

**Comprehensive
Annual
Financial
Report**



**ROGUE VALLEY
SEWER SERVICES**

Jackson County, Oregon

For the Years Ended June 30, 2019 and 2018

**Prepared by Finance Department
Brenda Baldovino
Finance Director**

ROGUE VALLEY SEWER SERVICES

Jackson County, Oregon

Comprehensive Annual Financial Report

FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION

YEARS ENDED JUNE 30, 2019 AND 2018

Prepared by:

Finance Department

ROGUE VALLEY SEWER SERVICES

Years ended June 30, 2019 and 2018

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INTRODUCTORY SECTION





ROGUE VALLEY SEWER SERVICES

Location: 138 West Vilas Road, Central Point - Mailing Address: P.O. Box 3130, Central Point, OR 97502-0005
Tel. (541) 664-6300 or (541) 779-4144 FAX (541) 664-7171 www.RVSS.us

December 18, 2019

To the Honorable Chairman and Board of Directors,

The Comprehensive Annual Financial Report of Rogue Valley Sewer Services (RVS) for fiscal year ended June 30, 2019, is hereby submitted.

This report was prepared in accordance with the provisions of Oregon Revised Statutes Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the District. We believe the data is accurate and complete in all material respects; that it is presented in a manner designed to present fairly the financial position, results of operations, and changes in cash flows of the District at June 30, 2019, and for the year then ended.

Profile of RVS

The Rogue Valley Sewer Services is a Sanitary District that provides sewer service for rural and urban portions of Jackson County, Oregon, the cities of Talent, Central Point, Jacksonville, Phoenix and Eagle Point, Oregon, and portions of the city of Medford, Oregon. Voters approved formation of the District at a special election dated August 30, 1966. The District was declared established on September 21, 1966. The District's primary purpose is to provide sanitary sewer service to those within its boundaries who may connect to our system as well as to construct and maintain sewers where health hazards exist in rural areas of Jackson County, Oregon.

The District operates the regional interceptor sewer system, which transports flows from the other regional member – the city of Medford. The cities of Central Point, Jacksonville and Phoenix have been annexed into the District in 2000, 2005 and 2006 respectively. The interceptor system consists of the Upper Bear Creek Interceptor, the Lower Bear Creek Interceptor, the North Medford Trunk, the Dunn Pump Station and Pressure Main. The District also operates a sanitary sewer collection system within the service area. Total interceptor and trunk system is approximately 395 miles in length, within a District boundary of about 190 square miles.

The District manages a storm water quality program for the cities of Talent, Phoenix, Central Point, and Jackson County through Intergovernmental agreements with the cities.

The District also operates the sanitary sewer collection system and treatment plant for the City of Shady Cove and the City of Gold Hill through an intergovernmental agreement.

The Board of Directors of the District consists of five elected members. The District is separately governed and was established under Oregon Revised Statutes Chapter 450.705 through .990.

Factors Affecting Financial Condition

As the region continues to recover from the most recent recession, Rogue Valley Sewer Services has seen an increase in new construction which results in increases in development fees and services charges.

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the District are protected from loss, theft or misuse in a cost effective manner. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes two facts. First, the cost of a control should not exceed the benefit likely to be derived. Second, the evaluation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by management and by independent accountants.

All internal control evaluations occur within this framework. We believe the District's systems of internal control adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgeting Controls.

For financial reporting and operating purposes, management considers the District's activities as those of an enterprise operation and, as such, are reported in a single fund in the basic financial statements. However, for budgetary and legal purposes, these activities are accounted for in the funds described below on the modified accrual basis of accounting.

General Fund. The General Fund accounts for the District's normal recurring sewer operations. The primary source of revenue is sewer service fees, maintenance contracts, and service payments. The General Fund also accounts for the construction of new sewer projects and the rehabilitation of existing systems. Assessments levied to finance new projects are accounted for by this fund prior to the sale of bonds. New construction has been primarily financed internally. Major rehabilitation projects have been financed with state revolving loan funds

Bear Creek Interceptor (BCI) Operations and Maintenance Fund. The BCI Operations and Maintenance Fund accounts for the maintenance cost of the Bear Creek Interceptor that is shared by the District and the cities of Medford, Jacksonville, and Phoenix. The actual maintenance is the responsibility of the District, and each entity is billed monthly for their share of the cost.

Dunn Pump Station (DPS) Operations and Maintenance Fund. The DPS Operations and Maintenance Fund accounts for the maintenance cost of the Dunn Pump Station that is shared by the District and the cities of Medford and Jacksonville. The actual maintenance is the responsibility of the District, and each entity is billed monthly for their share of the cost. In 2004 the Region agreed to one flat rate for both BCI and DPS.

Interceptor Capital Expansion Fund. The Interceptor Capital Expansion Fund accounts for the capital costs of the Bear Creek Interceptor and Dunn Pump Station that are shared by the District and the City of Medford. The actual capital expansion projects are the responsibility of the District, and each entity is billed monthly for their share of the cost.

White City Storm Drain Fund. The White City Storm Drain Fund was established to upgrade and maintain certain portions of the industrial side of White City storm drain area not maintained by the County.

Storm Water Quality Fund. In order to protect and improve the quality of water in wells, creeks and rivers, the federal government has established a more stringent storm water program. This fund was created to account for the receipt of a new monthly fee and the expenditures regarding storm water quality.

Shady Cove Treatment. The Shady Cove Treatment Fund was initially established as the Shady Cove Operations and Maintenance Fund established in 2011 to manage both the collection system and the treatment plant. Beginning in FY2018, this fund will only track expenses related to the wastewater treatment plant, with collection system expense being tracked in the newly created Fund 52. The current agreement with Shady Cove expires in 2026 and includes a provision to call for an annexation vote.

Shady Cove Collection System. The Shady Cove Collection System Fund was new for FY2018 and is intended to allow the expenses related to operating the sewer collection system for the City of Shady Cove.

Shady Cove Capital. The Shady Cove Capital Fund is a dedicated fund established in 2011 to pay for capital improvements within the Shady Cove collection system and treatment plant for 5 years. Under this agreement, RVSS is charged with the planning and implementation of a capital improvement plan designed to ensure adequate system capacity and regulatory compliance. In FY 2017, this agreement was renewed for an additional 10 years.

Gold Hill Treatment. The Gold Hill Treatment Fund was newly established in FY2018 to track expenses related to the wastewater treatment plant for the City of Gold Hill. The current agreement with Gold Hill expires in 2022.

Gold Hill Collection System. The Gold Hill Collection System Fund was newly established for FY2018 and is intended to allow the expenses related to operating the sewer collection system for the City of Gold Hill. The current agreement with Gold Hill expires in 2022.

The District annually prepares a budget, by fund, to control its fiscal operations. A proposed detailed budget is prepared by District management and is submitted to the Budget Committee. The Budget Committee consists of the Board of Directors and five appointed members. The Committee may revise or approve the proposed budget. After the Budget Committee approves the proposed budget, it is submitted to the Board of Directors, and a public hearing is held. The Board adopts the budget and makes appropriations by major functional classifications for all funds, allowing the District to expend funds for the year. Appropriations adopted by the Board lapse at the end of the fiscal year.

The District may adopt supplemental budgets as a result of unexpected additional resources. Adoption of supplemental budget requires hearings before the public, publication in newspapers, approval by the Board of Directors, and adoption of appropriations. Original and supplemental budgets may be modified by the Board of Directors through the use of appropriation transfers. While the General Fund is organized by departments, the budget for this and all funds are appropriated by categories of personal services, materials and supplies, capital outlay, debt and transfers to other funds. These amounts can be seen in the supplementary schedules of expenditures – original and final budget compared to actual.

Independent Audit

The provisions of Oregon Revised Statutes Section 297.405 through 297.555, known as "Municipal Audit Law", require that an independent audit of the District's records be made within six months following the close of the fiscal year. The auditors, Isler CPA, LLC have completed their audit and have included their opinion in the financial section of this report.

Fiduciary Operations

Both a pension plan and a deferred compensation program are provided to all District employees. In FY 2019 the District contributed 8.6% of the base salary of eligible employees to the International City Manager's Association (ICMA) retirement system. This plan is a defined contribution plan in which the participating employees are required to contribute 6% of their base salary. Employees are vested immediately.

The deferred compensation program falls within the guidelines of the Internal Revenue Code section 457. The plan permits the employees to defer a portion of their salary until future years as a retirement program and are taxed only upon receipt. The total amount of deferred compensation and earnings thereon at June 30, 2019 is \$1,304,394.12.

The District also has a Retirement Health Savings plan with ICMA. The District contributes 3% of eligible salary for management employees and allows contributions from both management and union employees.

Long Term Financial Planning

Rogue Valley Sewer Services is focused on ways to conserve the existing assets while reducing operating expenses. Efforts to preserve the existing assets include a tight maintenance program. The O&M department cleans 1/3 of our service lines annually and 1/5, or 75 miles, of those lines are tv'd to identify any faulty lines to avoid increased costs resulting from deferred maintenance or major repairs.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive Annual Financial Reports for the fiscal years ended June 30, 1990 through 2018. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. The reports satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

We wish to express our appreciation to the staff of our Administrative/Finance Department for their efforts and contributions in the preparation of the comprehensive annual report. We also thank and extend our appreciation to the members of our Board of Directors for their support and dedication to the financial operation of the District.

