - Deferred Compensation

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of resignation, death, disability, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Note 12 - Correction of Error

The District restated opening balances for the Water Operating Fund as of July 1, 2025 to remove deferred revenue that was recorded incorrectly in the amount of \$58,908 on the prior year financial statements. The effect of the correction is an increase to opening fund balance and net position in the Water Operations Fund of \$58,908.

Note 13 - Gain Contingency Related to PFAS Settlement Allocation

The District is a participant in a nationwide settlement program relating to litigation involving per - and polyfluoroalkyl substances (PFAS) and alleged impacts on public water systems. Under the applicable settlement agreement, eligible water systems receive settlement proceeds based on information submitted to the settlement program and related allocation methodology.

The District submitted information in accordance with the settlement program requirements, including data such as water system flow rates, PFAS detection levels, and other relevant operating and system information. Under the terms of the settlement program, each participating system's potential allocation is determined using a scoring system.

As of June 30, 2025, and through the date of this report, the scoring and allocation process had not been finalized. Scores and resulting allocation amounts remained subject to review, appeal, revision, and other administrative adjustments. Accordingly, the ultimate amount to be received by the District remained uncertain as of June 30, 2025.

Consistent with GASB guidance for gain contingencies, the District has not recognized any future receivable, revenue, or other asset related to this matter based on currently known facts as of June 30, 2025, and through the date of this report. Because the potential settlement proceeds remained contingent upon future events and final administrative determinations, the matter is disclosed on these financial statements, but no future amounts have been recorded.

During the year ended June 30, 2025, the District received \$428,595 in settlement funds from the company 3M. Additional payments from 3M are yet to be determined. As of the date of this report, management is expecting nine additional payments from 2025-2033 from 3M totaling approximately \$1.7 million dollars. Three other smaller PFAS class action settlements are pending and future payments are likely. As of the date of this report, District Management is expecting to receive approximately \$400,000 from the three smaller PFAS class action settlements. Due to the uncertainty of future payments, these estimates have not been recorded.

Required Supplemental Information

RAINBOW WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2025

Schedule of the Proportionate Share of the Net Pension Liability

	Oregon Public Employees Retirement System									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability (asset)	0.005814 %	0.006210 %	0.005644 %	0.006718 %	0.006566 %	0.006475 %	0.005911 %	0.005903 %	0.006075 %	0.006578 %
Proportionate share of the net pension liability (asset)	\$ 1,292,241	\$ 1,163,146	\$ 864,191	\$ 803,851	\$ 1,432,886	\$ 1,119,959	\$ 895,446	\$ 795,754	\$ 911,928	\$ 407,784
Covered payroll	\$ 752,613	\$ 694,823	\$ 645,024	\$ 633,492	\$ 665,085	\$ 629,916	\$ 562,685	\$ 513,596	\$ 481,819	\$ 447,392
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	171.70 %	167.40 %	133.98 %	126.89 %	215.44 %	177.79 %	159.14 %	154.94 %	189.27 %	91.15 %
Plan net position as a percentage of the total pension liability	79.30 %	81.70 %	84.50 %	75.80 %	75.80 %	80.20 %	82.10 %	83.10 %	80.50 %	91.88 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 202,371	\$ 191,575	\$ 168,739	\$ 150,795	\$ 148,470	\$ 156,601	\$ 127,929	\$ 114,331	\$ 88,169	\$ 82,665
Contributions in relation to the contractually required contribution	<u>202,371</u>	<u>191,575</u>	<u>168,739</u>	<u>150,795</u>	<u>148,470</u>	<u>156,601</u>	<u>127,929</u>	<u>114,331</u>	<u>88,169</u>	<u>82,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 796,334	\$ 752,613	\$ 694,823	\$ 645,024	\$ 633,492	\$ 665,085	\$ 629,916	\$ 562,685	\$ 513,596	\$ 481,819
Contributions as a percentage of covered employee payroll	25.41 %	25.45 %	24.29 %	23.38 %	23.44 %	23.55 %	20.31 %	20.32 %	17.17 %	17.16 %

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Fire Protection Fund

Schedule of Budgeted and Actual Resources and Requirements (Budgetary Basis)

Year Ended June 30, 2025

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Current year property taxes	\$ 1,710,000	\$ 1,776,626	\$ 66,626
Interest Income	40,000	40,120	120
Total Revenues	<u>1,750,000</u>	<u>1,816,746</u>	<u>66,746</u>
Expenditures:			
Materials and supplies	1,374,302	1,374,302	-
Contingency	453,520	-	453,520
Total Expenditures	<u>1,827,822</u>	<u>1,374,302</u>	<u>453,520</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,822)</u>	<u>442,444</u>	<u>520,266</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(148,216)</u>	<u>(148,216)</u>	<u>-</u>
Net Change in Fund Balance	(226,038)	294,228	520,266
Beginning Fund Balance	<u>300,000</u>	<u>336,701</u>	<u>36,701</u>
Ending Fund Balance	<u>\$ 73,962</u>	<u>\$ 630,929</u>	<u>\$ 556,967</u>

