

**Comprehensive
Annual
Financial
Report**



ROGUE VALLEY
SEWER SERVICES

Jackson County, Oregon

For the Years Ended June 30, 2020 and 2019

**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, 2020 AND 2019

Prepared by:

Finance Department

ROGUE VALLEY SEWER SERVICES

Years ended June 30, 2020 and 2019

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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

January 20, 2021

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, 2020, 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, 2020, 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.

Treatment Capital. The Treatment Capital Fund is a dedicated fund initially established in 2011 to pay for capital improvements within the Shady Cove collection system and treatment plant for 5 years. Under this agreement,

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.

Lagoons. The Lagoons Fund was newly established for FY2020 to track the expenses related to operating the Lagoons.

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 2020 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, 2020 is \$1,411,235.71.

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

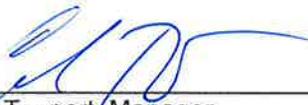
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive Annual Financial Reports for the fiscal years ended June 30, 1990 through 2019. In order to be awarded a 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.

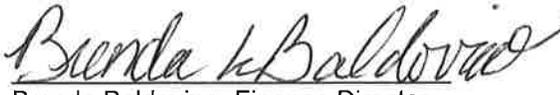
We wish to express our appreciation to the staff of our Administrative/Finance Department for their efforts and contributions in the preparation of the comprehensive annual report. We also thank and extend our appreciation to the members of our Board of Directors for their support and dedication to the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

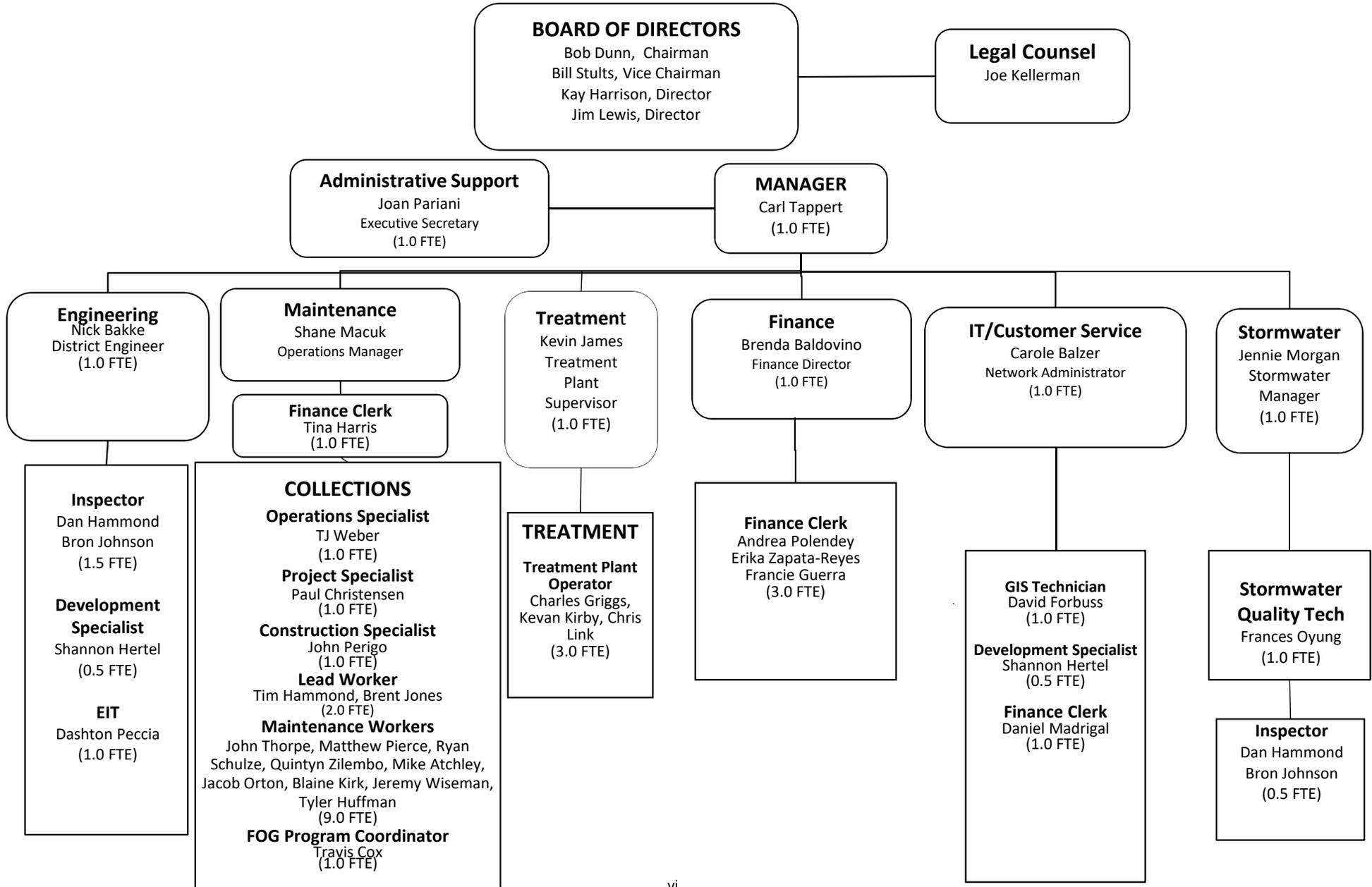
**For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended**