Please see the Management Discussion and Analysis on pages 3-6, for a further analysis of the District's operations.

Respectfully submitted,



Carl Tappert, Manager



Brenda Baldovino, Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Rogue Valley Sewer Services
Oregon**

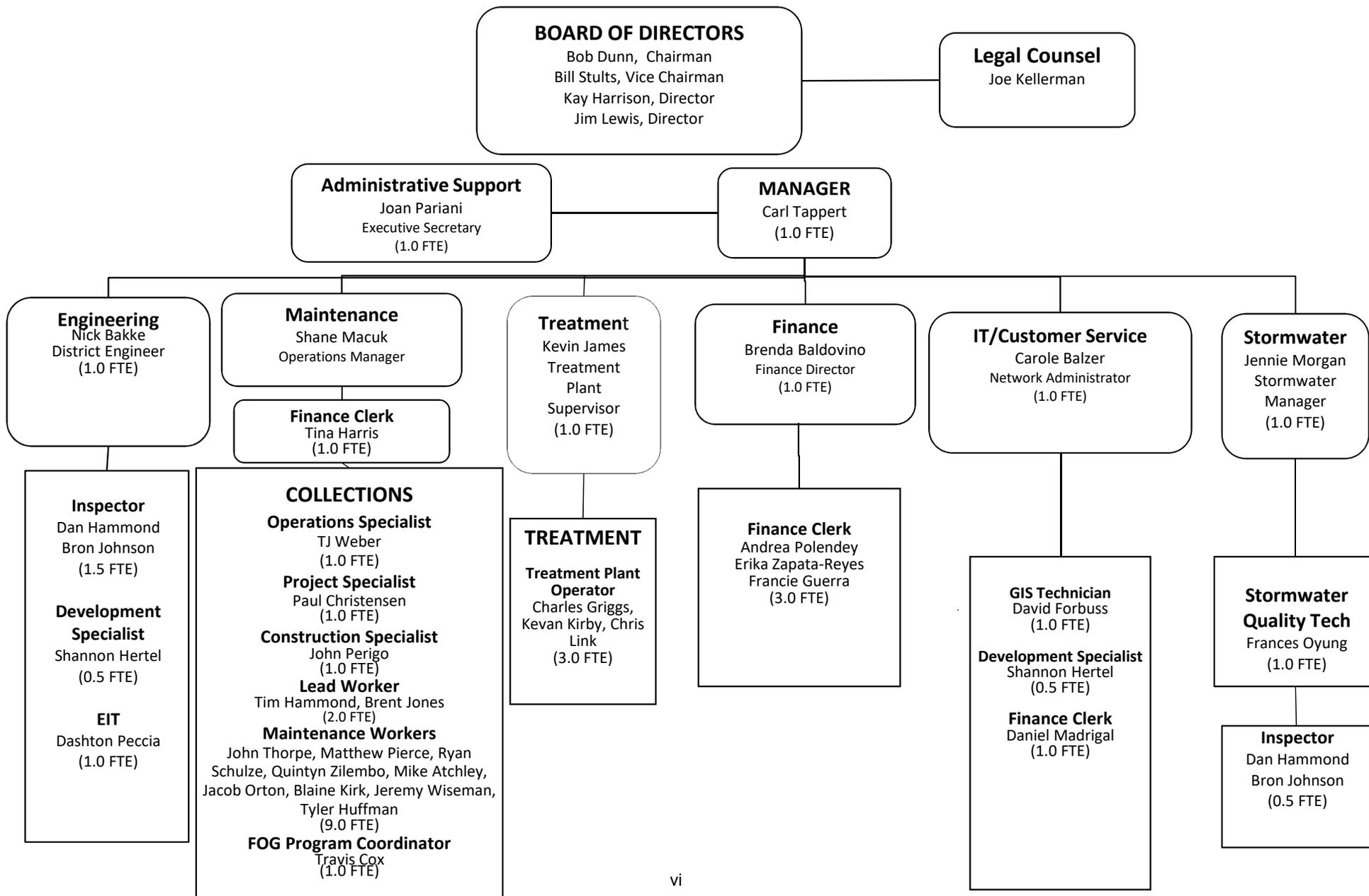
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

ROGUE VALLEY SEWER SERVICES
FISCAL YEAR 2018 - 2019
Departmental Organization



ROGUE VALLEY SEWER SERVICES

For the Year Ended June 30, 2019

Board of Directors and Registered Agent

As of June 30, 2019

Board of Directors	<u>Term Expires</u>
Robert Dunn, Chairman 138 West Vilas Road, Central Point, OR 97502	June 2019
Bill Stults, Vice Chairman 138 West Vilas Road, Central Point, OR 97502	June 2019
Wayne Brown, Director 138 West Vilas Road, Central Point, OR 97502	June 2021
Kay Harrison, Director 138 West Vilas Road, Central Point, OR 97502	June 2019
Jim Lewis, Director 138 West Vilas Road, Central Point, OR 97502	June 2021
Administrative Staff	
Carl Tappert, Manager and Registered Agent	
Legal Counsel Hornecker, Cowling, Hassen & Haysell, LLP	



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rogue Valley Sewer Services
Jackson County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Rogue Valley Sewer Services ("RVS"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise RVS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RVS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RVS as of June 30, 2019 and 2018, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A"), 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 MD&A 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.

The financial statements of RVS for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on November 30, 2017.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RVS' basic financial statements. The combining schedules and the budgeted and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the budgeted and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplemental schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 December 18, 2019 on our consideration of RVS' 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.



By Paul Nielson, a member of the firm
for Isler CPA
December 18, 2019

Rogue Valley Sewer Services Management's Discussion and Analysis

As management of the Rogue Valley Sewer Services (RVS), we offer readers of RVS' financial statements this narrative overview and analysis of the financial activities of RVS for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

All amounts in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of RVS exceeded its liabilities at the close of June 30, 2019 by \$96,364, an increase of \$4,287. Of this amount, \$8,027 (unrestricted net position) may be used to meet ongoing obligations and \$86,601 is invested in capital assets net of accumulated depreciation and related debt.
- Total operating revenues were \$11,851, an increase of \$434 from the prior year. Operating expenses totaled \$10,790, an increase of \$487 from the prior year. The difference between operating revenues and operating expenses resulted in operating income of \$1,060.
- RVS has \$89,207 in capital assets, net of accumulated depreciation. This is an increase of \$3,291 from the prior year. RVS also recognized \$1,951 in depreciation expense in the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to RVS' Basic Financial Statements. The Basic Financial Statements include the notes to the financial statements. In addition to these statements, this report also contains supplementary information.

RVS is a self-supporting entity and follows enterprise fund reporting, accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. RVS' annual report consists of the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Positions and the Statements of Cash Flows. The Balance Sheets provide information about the financial position of RVS, including all of its capital assets and long-term liabilities, on the full accrual basis, similar to that used by corporations. The Statements of Revenues, Expenses and Changes in Net Positions present information showing how RVS' net position has changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that do not affect the cash flow until future fiscal periods. The Statements of Cash Flows present information showing how RVS's cash balance changed as a result of current year operations. This statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method).

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

FINANCIAL ANALYSIS

Total assets, liabilities, deferred inflows/outflows of resources, and net position were as follows:

	2019	2018	2017	Change 2018 - 2019	
				Amount	Percent %
Assets:					
Current assets	\$ 11,005	\$ 10,459	\$ 9,905	\$ 546	5.2
Noncurrent receivables	219	273	312	(54)	(19.8)
Capital assets (net)	<u>89,207</u>	<u>85,916</u>	<u>83,611</u>	<u>3,291</u>	<u>3.8</u>
Total assets	<u>100,431</u>	<u>96,648</u>	<u>93,828</u>	<u>3,783</u>	<u>3.9</u>
Liabilities:					
Current liabilities	817	1,021	1,057	(204)	(20.0)
Long-term liabilities	<u>3,250</u>	<u>3,550</u>	<u>3,623</u>	<u>(300)</u>	<u>(8.5)</u>
Total liabilities	<u>4,067</u>	<u>4,571</u>	<u>4,680</u>	<u>(504)</u>	<u>(11.0)</u>
Net position:					
Net investment in capital assets	86,601	82,975	80,123	3,626	4.4
Restricted	1,736	1,736	1,510		
Unrestricted	<u>8,027</u>	<u>7,366</u>	<u>7,515</u>	<u>661</u>	<u>9.0</u>
Total net position	<u>\$ 96,364</u>	<u>\$ 92,077</u>	<u>\$ 89,148</u>	<u>\$ 4,287</u>	<u>4.7</u>

Total assets increased for this fiscal year by \$3,783. Current assets increased by \$546 as a direct result of a 4.6% increase in sewer rates.

Total liabilities decreased by \$504 from last year. The decrease in long-term liabilities is related to the scheduled payment on the outstanding long-term debt and a decrease in accounts payable.

Net position may serve as a useful indicator of RVS' financial position. As of June 30, 2019, assets exceeded liabilities by \$96,364, a 4.7 percent increase over the prior period. Investment in capital assets are considered unavailable for current expenditures and account for 89.9 percent of the total net position (90.1 percent of total net position at June 30, 2018). Unrestricted net position accounts for 8.3 percent of the total net position (8.0 percent of the total net position at June 30, 2018). Unrestricted net position is normally the part of net position used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Restricted net position represents assets set aside for debt service and future system development.