SUPPLEMENTAL INFORMATION

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Water Operating Fund

Schedule of Budgeted and Actual Resources and Requirements (Budgetary Basis)

Year Ended June 30, 2025

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Water Sales	\$ 2,150,408	\$ 2,307,951	\$ 157,543
Interest Income	15,000	15,358	358
Contract Services Revenue	71,843	97,193	25,350
Miscellaneous Income	<u>319,820</u>	<u>33,275</u>	<u>(286,545)</u>
Total Revenues	<u>2,557,071</u>	<u>2,453,777</u>	<u>(103,294)</u>
Expenditures:			
Personnel Expense	1,290,517	1,259,513	31,004
Materials and supplies	1,134,982	725,521	409,461
Capital Outlay	285,000	251,912	33,088
Debt Service	148,216	148,216	-
Contingency	<u>16,285</u>	<u>-</u>	<u>16,285</u>
Total Expenditures	<u>2,875,000</u>	<u>2,385,162</u>	<u>489,838</u>
Excess of Revenues Over (Under) Expenditures	<u>(317,929)</u>	<u>68,615</u>	<u>386,544</u>
Other Financing Sources (Under):			
Gain (loss) from sale of assets	10,000	4,668	(5,332)
Transfers In	148,216	148,216	-
Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total Other Financing Sources (Under)	<u>133,216</u>	<u>127,884</u>	<u>(5,332)</u>
Change in Fund Balance	(184,713)	196,499	381,212
Beginning Fund Balance	184,713	427,612	242,899
Prior year correction of an error	<u>-</u>	<u>58,908</u>	<u>58,908</u>
Beginning Fund Balance, as restated	<u>184,713</u>	<u>486,520</u>	<u>301,807</u>
Ending Fund Balance	<u>\$ -</u>	<u>683,019</u>	<u>\$ 683,019</u>
Reconciliation to Enterprise Fund Balance as required by GASB 54			
Ending Fund Balance:			
Capital Reserve Fund		\$ 1,139,404	
Resilience Fund		<u>1,182,000</u>	
		\$ 3,004,423	
Reconciliation of fund balance to net position			
Capital Assets, Net of accumulated depreciation		\$ 6,641,357	
Net Pension Liability - PERS		(1,292,241)	
Long-term debt		(1,831,963)	
Interest accrual		(22,316)	
Compensated absences		(121,142)	
Deferred inflows/outflows - PERS - net		<u>408,817</u>	
Ending net position		<u>\$ 6,786,935</u>	

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Capital Reserve Fund

Schedule of Budgeted and Actual Resources and Requirements (Budgetary Basis)

Year Ended June 30, 2025

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:			
Interest Income	\$ 45,000	\$ 54,582	\$ 9,582
Other Revenue	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>
Total Revenues	<u>1,545,000</u>	<u>54,582</u>	<u>(1,490,418)</u>
Expenditures:			
Capital Outlay	<u>2,150,000</u>	<u>-</u>	<u>2,150,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(605,000)</u>	<u>54,582</u>	<u>659,582</u>
Change in Fund Balance	<u>(605,000)</u>	<u>54,582</u>	<u>659,582</u>
Beginning Fund Balance	<u>1,085,000</u>	<u>1,084,822</u>	<u>(178)</u>
Ending Fund Balance	<u>\$ 480,000</u>	<u>\$ 1,139,404</u>	<u>\$ 659,404</u>

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Resilience Fund

Schedule of Budgeted and Actual Resources and Requirements (Budgetary Basis)

Year Ended June 30, 2025

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Interest	\$ 25,000	\$ 35,804	\$ 10,804
Other Revenue	<u>250,000</u>	<u>428,595</u>	<u>178,595</u>
Total Revenues	<u>275,000</u>	<u>464,399</u>	<u>189,399</u>
Expenditures:			
Personnel Expense	100,000	-	100,000
Materials and services	<u>475,000</u>	<u>-</u>	<u>475,000</u>
Total Expenditures	<u>575,000</u>	<u>-</u>	<u>575,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(300,000)</u>	<u>464,399</u>	<u>764,399</u>
Other Financing Sources (Uses):			
Transfers In	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Change in Fund Balance	(275,000)	489,399	764,399
Beginning Fund Balance	<u>692,000</u>	<u>692,601</u>	<u>601</u>
Ending Fund Balance	<u>\$ 417,000</u>	<u>\$ 1,182,000</u>	<u>\$ 765,000</u>