June 30, 2019

Christopher P. Morill

Executive Director/CEO

ROGUE VALLEY SEWER SERVICES
FISCAL YEAR 2019 - 2020
Departmental Organization



ROGUE VALLEY SEWER SERVICES

For the Year Ended June 30, 2020

Board of Directors and Registered Agent

As of June 30, 2020

Board of Directors	<u>Term Expires</u>
Kay Harrison, Chair 138 West Vilas Road, Central Point, OR 97502	June 2023
Wayne Brown, Director, Vice Chair 138 West Vilas Road, Central Point, OR 97502	June 2021
Jim Snyder, Chairman 138 West Vilas Road, Central Point, OR 97502	June 2023
Wayne Brown, Director 138 West Vilas Road, Central Point, OR 97502	June 2021
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

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

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, 2020 and 2019, 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, 2020 and 2019, 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.

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 January 20, 2021 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
January 20, 2021

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, 2020 and 2019. 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 this MD&A are presented in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of RVS exceeded its liabilities at the close of June 30, 2020 by \$449,406, an increase of \$3,785. Net Position consists of \$9,679 (unrestricted net position) may be used to meet ongoing obligations and \$93,057 is invested in capital assets net of accumulated depreciation and related debt.
- Total operating revenues were \$13,429, an increase of \$1,578 from the prior year. Operating expenses totaled \$11,185, an increase of \$395 from the prior year. The difference between operating revenues and operating expenses resulted in operating income of \$2,245.
- RVS has \$95,353 in capital assets, net of accumulated depreciation. This is an increase of \$6,146 from the prior year. RVS also recognized \$2,112 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:

	2020	2019	2018	Change 2019 - 2020	
				Amount	Percent %
Assets:					
Current assets	\$ 13,182	\$ 11,005	\$ 10,459	\$ 2,177	19.8
Noncurrent receivables	178	219	273	(41)	(18.7)
Capital assets (net)	<u>95,353</u>	<u>89,207</u>	<u>85,916</u>	<u>6,146</u>	<u>6.9</u>
Total assets	<u>108,713</u>	<u>100,431</u>	<u>96,648</u>	<u>8,282</u>	<u>8.2</u>
Liabilities:					
Current liabilities	905	817	1,021	88	10.8
Long-term liabilities	<u>2,953</u>	<u>3,250</u>	<u>3,550</u>	<u>(297)</u>	<u>(9.1)</u>
Total liabilities	<u>3,858</u>	<u>4,067</u>	<u>4,571</u>	<u>(209)</u>	<u>(5.1)</u>
Net position:					
Net investment in capital assets	93,057	86,601	82,975	6,456	7.5
Restricted	2,119	1,736	1,736	383	22.1
Unrestricted	<u>9,679</u>	<u>8,027</u>	<u>7,366</u>	<u>1,652</u>	<u>20.6</u>
Total net position	<u>\$ 104,855</u>	<u>\$ 96,364</u>	<u>\$ 92,077</u>	<u>\$ 8,491</u>	<u>8.8</u>

Total assets increased for this fiscal year by \$8,282. The asset increase is due primarily to the annexation of the Shady Cove sewer system in the amount of \$4,705. Current assets increased by \$2,177 as a direct result of an increase in sewer rates.