FINANCIAL ANALYSIS, continued

The following schedule presents a summary of revenues, expenses and changes in net position for RVS and the amount and percentage change from 2018 to 2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2018 - 2019</u>	
				<u>Amount</u>	<u>Percent %</u>
Program revenues:					
Charges for services	\$ 11,851	\$ 11,417	\$ 10,530	\$ 434	3.8
Capital grants and contributions	3,073	1,730	1,555	1,343	77.6
General revenues:					
Gain (loss) on sale of assets	-	-	(15)	-	-
Interest income	<u>222</u>	<u>155</u>	<u>91</u>	<u>67</u>	43.2
Total revenues	<u>15,146</u>	<u>13,302</u>	<u>12,161</u>	<u>1,844</u>	13.9
Expenses:					
Sewer operations	10,790	10,303	9,138	487	4.7
Interest expense	<u>67</u>	<u>70</u>	<u>82</u>	<u>(3)</u>	(4.3)
Total expenses	<u>10,857</u>	<u>10,373</u>	<u>9,220</u>	<u>484</u>	4.7
Change in net position	<u>4,289</u>	<u>2,929</u>	<u>2,941</u>	<u>1,360</u>	46.4
Net position-beginning	<u>92,077</u>	<u>89,148</u>	<u>86,207</u>	<u>2,929</u>	3.3
Net position-ending	<u>\$ 96,366</u>	<u>\$ 92,077</u>	<u>\$ 89,148</u>	<u>\$ 4,289</u>	4.7

Total operating revenues in 2019 increased 4.9% over 2018 due to a rate increase. Investment earnings increased due to changes in interest rates and an increase in amounts held as cash and cash equivalents. Operating expenses increased by 4.7 percent as compared to the prior period. Nonoperating revenues increased by 43.2 percent over the prior year, primarily due to the increase in interest income.

CAPITAL ASSETS

At June 30, 2019, RVS had \$126,293 invested in a broad range of capital assets, including land, utility plant, buildings, furniture and equipment, and construction in progress.

RVS' Capital Assets (net of depreciation)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 428	\$ 428	\$ 428
Site Improvements	211	211	211
Intangible Asset-System Buy-In-Costs	1,450	1,450	1,450
Construction in progress	1,012	3,519	1,413
Utility plant	115,975	108,640	107,350
Buildings	1,675	1,675	1,665
Furniture, Fixture and Equipment	<u>5,542</u>	<u>5,129</u>	<u>4,423</u>
Total	126,293	121,052	116,940
Less accumulated depreciation	<u>(37,086)</u>	<u>(35,136)</u>	<u>(33,329)</u>
Total	<u>\$ 89,207</u>	<u>\$ 85,916</u>	<u>\$ 83,611</u>

Major capital events placed into service during FY 2019 included the following:

- Stewart Meadow Phase 2 \$319,931
- Timer Ridge Estates \$302,914
- North Barton Rd Subdivision Phase 1 \$280,389

Additional information on RVS' capital assets can be found in the notes to the financial statements in the note titled capital assets.

DEBT ADMINISTRATION

RVS had the following outstanding debt

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Notes payable City of Eagle Point	\$ -	\$ -	\$ 42
Series 2013 bond obligation	<u>2,765</u>	<u>3,060</u>	<u>3,350</u>
Total	<u>\$ 2,765</u>	<u>\$ 3,060</u>	<u>\$ 3,392</u>

Additional information on RVS' debt can be found in the notes to the financial statements in the note titled Long-term debt

ECONOMIC FACTORS

Our system does not have any near-term capacity deficiencies. The vast majority of our capital improvement plan goes toward rehabilitating old concrete and asbestos-cement pipe. Many of these pipes are over 60 years old and are at the end of their useful life. Replacement of these pipes in a timely manner reduces long-term operating costs and helps prevent system failure.

REQUEST FOR INFORMATION

Our financial report is designed to provide our ratepayers and creditors with an overview of RVS' finances. If you have any questions about this report or need any clarification of information please contact the Finance Department at the Rogue Valley Sewer Services. Our address is: 138 W. Vilas Road (PO Box 3130), Central Point, Oregon, 97502.

BASIC FINANCIAL STATEMENTS



ROGUE VALLEY SEWER SERVICES

Balance Sheets

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,698,748	\$ 9,028,904
Accounts receivable	1,227,264	1,255,813
Current portion of assessments receivable	10,596	12,171
Inventory	-	93,099
Prepaid expenses	68,540	69,457
Total current assets	11,005,148	10,459,444
Noncurrent assets:		
Assessments receivable	219,198	272,851
Capital assets - net	89,206,472	85,915,783
Total noncurrent assets	89,425,670	86,188,634
Total assets	\$ 100,430,818	\$ 96,648,078
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 550,497	\$ 766,396
Accrued payroll and related liabilities	115,839	106,873
Unearned revenue	132,417	127,871
Accrued interest payable	18,067	19,995
Current portion of compensated absences	140,000	140,000
Current portion of long-term debt	334,900	324,900
Total current liabilities	1,291,720	1,486,035
Noncurrent liabilities:		
Long-term debt, net of current portion	2,466,081	2,800,981
Compensated absences net of current portion	309,406	284,151
Total noncurrent liabilities	2,775,487	3,085,132
Total liabilities	4,067,207	4,571,167
NET POSITION:		
Net investment in capital assets	86,600,391	82,974,802
Restricted for system development	1,736,001	1,736,001
Unrestricted	8,027,219	7,366,108
Total net position	96,363,611	92,076,911
Total liabilities and net position	\$ 100,430,818	\$ 96,648,078

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2019 and 2018

	2019	2018
Operating revenues		
Sewer service charges	\$ 10,176,542	\$ 9,782,350
Reimbursements	510,317	479,357
Maintenance and other fees	1,066,544	1,124,473
Other revenue	97,204	30,303
Total operating revenues	11,850,607	11,416,483
Operating expenses:		
Labor and fringe benefits	3,770,295	3,768,556
Treatment charges	3,519,408	3,226,022
Administrative	744,269	726,146
Other operating expenses	806,427	744,691
Depreciation	1,950,561	1,837,885
Total operating expenses	10,790,960	10,303,300
Operating income (loss)	1,059,647	1,113,183
Nonoperating revenues and expenses		
Interest income	221,500	154,869
Interest expense	(67,312)	(69,569)
Total nonoperating revenue and expenses	154,188	85,300
Income (loss) before contributions	1,213,835	1,198,483
System development charges	700,327	494,263
Capital assets contributed	2,372,538	1,235,769
Total capital contributions	3,072,865	1,730,032
Change in net position	4,286,700	2,928,515
Net position - beginning of year.	92,076,911	89,148,396
Net position - end of year	\$ 96,363,611	\$ 92,076,911

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Cash Flows
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 11,883,702	\$ 11,251,961
Payments to suppliers	(5,217,242)	(4,719,382)
Payments to employees	(3,710,819)	(3,472,171)
Net cash provided by operating activities	2,955,641	3,060,408
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,868,712)	(2,907,003)
System development charges	700,327	494,263
Principal paid on long-term debt	(324,900)	(362,083)
Interest paid on notes payable	(69,240)	(77,989)
Net cash used by capital and related financing activities	(2,562,525)	(2,852,812)
Cash flows from investing activities:		
Principal received on notes receivable	-	512,806
Principal received on special assessments	55,228	106,363
Interest received on special assessments	-	10,349
Interest received on investments	221,500	144,520
Net cash provided by investing activities	276,728	774,038
Net increase (decrease) in cash and cash equivalents	669,844	981,634
Cash and cash equivalents, July 1	9,028,904	8,047,270
Cash and cash equivalents, June 30	\$ 9,698,748	\$ 9,028,904
Supplemental schedule of noncash capital and related financing activities:		
Contribution of capital from developers	\$ 2,372,538	\$ 1,235,769
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,059,647	\$ 1,113,183
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,950,561	1,837,885
Changes in operating assets and liabilities:		
Accounts receivable	28,549	(112,692)
Unearned income	4,546	(51,830)
Inventory	93,099	(6,064)
Prepaid expenses	917	(34,227)
Accounts payable	(215,899)	17,768
Payroll and related accruals	8,966	7,384
Compensated absences	25,255	289,001
Net cash provided by operating activities	\$ 2,955,641	\$ 3,060,408

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

1. Summary of significant accounting policies

A. Reporting entity

RVS is a Municipal Corporation formed in September 21, 1966, under the provisions of Oregon Revised Statutes, Chapter 450, with a favorable public election held on August 30, 1966, to own and operate an interceptor sewer system. The system consists of the Upper Bear Creek Interceptor, Lower Bear Creek Interceptor, Dunn Pump Station and Pressure Main. The system includes a 20-million gallon per day raw sewage pumping station and a 31-acre 2-cell treatment lagoon. RVS also owns and operates many trunk projects covering approximately 190 square miles within the Rogue Valley, and provides sewer services to the cities of Central Point, Eagle Point, Jacksonville, Talent, and Phoenix, Oregon and portions of the City of Medford, Oregon. RVS has no potential or actual component units.