OTHER INFORMATION

RAINBOW WATER DISTRICT

LANE COUNTY, OREGON

Water Operating Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2025

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Water Sales - Retail	\$ 1,325,000	\$ 1,408,271	\$ 83,271
Water Sales - Wholesale	825,408	899,681	74,273
Interest Income - Water	15,000	15,358	358
Reimbursed labor	16,520	20,896	4,376
Account Processing Fees	-	3,377	3,377
Late Fees	-	5,640	5,640
Grant Income	300,000	-	(300,000)
Service connection charges	3,300	1,600	(1,700)
Contract Services - Hydrant Maintenance	5,343	5,590	247
Contract Services - Marcola Water District	25,000	29,841	4,841
Contract Services - Shangri La Water District	6,000	13,388	7,388
Contract Services - Deerhorn Water Association	20,000	27,207	7,207
Contract Services - Shenandoah Homeowners	7,000	12,285	5,285
Contract Services - Blue River Water District	8,500	8,883	383
Other Income and Reimbursed Labor	-	1,761	1,761
	<u>2,557,071</u>	<u>2,453,778</u>	<u>(103,293)</u>
Total revenues			
Expenditures:			
Personnel services:			
Staff wages	802,195	685,168	117,027
Extra value bonus	-	25,331	(25,331)
Part time and emergency pay	-	28,849	(28,849)
Vacation pay expense	-	10,940	(10,940)
Sick pay expense	-	63,036	(63,036)
Social security and Medicare expense	68,076	60,123	7,953
Workers comp expense	-	6,242	(6,242)
Employee insurance expense	196,381	157,633	38,748
Retirement 457b expense	-	19,830	(19,830)
PERS expense	221,345	202,386	18,959
Personnel Contingency	2,520	(25)	2,545
	<u>1,290,517</u>	<u>1,259,513</u>	<u>31,004</u>
Total Personal Services			
Materials and services:			
PFAS/PFOS expense	-	2,832	(2,832)
Purification expense	-	48,263	(48,263)
Purification exp-source	128,179	-	128,179
Telephone telemetry	290,803	28,068	262,735
Pump Power	-	243,716	(243,716)
Maintenance vehicles	-	50,103	(50,103)
Maintenance- District facilities	-	120,884	(120,884)
Customer billing	49,000	15,027	33,973
UB Systems Expense	-	11,032	(11,032)
Interest Expense	-	38,256	(38,256)
General Office	40,000	20,832	19,168
Special district	-	4,242	(4,242)
Bad debt exp	2,000	1,055	945
Budget & election exp	4,000	573	3,427
Temp Workers	7,000	-	7,000
Dues, school and convention exp	22,000	13,648	8,352

	Original and Final Budget	Actual	Variance with Final Budget
Material and Services, Continued:			
Streetlight exp	8,000	4,531	3,469
Maintenance - Land and Buildings	115,000	3,000	112,000
Other expense	-	9,321	(9,321)
Total material and services	<u>665,982</u>	<u>615,383</u>	<u>50,599</u>
Contractual Services:			
Insurance expense	62,000	60,690	1,310
Engineering studies	320,000	1,009	318,991
Financial advisor	-	6,789	(6,789)
Legal expense	22,000	14,621	7,379
Audit expense	18,000	15,640	2,360
Database Software	47,000	11,390	35,610
Total contractual services	<u>469,000</u>	<u>110,139</u>	<u>358,861</u>
Debt Service	<u>148,216</u>	<u>148,216</u>	<u>-</u>
Total Debt Service	<u>148,216</u>	<u>148,216</u>	<u>-</u>
Capital Outlay:			
Capital Outlay	<u>285,000</u>	<u>251,912</u>	<u>33,088</u>
Total Capital Outlay	<u>285,000</u>	<u>251,912</u>	<u>33,088</u>
Contingency	<u>16,285</u>	<u>-</u>	<u>16,285</u>
Total Expenditures	<u>2,875,000</u>	<u>2,385,163</u>	<u>489,837</u>
Revenues over (under) expenditures	<u>(317,929)</u>	<u>68,615</u>	<u>386,544</u>
Other financing sources (uses):			
Gain(loss) from sale of assets	10,000	4,668	(5,332)
Transfers In	148,216	148,216	-
Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total Other Financing Sources	<u>133,216</u>	<u>127,884</u>	<u>(5,332)</u>
Net Change in Fund Balance	(184,713)	196,499	381,212
Fund Balance - Beginning	184,713	427,612	242,899
Prior Year Correction of Error	-	58,908	58,908
Fund Balance - Beginning, as Restated	<u>184,713</u>	<u>486,520</u>	<u>301,807</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 683,019</u>	<u>\$ 683,019</u>

COMPLIANCE SECTION

**COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED
BY STATE STATUTE**

Board of Commissioners
Rainbow Water District
Springfield, Oregon

We have audited the financial statements of Rainbow Water District ("District") as of and for the year ended June 30, 2025, and have issued our report thereon dated April 23, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, 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)**
- **Budgets legally required (ORS Chapter 294)**
- **Indebtedness limitations, restrictions and repayment**
- **Insurance and fidelity bonds in force or required by law**
- **Authorized investment of surplus funds (ORS Chapter 294)**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

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

OAR 162-10-0230 Internal Control

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Isler CPA

A handwritten signature in cursive script that reads "Cody Savey".

By: Cody Savey, CPA, a member of the firm
Eugene, Oregon
April 23, 2026