Total liabilities decreased by \$209 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, 2020, assets exceeded liabilities by \$104,855, a 8.8 percent increase over the prior period. Investment in capital assets are considered unavailable for current expenditures and account for 88.7 percent of the total net position (89.9 percent of total net position at June 30, 2019). Unrestricted net position accounts for 9.2 percent of the total net position (8.3 percent of the total net position at June 30, 2019). 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 2019 to 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2019 - 2020</u>	
				<u>Amount</u>	<u>Percent %</u>
Program revenues:					
Charges for services	\$ 13,429	\$ 11,851	\$ 11,417	\$ 1,578	13.3
Capital grants and contributions	1,544	3,073	1,730	(1,529)	(49.8)
General revenues:					
Interest income	<u>54</u>	<u>222</u>	<u>155</u>	<u>(168)</u>	(75.7)
Total revenues	<u>15,027</u>	<u>15,146</u>	<u>13,302</u>	<u>(119)</u>	(0.8)
Expenses:					
Sewer operations	11,185	10,790	10,303	395	3.7
Interest expense	<u>57</u>	<u>67</u>	<u>70</u>	<u>(10)</u>	(14.9)
Total expenses	<u>11,242</u>	<u>10,857</u>	<u>10,373</u>	<u>385</u>	3.5
Change in net position	<u>3,785</u>	<u>4,289</u>	<u>2,929</u>	<u>(504)</u>	(11.8)
Net position-beginning*	<u>101,069</u>	<u>92,077</u>	<u>89,148</u>	<u>8,992</u>	9.8
Net position-ending	<u>\$ 104,854</u>	<u>\$ 96,366</u>	<u>\$ 92,077</u>	<u>\$ 8,488</u>	8.8

*Due to the annexation of the City of Shady Cove's sewer operations the beginning net position for the year ended June 30, 2020 was adjusted by \$4,705

Total operating revenues in 2019 increased 4.9% over 2019 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 3.7 percent as compared to the prior period. Nonoperating revenues decreased by 75.7 percent over the prior year, primarily due to the increase in interest income.

CAPITAL ASSETS

At June 30, 2020, RVS had \$95,353 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>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 486	\$ 428	\$ 428
Site Improvements	211	211	211
Intangible Asset-System Buy-In-Costs	1,450	1,450	1,450
Construction in progress	2,000	1,012	3,519
Utility plant	122,821	115,975	108,640
Buildings	1,675	1,675	1,675
Furniture, Fixture and Equipment	<u>5,880</u>	<u>5,542</u>	<u>5,129</u>
Total	134,523	126,293	121,052
Less accumulated depreciation	<u>(39,170)</u>	<u>(37,086)</u>	<u>(35,136)</u>
Total	<u>\$ 95,353</u>	<u>\$ 89,207</u>	<u>\$ 85,916</u>

Major capital events placed into service during FY 2020 included the following:

- Annexation of the City of Shady Cove sewer operations \$ 4,705
- Northwood terrace \$318

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>2020</u>	<u>2019</u>	<u>2018</u>
Series 2013 bond obligation	<u>\$ 2,460</u>	<u>\$ 2,765</u>	<u>\$ 3,060</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

The Alameda Fire on September 8, 2020 devastated the cities of Talent and Phoenix. Over 2,000 homes and close to 100 businesses were destroyed. RVS lost nearly 5% of its customer base. RVS estimates a reduction in revenue for FY2021 of between \$500,000 and \$1,000,000 and additional capital spending of approximately \$700,000 to mitigate fire damage. These impacts are expected to be temporary as rebuilding is already underway and there is a possibility of FEMA reimbursement for much of the mitigation work.

We expect to resume our previous capital improvement plan in FY 2022.

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, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,855,896	\$ 9,698,748
Accounts receivable	1,238,867	1,227,264
Current portion of assessments receivable	7,520	10,596
Prepaid expenses	79,936	68,540
Total current assets	13,182,219	11,005,148
Noncurrent assets:		
Assessments receivable	177,841	219,198
Capital assets - net	95,352,500	89,206,472
Total noncurrent assets	95,530,341	89,425,670
Total assets	\$ 108,712,560	\$ 100,430,818
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 717,861	\$ 550,497
Accrued payroll and related liabilities	24,957	115,839
Unearned revenue	145,442	132,417
Accrued interest payable	16,074	18,067
Current portion of compensated absences	140,000	140,000
Current portion of long-term debt	310,000	334,900
Total current liabilities	1,354,334	1,291,720
Noncurrent liabilities:		
Long-term debt, net of current portion	2,156,091	2,466,081
Compensated absences net of current portion	347,360	309,406
Total noncurrent liabilities	2,503,451	2,775,487
Total liabilities	3,857,785	4,067,207
NET POSITION:		
Net investment in capital assets	93,056,409	86,600,391
Restricted for system development	2,119,113	1,736,001
Unrestricted	9,679,253	8,027,219
Total net position	104,854,775	96,363,611
Total liabilities and net position	\$ 108,712,560	\$ 100,430,818