Administrative functions of RVS are directed by the Manager of RVS who reports to the Board of Directors.

B. Basis of accounting

RVS' financial statements are prepared on the accrual basis of accounting using the "economic resources" measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the statement of net position with the equity section representing "total net position."

Operating Revenues and Expenses

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, RVS considers all highly liquid investments with an original maturity of three months or less when purchased and all amounts in pooled accounts to be cash equivalents.

Assessments Revenue and Receivables

RVS offers financing for Local Improvement District (LID) assessments to customers who are unable to pay assessment fees up front. Assessment revenues and the associated receivables are recorded at the time the associated project is completed.

Inventories

Inventories, which consist of operating materials and supplies, are reported on the consumption method of accounting and are charged against operations when purchased.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

1. Summary of significant accounting policies (continued)

B. Basis of accounting (continued)

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 donor's cost at the date of donation. Gains or losses realized from the disposition of capital assets are reflected in the statement of operations. RVS capitalizes all individual items over \$3,000, except for rehabilitation projects which use a \$5,000 capitalization threshold.

Property, plant and equipment are depreciated using the straight-line method over their estimated lives as follows:

Utility plant	20 - 75 years
Buildings	25 years
Furniture, fixtures and equipment	5- 12 years

Estimates

The preparation of 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 revenues, expenses, and ending net position during the reporting period. Actual results could differ from those estimates.

Long-Term Debt

In the financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issue costs are expensed as incurred.

Compensated Absences

Vested or accumulated PTO leave is recorded as an expense and liability as the benefits accrue to employees. A liability is recorded for PTO benefits. Upon termination, employees are paid up to 120 hours of accrued PTO.

Risk Management

RVS is exposed to various risks of loss during its ordinary course of business. To mitigate the risk of loss, various commercial insurance policies have been purchased and are reviewed for adequacy by management annually. There have been no significant changes in coverage nor have any settlements exceeded insurance coverage in the past three years. RVS has several programs to protect against the risk of loss of life or assets. The insurance program includes the "normal" coverage subject to nominal deductibles for commercial, auto, property, liability, etc., as well as treasurer's bonding, director and officer liability, expense for effluent spills from collection system infrastructure and pump stations and computer systems. RVS is self-insured for purposes of unemployment compensation claims.

Reclassifications

Certain amounts reported for 2018 have been reclassified in the accompanying financial statements to conform to the presentation for 2019. Such reclassifications had no effect on the change in net position (net income) for the year ended June 30, 2018.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

1. Summary of significant accounting policies (continued)

B. Basis of accounting (continued)

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

A. Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

B. Restricted net position – net position is considered restricted if asset use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of RVS' bonds. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

C. Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by RVS.

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. RVS' policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expense.

2. Stewardship, compliance, and accountability

Budget information

For financial reporting and operating purposes, RVS considers its activities as those of a unitary enterprise operation (proprietary fund). Therefore, these activities are reported in a single enterprise fund. However, for legal requirements as set forth in the Oregon Local Budget Law, RVS prepares and adopts a budget on the modified accrual basis for its individual fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. For all funds, RVS has established the level of control by expenditure category. These categories include: personal services, materials and services, capital outlay, contingency, debt service and transfers to other funds.

Unexpected additional resources and related expenditures may be added to the budget through the use of a supplemental budget and appropriate resolution. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Transfers require the approval of the Board of Directors. All annual appropriations lapse at fiscal year end. RVS does not use encumbrance accounting.

Excess of Expenditures Over Appropriations

Fund	Materials and services	Capital Outlay	Transfers out
Shady Cove Treatment Fund	\$ -	\$ -	\$ 51,084
Shady Cove Collection System Fund	-	-	25,267

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

3. Cash and cash equivalents

Cash and cash equivalents at June 30 are comprised of:

	2019	2018
Cash on hand	\$ 650	\$ 650
Deposits with Financial Institutions	177,551	161,406
Local Government Investment Pool	9,520,547	8,866,848
Total cash and cash equivalents	<u>\$ 9,698,748</u>	<u>\$ 9,028,904</u>

State statutes govern RVS' fund cash management policies, because RVS does not have an official investment policy. State statutes authorize RVS to invest in the Oregon State Treasurer's Local Government Investment Pool, time certificates of deposit, U.S. Government Treasury Obligations, and obligations of the United States and its agencies and instrumentalities.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The OSTF financial statements are available at <http://www.ost.state.or.us/>.

Credit risk: The LGIP is not rated by any national rating service.

Interest rate risk: The weighted-average maturity of LGIP is less than one year.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the RVS' deposits may not be returned to it. Deposits with financial institutions include bank demand deposits. Cash, except for cash held at the RVS, is covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool called the Public Funds Collateralization Program (PFCP) administered by the Office of the State Treasurer for the State of Oregon. As of June 30, 2019 and 2018, none of the RVS' bank balances were exposed to credit risk.

4. Assessments receivable

Assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Because the assessments are liens against the benefited property, an allowance for uncollectible amounts is deemed unnecessary. Assessments are payable over a period of 5 to 20 years and bear a rate of interest between 4.0% and 5.5%.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

5. Capital assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>2018</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2019</u>
Capital assets not being depreciated:				
Land	\$ 427,982	\$ -	\$ -	\$ 427,982
Site Improvements	210,615	-	-	210,615
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>3,518,645</u>	<u>4,840,089</u>	<u>(7,346,805)</u>	<u>1,011,929</u>
Total capital assets not being depreciated	<u>5,607,723</u>	<u>4,840,089</u>	<u>(7,346,805)</u>	<u>3,101,007</u>
Capital assets being depreciated:				
Utility Plant	108,640,073	-	7,335,238	115,975,311
Buildings	1,674,468	-	-	1,674,468
Furniture, Fixture and Equipment	<u>5,129,245</u>	<u>412,728</u>	<u>-</u>	<u>5,541,973</u>
Total capital assets being depreciated	<u>115,443,786</u>	<u>412,728</u>	<u>7,335,238</u>	<u>123,191,752</u>
Less accumulated depreciation for:				
Utility Plant	(30,469,005)	(1,465,436)	-	(31,934,441)
Buildings	(966,032)	(66,607)	-	(1,032,639)
Furniture, Fixture and Equipment	<u>(3,700,689)</u>	<u>(418,518)</u>	<u>-</u>	<u>(4,119,207)</u>
Total accumulated depreciation	<u>(35,135,726)</u>	<u>(1,950,561)</u>	<u>-</u>	<u>(37,086,287)</u>
Total capital assets, being depreciated, net	<u>80,308,060</u>	<u>(1,537,833)</u>	<u>7,335,238</u>	<u>86,105,465</u>
Total capital assets, net	<u>\$ 85,915,783</u>	<u>\$ 3,302,256</u>	<u>\$ (11,567)</u>	<u>\$ 89,206,472</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

5. Capital assets (continued)

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2018</u>
Capital assets not being depreciated:				
Land	\$ 427,982	\$ -	\$ -	\$ 427,982
Site Improvements	210,615	-	-	210,615
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>1,412,714</u>	<u>3,430,475</u>	<u>(1,324,544)</u>	<u>3,518,645</u>
Total capital assets not being depreciated	<u>3,501,792</u>	<u>3,430,475</u>	<u>(1,324,544)</u>	<u>5,607,723</u>
Capital assets being depreciated:				
Utility Plant	107,350,153	-	1,289,920	108,640,073
Buildings	1,665,184	9,284	-	1,674,468
Furniture, Fixture and Equipment	<u>4,422,781</u>	<u>737,637</u>	<u>(31,173)</u>	<u>5,129,245</u>
Total capital assets being depreciated	<u>113,438,118</u>	<u>746,921</u>	<u>1,258,747</u>	<u>115,443,786</u>
Less accumulated depreciation for:				
Utility Plant	(29,020,769)	(1,448,236)	-	(30,469,005)
Buildings	(899,425)	(66,607)	-	(966,032)
Furniture, Fixture and Equipment	<u>(3,408,820)</u>	<u>(323,042)</u>	<u>31,173</u>	<u>(3,700,689)</u>
Total accumulated depreciation	<u>(33,329,014)</u>	<u>(1,837,885)</u>	<u>31,173</u>	<u>(35,135,726)</u>
Total capital assets, being depreciated, net	<u>80,109,104</u>	<u>(1,090,964)</u>	<u>1,289,920</u>	<u>80,308,060</u>
Total capital assets, net	<u>\$ 83,610,896</u>	<u>\$ 2,339,511</u>	<u>\$ (34,624)</u>	<u>\$ 85,915,783</u>

6. Long-term debt

Bonds Payable

On April 23, 2013, RVS entered into an Escrow Agreement and Financing Agreement with U.S. Bank National Association (Escrow Agent). RVS entered into the Escrow Agreement to provide for the issuance of \$4,455,000 Full Faith and Credit Obligations (the Series 2013 Obligations) which will be paid from financing payments RVS makes under the Financing Agreement. Under the Financing Agreement, the Series 2013 Obligations are secured by and payable from RVS general non-restricted revenues and other funds that may be available. The obligation to pay the financing payments is a full faith credit obligation of RVS and is not subject to appropriation. However, the obligation to pay the financing payments is not a general obligation.

The Series 2013 Obligations were issued at a premium of \$237,672. The premium represents interest paid in advance to RVS by Obligation holders who then receive a return of this premium in the form of larger periodic interest payments. The bond premium will be amortized using the effective interest method over the life of the obligations.

The Series 2013 Obligations were issued to currently refund the Oregon Department of Environmental Quality State Loan R78495, R14001, R14002, and state Loan R14003. In addition, the Series 2013 Obligations were issued to pay the cost of issuance.

The Series 2013 Obligations stated interest rate ranges between 2% and 4% based upon maturity date of each obligation. Interest is payable semiannually on April 1 and October 1 each year. Principal payments

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

6. Long-term debt (continued)

are due annually on October 1 of each year.

The obligations that mature after October 1, 2023 are not subject to optional redemption. The obligations that mature after October 1, 2023 are referred to as Term Obligations. The principal components of the Term Obligations are subject to prepayment prior to their respective payment dates in whole or in part on any date on or after October 1, 2022, upon the exercise by RVS of its option to prepay the principal components of the financing payments.

Future maturities of the Series 2013 Obligations payable at June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 305,000	\$ 89,363	\$ 394,363
2021	310,000	77,063	387,063
2022	265,000	65,562	330,562
2023	250,000	55,262	305,262
2024	250,000	55,262	305,262
2025-29	1,265,000	44,906	1,309,906
2030-33	120,000	1,800	121,800
Total	<u>\$ 2,765,000</u>	<u>\$ 389,218</u>	<u>\$ 3,154,218</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

6. Long-term debt (continued)

A summary of the changes in long-term debt for the year ended June 30, 2019 follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Principal Borrowed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2013 Obligation	\$ 3,060,000	\$ (295,000)	\$ -	\$ 2,765,000	\$ 305,000
Unamortized Premium	65,891	(29,900)	-	35,991	29,900
Total long-term debt	<u>\$ 3,125,891</u>	<u>\$ (324,900)</u>	<u>\$ -</u>	<u>\$ 2,800,991</u>	<u>\$ 334,900</u>

A summary of the changes in long-term debt for the year ended June 30, 2018 follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Principal Borrowed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable City of Eagle Point #R30021	\$ 42,183	\$ (42,183)	\$ -	\$ -	\$ -
Series 2013 Obligation	3,350,000	(290,000)	-	3,060,000	295,000
	3,392,183	(332,183)	-	3,060,000	295,000
Unamortized Premium	95,791	(29,900)	-	65,891	29,900
Total long-term debt	<u>\$ 3,487,974</u>	<u>\$ (362,083)</u>	<u>\$ -</u>	<u>\$ 3,125,891</u>	<u>\$ 324,900</u>

7. Compensated Absences

Compensated absences balances were \$449,406 and \$96,364 for the years ended June 30, 2019 and 2018 respectively. The change in accrued PTO for the year ended June 30, 2019 consists of decreases of \$192,000 and increases of \$217,255. Compensated absences increased in FY2018 after a policy change that converted all earned sick and vacation time to paid time-off.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2019 and 2018

8. Retirement Plan

RVS contributes to the ICMA Retirement Corporation 401A Retirement Plan, a defined contribution pension plan administered by RVS for substantially all employees who have met the requirement of six months of service. Through resolution, RVS contributes 8.6% of eligible employee compensation, and employees contribute a mandatory 6% of compensation to a retirement plan created in accordance with the Internal Revenue Code (IRC) Section 401(a). Employees are eligible to receive benefits under this plan upon termination from employment or retirement and reaching age 55. The board of directors established the retirement plan by a board resolution, and can amend the plan through a board resolution.

The manager receives an additional contribution from RVS to an IRC Section 457 deferred compensation account of approximately \$1,700 per month.

Contributions to the 401A plan made by RVS for fiscal year ended June 30, 2019 were \$216,108 on eligible compensation of \$2,051,884, which was equal to RVS' contribution rate of 8.6%. The RVS' total payroll for the year, including eligible and ineligible compensation, totaled \$2,503,321. Compensation data for fiscal year ended June 30, 2018 showed contributions of \$187,504 on eligible compensation of \$2,181,209, which was equal to RVS' contribution rate of 8.6%. The total compensation of RVS for the fiscal year ended June 30, 2018 was \$2,304,851.

9. Contingencies

From time to time, RVS is subject to legal proceedings and claims which arise in the ordinary course of its operations. In the opinion of management, the total amount of liability, if any, which may arise from such legal proceedings or claims beyond which is recovered by insurance would not materially affect RVS' financial condition.

SUPPLEMENTARY INFORMATION

ROGUE VALLEY SEWER SERVICES

Combining Balance Sheet - All Funds Used for Budgetary Reporting

June 30, 2019

	General Fund	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Expansion	White City Storm Drain
ASSETS					
Cash and cash equivalents	\$ 2,579,208	\$ 352,968	\$ 530,232	\$ 3,924,629	\$ 783,260
Accounts receivable	790,684	3,689	-	32,279	-
Prepaid expenses	68,540	-	-	-	-
Total assets	<u>\$ 3,438,432</u>	<u>\$ 356,657</u>	<u>\$ 530,232</u>	<u>\$ 3,956,908</u>	<u>\$ 783,260</u>
LIABILITIES					
Accounts payable	\$ 505,988	\$ -	\$ 9,182	\$ -	\$ -
Payroll and related accruals	115,839	-	-	-	-
Unearned revenue	132,417	-	-	-	-
Total liabilities	754,244	-	9,182	-	-
FUND BALANCES					
Restricted for:					
System development	-	-	-	1,881,453	-
Unappropriated	2,684,188	356,657	521,050	2,075,455	783,260
Total fund balances	<u>2,684,188</u>	<u>356,657</u>	<u>521,050</u>	<u>3,956,908</u>	<u>783,260</u>
Total liabilities and fund balances	<u>\$ 3,438,432</u>	<u>\$ 356,657</u>	<u>\$ 530,232</u>	<u>\$ 3,956,908</u>	<u>\$ 783,260</u>

<u>Storm Water Quality</u>	<u>Shady Cove Treatment</u>	<u>Shady Cove Collection System</u>	<u>Shady Cove Capital</u>	<u>Gold Hill Treatment</u>	<u>Gold Hill Collection</u>	<u>Total</u>
\$ 1,263,089	\$ 8,605	\$ 3,328	\$ 58,511	\$ 194,129	\$ 789	\$ 9,698,748
-	-	-	-	-	-	826,652
-	-	-	-	-	-	68,540
<u>\$ 1,263,089</u>	<u>\$ 8,605</u>	<u>\$ 3,328</u>	<u>\$ 58,511</u>	<u>\$ 194,129</u>	<u>\$ 789</u>	<u>\$ 10,593,940</u>
\$ 7,215	\$ 8,087	\$ 661	\$ 17,099	\$ 2,265	\$ -	\$ 550,497
-	-	-	-	-	-	115,839
-	-	-	-	-	-	132,417
7,215	8,087	661	17,099	2,265	-	798,753
-	-	-	-	-	-	1,881,453
<u>1,255,874</u>	<u>518</u>	<u>2,667</u>	<u>41,412</u>	<u>191,864</u>	<u>789</u>	<u>7,913,734</u>
<u>1,255,874</u>	<u>518</u>	<u>2,667</u>	<u>41,412</u>	<u>191,864</u>	<u>789</u>	<u>9,795,187</u>
<u>\$ 1,263,089</u>	<u>\$ 8,605</u>	<u>\$ 3,328</u>	<u>\$ 58,511</u>	<u>\$ 194,129</u>	<u>\$ 789</u>	<u>\$ 10,593,940</u>

Reconciliation to GAAP basis balance sheet:

Ending fund balance - budgetary basis	\$ 9,795,187
Accounts receivable for full accrual	400,614
Assessment receivable	229,794
Capital assets, net	89,206,472
Long-term debt	(2,800,981)
Accrued interest	(18,067)
Compensated absences	<u>(449,408)</u>
Ending net position	<u>\$ 96,363,611</u>

ROGUE VALLEY SEWER SERVICES

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Funds Used for Budgetary Reporting
For the Year Ended June 30, 2019

	General	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Capital Expansion	White City Storm Drains	Stormwater Quality
Revenues:						
Charges for services	\$ 8,962,931	\$ -	\$ -	\$ -	\$ 77,561	\$ 412,702
System development charges	700,327	-	-	-	-	-
Reimbursements	510,317	-	-	-	-	-
Maintenance and other fees	562,090	32,055	-	292,604	-	83,000
Other revenue	92,519	-	-	-	-	3,910
Assessment loan repayments	92,023	-	-	-	-	-
Interest income	55,591	6,589	14,971	93,626	19,330	31,393
Total revenues	10,975,798	38,644	14,971	386,230	96,891	531,005
Expenditures:						
Personnel services	3,745,040	-	-	-	-	-
Materials and services	4,578,472	3,919	75,781	-	13,765	20,676
Debt service	126,128	-	-	268,022	-	-
Capital outlay	2,708,031	-	-	144,053	74	54,585
Total expenditures	11,157,671	3,919	75,781	412,075	13,839	75,261
Excess (deficiency) of revenues over (under) expenditures	(181,873)	34,725	(60,810)	(25,845)	83,052	455,744
Other financing sources (uses)						
Transfers in	893,090	185,578	50,000	374,725	-	-
Transfers out	(595,302)	(62,388)	(29,641)	-	(4,512)	(338,965)
Total other financing sources (uses)	297,788	123,190	20,359	374,725	(4,512)	(338,965)
Change in fund balance	115,915	157,915	(40,451)	348,880	78,540	116,779
Beginning fund balance	2,568,273	198,742	561,501	3,608,028	704,720	1,139,095
Ending fund balance	\$ 2,684,188	\$ 356,657	\$ 521,050	\$ 3,956,908	\$ 783,260	\$ 1,255,874