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2020 and 2019

	2020	2019
Operating revenues		
Sewer service charges	\$ 11,244,665	\$ 10,176,542
Reimbursements	605,591	510,317
Maintenance and other fees	1,459,956	1,066,544
Other revenue	64,508	97,204
Grant revenue	54,760	-
Total operating revenues	13,429,480	11,850,607
Operating expenses:		
Labor and fringe benefits	3,928,944	3,770,295
Treatment charges	3,728,850	3,519,408
Administrative	735,185	744,269
Other operating expenses	679,625	806,427
Depreciation	2,111,800	1,950,561
Total operating expenses	11,184,404	10,790,960
Operating income (loss)	2,245,076	1,059,647
Nonoperating revenues and expenses		
Interest income	53,731	221,500
Interest expense	(57,479)	(67,312)
Total nonoperating revenue and expenses	(3,748)	154,188
Income (loss) before contributions	2,241,328	1,213,835
System development charges	719,182	700,327
Capital assets contributed	825,194	2,372,538
Total capital contributions	1,544,376	3,072,865
Change in net position	3,785,704	4,286,700
Net position - beginning of year, restated. as of July 1, 2019	101,069,071	92,076,911
Net position - end of year	\$ 104,854,775	\$ 96,363,611

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers and users	\$ 13,430,902	\$ 11,883,702
Payments to suppliers	(4,987,692)	(5,217,242)
Payments to employees	(3,981,872)	(3,710,819)
Net cash provided by operating activities	4,461,338	2,955,641
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,727,174)	(2,868,712)
System development charges	719,182	700,327
Principal paid on long-term debt	(334,890)	(324,900)
Interest paid on notes payable	(59,472)	(69,240)
Net cash used by capital and related financing activities	(2,402,354)	(2,562,525)
Cash flows from investing activities:		
Principal received on special assessments	44,433	55,228
Interest received on investments	53,731	221,500
Net cash provided by investing activities	98,164	276,728
Net increase (decrease) in cash and cash equivalents	2,157,148	669,844
Cash and cash equivalents, July 1	9,698,748	9,028,904
Cash and cash equivalents, June 30	\$ 11,855,896	\$ 9,698,748
Supplemental schedule of noncash capital and related financing activities:		
Contribution of capital from developers	\$ 825,194	\$ 2,372,538
Annexation of City of Shady Cove sewer system	\$ 4,705,460	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 2,245,076	\$ 1,059,647
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,111,800	1,950,561
Changes in operating assets and liabilities:		
Accounts receivable	(11,603)	28,549
Unearned income	13,025	4,546
Inventory	-	93,099
Prepaid expenses	(11,396)	917
Accounts payable	167,364	(215,899)
Payroll and related accruals	(90,882)	8,966
Compensated absences	37,954	25,255
Net cash provided by operating activities	\$ 4,461,338	\$ 2,955,641

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019

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.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

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	Transfers out
Dunn Pump Station Operations and Maintenance Fund	\$ 32,851
Bear Creek Interceptor Operations and Maintenance Fund	34,081
General Fund	58,943
White City Storm Drain Fund	17,000
Lagoons Fund	164,208

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

3. Cash and cash equivalents

Cash and cash equivalents at June 30 are comprised of:

	2020	2019
Cash on hand	\$ 650	\$ 650
Deposits with Financial Institutions	291,478	177,551
Local Government Investment Pool	11,563,768	9,520,547
Total cash and cash equivalents	<u>\$ 11,855,896</u>	<u>\$ 9,698,748</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, 2020 and 2019, 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, 2020 and 2019