Shady Cove Treatment	Shady Cove Collection System	Shady Cove Capital	Gold Hill Treatment	Gold Hill Collection	Total
\$ 345,000	\$ -	\$ -	\$ 360,000	\$ -	\$ 10,158,194
-	-	-	-	-	700,327
-	-	-	-	-	510,317
-	-	60,000	-	-	1,029,749
775	-	-	-	-	97,204
-	-	-	-	-	92,023
-	-	-	-	-	221,500
<u>345,775</u>	<u>-</u>	<u>60,000</u>	<u>360,000</u>	<u>-</u>	<u>12,809,314</u>
-	-	-	-	-	3,745,040
115,137	20,192	-	68,231	-	4,896,173
-	-	-	-	-	394,150
-	-	42,792	-	-	2,949,535
<u>115,137</u>	<u>20,192</u>	<u>42,792</u>	<u>68,231</u>	<u>-</u>	<u>11,984,898</u>
<u>230,638</u>	<u>(20,192)</u>	<u>17,208</u>	<u>291,769</u>	<u>-</u>	<u>824,416</u>
35,000	85,000	3,000	-	26,000	1,652,393
<u>(326,084)</u>	<u>(70,267)</u>	<u>-</u>	<u>(184,585)</u>	<u>(40,649)</u>	<u>(1,652,393)</u>
(291,084)	14,733	3,000	(184,585)	(14,649)	-
(60,446)	(5,459)	20,208	107,184	(14,649)	824,416
<u>60,964</u>	<u>8,126</u>	<u>21,204</u>	<u>84,680</u>	<u>15,438</u>	<u>8,970,771</u>
<u>\$ 518</u>	<u>\$ 2,667</u>	<u>\$ 41,412</u>	<u>\$ 191,864</u>	<u>\$ 789</u>	<u>\$ 9,795,187</u>

Change in fund balance - budgetary basis	\$ 824,416
Change in recording full accrual receivables	18,348
Change in assessments receivable	(55,228)
Change in notes receivable	-
Change in inventory	(93,099)
Expenditures for capital assets	2,868,710
Contributed capital assets	2,372,538
Depreciation	(1,950,561)
Debt payment and premium amortization	324,903
Change in accrued interest	1,928
Change in compensated absences	(25,255)
Change in net position	<u>\$ 4,286,700</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Sewer service charges	\$ 8,962,482	\$ 8,962,482	\$ 8,962,931	\$ 449
System development charges	500,000	500,000	700,327	200,327
Reimbursements	270,000	270,000	510,317	240,317
Maintenance and other fees	334,000	334,000	562,090	228,090
Other revenues	90,000	90,000	92,519	2,519
Assessment loan repayments	55,000	55,000	92,023	37,023
Interest income	35,000	35,000	55,591	20,591
Lagoon Lease	1,100,000	1,100,000	-	(1,100,000)
Transfers in	821,791	821,791	893,090	71,299
Beginning fund balance	1,337,138	1,337,138	2,568,273	1,231,135
Total resources	\$ 13,505,411	\$ 13,505,411	\$ 14,437,161	\$ 931,750
REQUIREMENTS				
Expenditures:				
Personnel services	\$ 4,062,859	\$ 4,062,859	\$ 3,745,040	\$ 317,819
Materials and services	4,650,739	4,650,739	4,578,472	72,267
Debt Service	126,128	126,128	126,128	-
Capital outlay	3,894,944	3,894,944	2,708,031	1,186,913
Contingency	150,000	150,000	-	150,000
Total expenditures	12,884,670	12,884,670	11,157,671	1,726,999
Transfers	500,000	500,000	595,302	(95,302)
Ending fund balance	120,741	120,741	2,684,188	(2,563,447)
Total requirements	\$ 13,505,411	\$ 13,505,411	\$ 14,437,161	\$ (931,750)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Bear Creek Interceptor Operations and Maintenance Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Maintenance fees	\$ 60,000	\$ 60,000	\$ 32,055	\$ (27,945)
Interest income	2,000	2,000	6,589	(4,589)
Total revenues	62,000	62,000	38,644	(32,534)
Transfers in	150,000	150,000	185,578	35,578
Beginning fund balance	152,160	152,160	198,742	46,582
Total resources	\$ 364,160	\$ 364,160	\$ 422,964	\$ 58,804
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 40,300	\$ 40,300	\$ 3,919	\$ 36,381
Contingency	75,000	75,000	-	75,000
Total expenditures	115,300	115,300	3,919	111,381
Transfers out	175,000	175,000	62,388	112,612
Ending fund balance	73,860	73,860	356,657	(282,797)
Total requirements	\$ 364,160	\$ 364,160	\$ 422,964	\$ (58,804)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Dunn Pump Station Operations and Maintenance Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Interest income	\$ 4,100	\$ 4,100	\$ 14,971	\$ 10,871
Transfers in	150,000	150,000	50,000	(100,000)
Beginning fund balance	562,208	562,208	561,501	(707)
Total resources	\$ 716,308	\$ 716,308	\$ 626,472	\$ (100,707)
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 84,900	\$ 84,900	\$ 75,781	\$ 9,119
Contingency	75,000	75,000	-	75,000
Total Expenditures	159,900	159,900	75,781	75,000
Transfers out	24,000	24,000	29,641	(5,641)
Ending fund balance	532,408	532,408	521,050	11,358
Total requirements	\$ 716,308	\$ 716,308	\$ 626,472	\$ 89,836

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Interceptor Capital Expansion Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Maintenance fees	\$ 400,000	\$ 400,000	\$ 292,604	\$ (107,396)
Interest income	23,000	23,000	93,626	70,626
Transfers in	350,000	350,000	374,725	24,725
Beginning fund balance	3,347,884	3,347,884	3,608,028	260,144
Total resources	\$ 4,120,884	\$ 4,120,884	\$ 4,368,983	\$ 248,099
REQUIREMENTS				
Expenditures:				
Debt service	\$ 268,023	\$ 268,023	\$ 268,022	\$ 1
Capital outlay	1,507,481	1,507,481	144,053	1,363,428
Contingency	350,000	350,000	-	350,000
Total Expenditures	2,125,504	2,125,504	412,075	1,713,429
Transfers	-	350,000	-	350,000
Ending fund balance	1,995,380	1,645,380	3,956,908	(2,311,528)
Total requirements	\$ 4,120,884	\$ 4,120,884	\$ 4,368,983	\$ (248,099)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

White City Storm Drains Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Storm drain fees	\$ 70,000	\$ 70,000	\$ 77,561	\$ 7,561
Interest income	5,100	5,100	19,330	14,230
Beginning fund balance	650,592	650,592	704,720	54,128
Total resources	\$ 725,692	\$ 725,692	\$ 801,611	\$ 75,919
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 20,000	\$ 20,000	\$ 13,765	\$ 6,235
Capital outlay	550,000	550,000	74	549,926
Contingency	50,000	50,000	-	50,000
Total Expenditures	620,000	620,000	13,839	606,161
Transfers	10,500	10,500	4,512	5,988
Ending fund balance	95,192	95,192	783,260	(688,068)
Total requirements	\$ 725,692	\$ 725,692	\$ 801,611	\$ (75,919)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Stormwater Quality Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Stormwater fees	\$ 427,000	\$ 427,000	\$ 412,702	\$ (14,298)
Construction site erosion permits	13,500	13,500	-	(13,500)
Maintenance and other fees	8,500	8,500	83,000	74,500
Other revenues	3,000	3,000	3,910	910
Interest income	8,000	8,000	31,393	(23,393)
Beginning fund balance	1,044,075	1,044,075	1,139,095	95,020
Total resources	\$ 1,504,075	\$ 1,504,075	\$ 1,670,100	\$ 166,025
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 158,102	\$ 158,102	\$ 20,676	\$ 137,426
Capital outlay	230,000	180,000	54,585	125,415
Contingency	100,000	100,000	-	100,000
Total Expenditures	488,102	438,102	75,261	362,841
Transfers	306,791	306,791	338,965	(32,174)
Ending fund balance	709,182	759,182	1,255,874	(496,692)
Total requirements	\$ 1,504,075	\$ 1,504,075	\$ 1,670,100	\$ (166,025)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Treatment Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Shady Cove O & M fees	\$ 345,000	\$ 345,000	\$ 345,000	\$ -
Shady Cove septage fee	45,000	45,000	-	(45,000)
Other revenues	1,500	1,500	775	(725)
Total revenues	391,500	391,500	345,775	(45,725)
Transfers in	-	-	35,000	35,000
Beginning fund balance	40,298	40,298	60,964	20,666
Total resources	\$ 431,798	\$ 431,798	\$ 441,739	\$ 9,941
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 142,091	\$ 142,091	\$ 115,137	\$ 26,954
Transfers out	275,000	275,000	326,084	(51,084)
Ending fund balance	14,707	14,707	518	14,189
Total requirements	\$ 431,798	\$ 431,798	\$ 441,739	\$ (9,941)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Collection System Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Transfers in	\$ 75,000	\$ 80,000	\$ 85,000	\$ 5,000
Beginning fund balance	1,000	-	8,126	8,126
Total resources	<u>\$ 76,000</u>	<u>\$ 80,000</u>	<u>\$ 93,126</u>	<u>\$ 13,126</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 22,500	\$ 22,500	\$ 20,192	\$ 2,308
Transfers out	45,000	45,000	70,267	(25,267)
Ending fund balance	8,500	12,500	2,667	9,833
Total requirements	<u>\$ 76,000</u>	<u>\$ 80,000</u>	<u>\$ 93,126</u>	<u>\$ 13,126</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Capital Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Shady Cove Capital Fees	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Transfers in	-	-	3,000	3,000
Beginning fund balance	5,411	5,411	21,204	15,793
Total resources	\$ 65,411	\$ 65,411	\$ 84,204	\$ 18,793
REQUIREMENTS				
Expenditures:				
Capital outlay	\$ 64,604	\$ 64,604	\$ 42,792	\$ 21,812
Ending fund balance	807	807	41,412	(40,605)
Total requirements	\$ 65,411	\$ 65,411	\$ 84,204	\$ (18,793)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Treatment Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Gold Hill treatment fees	\$ 360,000	\$ 360,000	\$ 360,000	\$ -
Connection Permits	500	500	-	(500)
Beginning fund balance	16,855	16,855	84,680	67,825
Total resources	\$ 377,355	\$ 377,355	\$ 444,680	\$ 67,325
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 114,800	\$ 114,800	\$ 68,231	\$ 46,569
Transfers out	230,000	230,000	184,585	45,415
Ending fund balance	32,555	32,555	191,864	(159,309)
Total requirements	\$ 377,355	\$ 377,355	\$ 444,680	\$ (67,325)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Collection System Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Transfers in	\$ 60,000	\$ 60,000	\$ 26,000	\$ (34,000)
Beginning fund balance	-	-	15,438	15,438
Total resources	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 41,438</u>	<u>\$ (18,562)</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 5,000	\$ 5,000	-	\$ 5,000
Transfers out	42,000	42,000	40,649	1,351
Ending fund balance	13,000	13,000	789	12,211
Total requirements	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 41,438</u>	<u>\$ 18,562</u>

STATISTICAL SECTION



This part of Rogue Valley Sewer Services' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditors.

Contents	Page
Financial Trends	
These schedules contain trend information that may assist the reader in assessing RVS' financial performance and placing it in historical perspective	32 -33
Revenue Capacity	
These schedules contain information that may assist the reader in assessing RVS' most significant local revenue source, RVS water rate.	34
Economic and Demographic Information	
These schedules offer economic and demographic indicators that may assist the reader in understanding the environment within which RVS' financial activities take place	35 - 36
Debt Capacity	
These schedules present information that may assist the reader in analyzing the affordability of RVS' current levels of outstanding debt and RVS' ability to issue additional debt in the future.	37 - 38
Operating Information	
This schedule contains service data that may assist the reader in understanding how the information in RVS' financial report relates to the services RVS provides and the activities it performs.	39 - 41

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**Rogue Valley Sewer Services
Net Position by Component**

Table 1

for the last ten fiscal years - Unaudited

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Position Components				
Net investment in capital assets	\$ 86,600,391	\$ 82,974,802	\$ 80,122,932	\$ 79,058,152
Restricted	1,736,001	1,736,001	1,509,961	1,439,263
Unrestricted	8,027,219	7,366,108	7,716,162	5,839,491
Total Net Position	<u>\$ 96,363,611</u>	<u>\$ 92,076,911</u>	<u>\$ 89,349,055</u>	<u>\$ 86,336,906</u>

Source: Rogue Valley Sewer Services accounting records

Table 1

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 78,859,446	\$ 76,699,741	\$ 76,199,276	\$ 76,163,112	\$ 74,983,873	\$74,837,941
1,309,302	1,060,137	828,344	722,627	523,174	223,150
<u>3,833,966</u>	<u>5,144,550</u>	<u>5,024,938</u>	<u>4,569,936</u>	<u>4,493,903</u>	<u>4,263,245</u>
<u>\$ 84,002,714</u>	<u>\$ 82,904,428</u>	<u>\$ 82,052,558</u>	<u>\$ 81,455,675</u>	<u>\$ 80,000,950</u>	<u>\$79,324,336</u>

Rogue Valley Sewer Services Operating Results

Table 2

for the last ten fiscal years - Unaudited

	2019	2018	2017	2016
Operating revenue				
Sewer service charges	\$ 10,176,542	\$ 9,782,350	\$ 8,767,177	\$ 8,041,172
Other operating revenues	1,674,065	1,634,133	1,736,385	1,428,711
	<u>11,850,607</u>	<u>11,416,483</u>	<u>10,503,562</u>	<u>9,469,883</u>
Operating expenses:				
Labor and fringe benefits	3,770,295	3,768,556	2,905,850	2,728,191
Treatment charges	3,519,408	3,226,022	3,001,448	2,748,900
Materials and services	1,550,696	1,470,837	1,400,725	1,199,064
Depreciation	1,950,561	1,837,885	1,829,777	1,862,091
	<u>10,790,960</u>	<u>10,303,300</u>	<u>9,137,800</u>	<u>8,538,246</u>
Operating income (loss)	1,059,647	1,113,183	1,365,762	931,637
Other nonoperating income (loss), net				
Gain(Loss) on disposition of asset	-	-	(14,664)	46,611
Interest income	221,500	154,869	90,764	38,101
Interest expense	(67,312)	(69,569)	(82,003)	(95,754)
	<u>154,188</u>	<u>85,300</u>	<u>(5,903)</u>	<u>(11,042)</u>
Developer contribution of plant	2,372,538	1,235,769	915,549	649,186
System development charges	700,327	494,263	639,308	606,851
Special assessments	-	-	26,735	27,599
Change in net position	<u>\$ 4,286,700</u>	<u>\$ 2,928,515</u>	<u>\$ 2,914,716</u>	<u>\$ 2,176,632</u>

Source: Rogue Valley Sewer Services accounting records

Table 2

2015	2014	2013	2012	2011	2010
\$ 6,994,396	\$ 6,840,381	\$ 6,801,091	\$ 6,578,729	\$ 6,636,860	\$ 5,940,531
1,439,449	1,155,144	1,081,222	934,105	546,681	566,645
<u>8,433,845</u>	<u>7,995,525</u>	<u>7,882,313</u>	<u>7,512,834</u>	<u>7,183,541</u>	<u>6,507,176</u>
2,703,183	2,361,332	2,274,062	2,005,587	1,916,816	2,113,149
2,497,440	2,482,151	2,414,519	2,360,774	2,347,878	2,376,409
1,300,210	1,206,070	1,133,978	1,164,091	697,380	704,873
1,741,477	1,725,641	1,741,811	1,701,287	1,660,513	1,582,156
<u>8,242,310</u>	<u>7,775,194</u>	<u>7,564,370</u>	<u>7,231,739</u>	<u>6,622,587</u>	<u>6,776,587</u>
191,535	220,331	317,943	281,095	560,954	(269,411)
4,515	46,770	(3,746)	(2,973)	(9,142)	(17,346)
39,989	43,150	56,344	53,076	51,735	64,401
(104,765)	(93,650)	(178,252)	(190,153)	(185,391)	(89,482)
<u>(60,261)</u>	<u>(3,730)</u>	<u>(125,654)</u>	<u>(140,050)</u>	<u>(142,798)</u>	<u>(42,427)</u>
635,831	407,570	217,962	434,656	164,647	105,328
328,157	319,463	186,638	310,190	93,811	157,554
3,024	-	-	568,834	-	-
<u>\$ 1,095,262</u>	<u>\$ 943,634</u>	<u>\$ 596,889</u>	<u>\$ 885,891</u>	<u>\$ 676,614</u>	<u>\$ (48,956)</u>

Rogue Valley Sewer Services

Table 3

Permits Issued, Customers, Gallons Transmitted, Rates

for the last ten fiscal years - Unaudited

<u>Fiscal Year Ended June 30th</u>	<u>Number Permits Issued</u>	<u>Residential Units</u>	<u>Commercial Industrial Customers</u>	<u>Total Units/ Customers</u>	<u>Million Gallons Transmitted</u>	<u>Sewer Rates</u>
2019	413	32,497	1,910	34,407	6,405	\$21.50
2018	384	32,489	1,886	34,375	5,709	20.50
2017	362	31,844	1,862	33,706	7,424	19.60
2016	353	31,346	1,843	33,189	6,868	18.30
2015	360	30,985	1,838	32,823	6,378	15.90
2014	377	31,388	1,835	33,223	6,020	15.90
2013	300	29,654	1,885	31,539	6,611	15.90
2012	217	29,258	1,816	31,074	6,413	15.90
2011	165	28,774	1,795	30,569	7,148	15.90
2010	176	29,086	1,916	31,002	6,080	13.90

Source: Rogue Valley Sewer Services accounting and engineering records

Note: Gallons transmitted includes all flows through interceptor pipe operated by RVS
Amounts include the City of Medford and all other members of the Region

Rogue Valley Sewer Services Demographic Statistics

for the last ten fiscal years - Unaudited

Table 4

Fiscal Year Ended June 30th	RVS Population (Estimated) (1)	Population Jackson County (1)	RVS Personal Income (amounts expressed in thousands)	RVS Per Capita Income (2)	Unemployment Rate (3)	County Population Growth
2019	81,168	219,200	\$ 4,050,933	\$ 49,908	4.0%	1.1%
2018	80,305	216,900	3,865,642	48,137	3.8%	1.5%
2017	79,410	213,765	3,577,341	45,049	4.2%	1.3%
2016	78,743	210,975	3,383,902	42,974	5.4%	1.2%
2015	77,985	208,375	3,250,493	41,681	6.2%	1.0%
2014	74,590	206,310	3,000,979	40,233	7.1%	0.8%
2013	74,283	204,630	2,881,140	38,786	7.8%	0.3%
2012	73,990	203,950	2,687,095	36,317	8.7%	0.4%
2011	73,696	203,206	2,733,753	37,095	11.1%	-1.8%
2010	72,095	207,010	2,573,792	35,700	12.1%	2.9%

Sources:

- (1) County population estimates are from data developed by Portland State University Population Research Center. Population for 2009/2010 has been estimated by RVS.
- (2) Qualityinfo.org website. Oregon personal income article.
- (3) State of Oregon Employment Dept/Economic Data

Rogue Valley Sewer Services Largest Consumption Customers

Table 5

for the last ten fiscal years - Unaudited

Customer name	June 30, 2019		June 30, 2009		
	Monthly Gallons	Percent Total	Monthly Gallons	Percent Total	
Amy's Kitchen	7,661,726	8.7%	4,413,667	5.0%	(3)
Carestream Health Inc	5,920,538	6.7%	2,154,927	2.5%	(5)
Boise Cascade Corp	3,786,000	4.3%	6,146,474	7.0%	(2)
V A Domiciliary #692	3,322,000	3.8%	1,959,111	2.2%	(6)
Bear Creek Operations	2,018,037	2.3%	6,196,605	7.1%	(1)
Dry Creek Landfill Inc	1,430,000	1.6%	-	0.0%	
Roseburg Forest Products PO#C1994	1,158,198	1.3%	-	0.0%	
Southern Oregon Linen	1,022,000	1.2%	1,108,667	1.3%	(8)
Linde Inc	896,000	1.0%	-	0.0%	
Home Depot #8557	765,204	0.9%	438,515	0.5%	(16)
	27,979,703	14.6%	22,417,966	25.5%	
All other commercial customers	163,152,201	85.4%	65,325,316	74.5%	
	191,131,904	100.0%	87,743,282	100.0%	

The above gallons of sewer effluent are the monthly average for respective fiscal years.

Rogue Valley Sewer Services
Ratio of Outstanding Debt by Type

Table 6

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Bonds	Notes	Revolving DEQ Loans	Total		Percent of Personal Income
				Amount	Per Capita	
2019	\$ 2,765,000	\$0	-	\$2,765,000	\$34.07	0.068%
2018	3,060,000	-	-	3,060,000	38.10	0.079%
2017	3,350,000	42,183	-	3,392,183	42.72	0.095%
2016	3,635,000	150,654	-	3,785,654	48.08	0.112%
2015	3,915,000	316,562	-	4,231,562	54.26	0.130%
2014	4,372,358	477,160	-	4,849,518	65.02	0.162%
2013	4,685,204	632,656	-	5,317,860	71.59	0.185%
2012	-	778,248	5,141,599	5,919,847	80.01	0.220%
2011	-	919,129	4,880,884	5,800,013	78.70	0.212%
2010	-	1,055,484	3,899,444	4,954,928	68.73	0.193%

Notes:

Bonds include general obligation improvement bonds and limited tax and assessment bonds

Rogue Valley Sewer Services Debt Coverage Ratio

Table 7

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Operating Revenues	Less Operating Expenses	Net Available Revenues	Debt Payments			Coverage Ratio
				Principal	Interest	Total	
2019	\$ 11,980,084	\$ 8,840,399	\$ 3,139,685	\$ 295,000	\$ 99,150	\$ 394,150	7.97
2018	11,416,483	8,465,415	2,951,068	332,183	107,889	440,072	6.71
2017	10,530,297	7,308,023	3,222,274	393,472	117,098	510,570	6.31
2016	10,104,333	6,676,155	3,428,178	445,908	130,435	576,343	5.95
2015	8,765,026	6,500,833	2,264,193	425,598	143,329	568,927	3.98
2014	8,314,988	6,049,553	2,265,435	430,496	147,001	577,497	3.92
2013	8,069,019	5,822,747	2,246,272	422,814	222,161	644,975	3.48
2012	7,874,496	5,530,452	2,344,044	387,032	211,877	598,909	3.91
2011	7,277,352	4,962,074	2,315,278	346,394	196,157	542,551	4.27
2010	6,664,730	5,194,431	1,470,299	216,083	244,727	460,810	3.19
2009	6,674,349	4,884,483	1,789,866	203,830	119,888	323,718	5.53

Notes:

Operating expenses exclude depreciation and amortization

Rogue Valley Sewer Services
Number of Employees

Table 8

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Administration	Information Technology	Engineering	Maintenance	Treatment	Total
2019	7.85	1.65	6.50	17.0	4.0	37.0
2018	7.85	1.65	5.50	18.0	3.0	36.0
2017	7.85	1.65	4.50	19.0	0.0	33.0
2016	6.00	2.00	5.00	17.0	0.0	30.0
2015	6.0	2.0	5.0	16.0	0.0	29.0
2014	6.0	1.0	4.6	17.4	0.0	29.0
2013	8.0	0.0	10.0	13.0	0.0	31.0
2012	8.0	0.0	9.5	12.0	0.0	29.5
2011	8.0	0.0	11.0	11.0	0.0	30.0
2010	10.0	0.0	10.0	10.0	0.0	30.0

Source: Rogue Valley Sewer Services accounting records

Rogue Valley Sewer Services Principal Employers

2018 and 10 years prior

Table 9

Employer		2018 (1)			Feb 2008		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Asante	Health Care	4,231	1	4.33%	2,943	2	2.84%
Lithia Motors	Auto Dealership	3,000	2	3.07%	800	4	0.77%
Harry & David Operations	Gourmet Fruit	2,000	3	2.05%	3,500	1	3.38%
Rogue Valley Medical Center	Hospitals	1,638	4	1.68%	-		-
Allegiant Air	Commercial Airl	1,500	5	1.54%	-		-
Providence Medical Center	Health Care	1,300	6	1.33%	1,271	3	1.23%
Medford School District 549C	Schools	1,157	7	1.18%	-		-
Jackson County	County Gov't	1,027	8	1.05%	-		-
Wal-Mart Stores	Dept Stores	930	9	0.95%	-		-
Boise	Plywood Mills	875	10	0.90%	-		-
		<u>17,658</u>			<u>8,514</u>		

Note: Information is for the largest employers in Jackson County per the Chamber of Commerce

Note: Information for 2019 not available

Source:

(1) Chamber of Commerce website - Largest employers in Jackson County

**Rogue Valley Sewer Services
Operating and Capital Indicators**

Table 10

for the last ten fiscal years - Unaudited

<u>Fiscal Year Ended June 30th</u>	<u>Miles of Sewer</u>	<u>Annual Line Capacity Million Gal</u>	<u>Annual Transported Million Gal</u>	<u>Unused Capacity Total</u>	<u>Percentage Capacity Utilized</u>
2019	409	42,340	6,405	35,935	15%
2018	406	42,340	5,709	36,631	13%
2017	404	42,340	7,424	34,916	18%
2016	398	42,340	6,868	35,472	16%
2015	398	42,340	6,378	35,962	15%
2014	397	42,340	6,020	36,320	14%
2013	396	42,340	6,611	35,729	16%
2012	395	42,340	7,018	35,322	17%
2011	395	42,340	7,147	35,193	17%
2010	392	42,340	6,080	36,260	14%

Notes:

Annual line capacity is measured at the entrance to the City of Medford Wastewater Treatment Plant. All flows into the treatment plant come through the District's interceptor system.

Annual transported in millions of gallons is also measured at the entrance of the Wastewater Treatment Plant on a calendar year basis. Data is provided at:

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COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR

REQUIRED BY STATE REGULATIONS



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE REGULATIONS

To the Board of Directors
Rogue Valley Sewer Services
Jackson County, Oregon

We have audited the basic financial statements of Rogue Valley Sewer Services ("RVS"), as of and for the year ended June 30, 2019, and have issued our report thereon dated December 18, 2019. 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

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- 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 RVS was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. Except for expenditures exceeding appropriations, see Note 2.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered RVS' 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 RVS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RVS' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of RVS' 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and do not provide an opinion on the effectiveness of RVS' internal control or compliance. This report is intended for the information of RVS' board of directors and the Secretary of State, Division of Audits, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.



By Paul Nielson, a member of the firm
for Isler CPA
December 18, 2019