5. Capital assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	July 1, 2019	Additions	Transfers and Retirements	June 30, 2020
Capital assets not being depreciated:				
Land	\$ 486,385	\$ -	\$ -	\$ 486,385
Site Improvements	210,615	-	-	210,615
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	1,011,929	3,185,776	(2,198,166)	1,999,539
Total capital assets not being depreciated	3,159,410	3,185,776	(2,198,166)	4,147,020
Capital assets being depreciated:				
Utility Plant	120,622,368	-	2,198,166	122,820,534
Buildings	1,674,468	-	-	1,674,468
Furniture, Fixture and Equipment	5,541,973	366,592	(28,473)	5,880,092
Total capital assets being depreciated	127,838,809	366,592	2,169,693	130,375,094
Less accumulated depreciation for:				
Utility Plant	(31,934,441)	(1,563,239)	-	(33,497,680)
Buildings	(1,032,639)	(66,607)	-	(1,099,246)
Furniture, Fixture and Equipment	(4,119,207)	(481,954)	28,473	(4,572,688)
Total accumulated depreciation	(37,086,287)	(2,111,800)	28,473	(39,169,614)
Total capital assets, being depreciated, net	90,752,522	(1,745,208)	2,198,166	91,205,480
Total capital assets, net	\$ 93,911,932	\$ 1,440,568	\$ -	\$ 95,352,500

The balances at July 1, 2019 were adjusted for the inclusion of the City of Shady Cove sewer capital assets. See Note 11.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

5. Capital assets (continued)

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

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 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>

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.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

6. Long-term debt (continued)

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 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, 2020, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 310,000	\$ 77,063	\$ 387,063
2022	265,000	65,562	330,562
2023	250,000	55,262	305,262
2024	250,000	45,263	295,263
2025	240,000	36,663	276,663
2026-30	<u>1,145,000</u>	<u>44,906</u>	<u>1,189,906</u>
Total	<u>\$ 2,460,000</u>	<u>\$ 324,719</u>	<u>\$ 2,784,719</u>

A summary of the changes in long-term debt for the year ended June 30, 2020 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	\$ 2,765,000	\$ (305,000)	\$ -	\$ 2,460,000	\$ 310,000
Unamortized Premium	<u>35,991</u>	<u>(29,900)</u>	<u>-</u>	<u>6,091</u>	<u>6,091</u>
Total long-term debt	<u>\$ 2,800,991</u>	<u>\$ (334,900)</u>	<u>\$ -</u>	<u>\$ 2,466,091</u>	<u>\$ 316,091</u>

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	<u>65,891</u>	<u>(29,900)</u>	<u>-</u>	<u>35,991</u>	<u>29,900</u>
Total long-term debt	<u>\$ 3,125,891</u>	<u>\$ (324,900)</u>	<u>\$ -</u>	<u>\$ 2,800,991</u>	<u>\$ 334,900</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

7. Compensated Absences

Compensated absences balances were \$487,360 and \$449,406 for the years ended June 30, 2020 and 2019 respectively. The change in accrued PTO for the year ended June 30, 2020 consists of decreases of \$18,151 and increases of \$56,105.

8. Retirement Plan

RVS contributes to the ICMA Retirement Corporation 401(a) 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 401(a) plan made by RVS for fiscal year ended June 30, 2020 were \$222,973 on compensation of \$2,493,650. Compensation data for fiscal year ended June 30, 2019 showed contributions of \$216,722 on compensation of \$2,503,321.

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.

10. Commitments

As part of the July 1, 2019 annexation of the City of Shady Cove sewer facilities, RVS is required to make debt service payments to the City of Shady Cove covering outside debt on the annexed facilities. RVS is not directly liable for these debts, which remain under the City of Shady Cove. Future scheduled payments to the City of Shady Cove are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 60,000	\$ 64,044	\$ 124,044
2022	65,000	62,234	127,234
2023	65,000	60,294	125,294
2024	70,000	57,694	127,694
2025	70,000	53,494	123,494
2026-2030	634,919	189,775	824,694
2031-2035	632,706	172,688	805,394
2036-2040	634,556	94,719	729,275
2041	40,000	725	40,725
Total	\$ 2,272,181	\$ 755,667	\$ 3,027,848

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2020 and 2019

11. Annexation of Sewer Services and Assets

In 2018 the voters of Shady Cove approved Resolution 18-11 which approved the annexation of the City of Shady Cove sewer systems by RVS. The transition took place on July 1, 2019. The beginning net asset as of July 1, 2019 where restated to record the transition. The restatement made is as follows:

	Balance at June 30, 2019	Shady Cove Annexation Amounts	Restated Balance at July 1, 2019
Land	\$ 427,982	\$ 58,403	\$ 486,385
Utility plant	<u>115,975,311</u>	<u>4,647,057</u>	<u>120,622,368</u>
Total	<u>\$ 116,403,293</u>	<u>\$ 4,705,460</u>	<u>\$ 121,108,753</u>
Net position	<u>\$ 96,363,611</u>	<u>\$ 4,705,460</u>	<u>\$ 101,069,071</u>

SUPPLEMENTARY INFORMATION

ROGUE VALLEY SEWER SERVICES

Combining Balance Sheet - All Funds Used for Budgetary Reporting

June 30, 2020

	General Fund	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Expansion	White City Storm Drain
ASSETS					
Cash and cash equivalents	\$ 3,041,942	\$ 369,158	\$ 649,756	\$ 4,413,332	\$ 736,832
Accounts receivable	818,920	3,612	-	31,608	-
Prepaid expenses	79,936	-	-	-	-
Total assets	<u>\$ 3,940,798</u>	<u>\$ 372,770</u>	<u>\$ 649,756</u>	<u>\$ 4,444,940</u>	<u>\$ 736,832</u>
LIABILITIES					
Accounts payable	\$ 588,084	\$ -	\$ 3,956	\$ 71,952	\$ -
Payroll and related accruals	24,957	-	-	-	-
Unearned revenue	145,442	-	-	-	-
Total liabilities	758,483	-	3,956	71,952	-
FUND BALANCES					
Restricted for:					
Unappropriated	3,182,315	372,770	645,800	4,372,988	736,832
Total fund balances	<u>3,182,315</u>	<u>372,770</u>	<u>645,800</u>	<u>4,372,988</u>	<u>736,832</u>
Total liabilities and fund balances	<u>\$ 3,940,798</u>	<u>\$ 372,770</u>	<u>\$ 649,756</u>	<u>\$ 4,444,940</u>	<u>\$ 736,832</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>Lagoon Fund</u>	<u>Total</u>
\$ 1,291,942	\$ 53,683	\$ -	\$ 996,514	\$ 275,071	\$ 1,437	\$ 26,229	\$ 11,855,896
-	-	-	-	-	-	-	854,140
-	-	-	-	-	-	-	79,936
<u>\$ 1,291,942</u>	<u>\$ 53,683</u>	<u>\$ -</u>	<u>\$ 996,514</u>	<u>\$ 275,071</u>	<u>\$ 1,437</u>	<u>\$ 26,229</u>	<u>\$ 12,789,972</u>
\$ 3,476	\$ 7,649	\$ -	\$ 35,755	\$ 5,572	\$ -	\$ 1,417	\$ 717,861
-	-	-	-	-	-	-	24,957
-	-	-	-	-	-	-	145,442
3,476	7,649	-	35,755	5,572	-	1,417	888,260
<u>1,288,466</u>	<u>46,034</u>	<u>-</u>	<u>960,759</u>	<u>269,499</u>	<u>1,437</u>	<u>24,812</u>	<u>11,901,712</u>
<u>1,288,466</u>	<u>46,034</u>	<u>-</u>	<u>960,759</u>	<u>269,499</u>	<u>1,437</u>	<u>24,812</u>	<u>11,901,712</u>
<u>\$ 1,291,942</u>	<u>\$ 53,683</u>	<u>\$ -</u>	<u>\$ 996,514</u>	<u>\$ 275,071</u>	<u>\$ 1,437</u>	<u>\$ 26,229</u>	<u>\$ 12,789,972</u>

Reconciliation to GAAP basis balance sheet:

Ending fund balance - budgetary basis	\$ 11,901,712
Accounts receivable for full accrual	384,727
Assessment receivable	7,520
Capital assets, net	95,530,341
Long-term debt	(2,466,091)
Accrued interest	(16,074)
Compensated absences	<u>(487,360)</u>
Ending net position	<u>\$104,854,775</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, 2020

	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	\$ 9,449,433	\$ -	\$ -	\$ -	\$ 76,443	\$ 384,835
System development charges	718,361	-	-	-	-	-
Reimbursements	605,591	-	-	-	-	-
Maintenance and other fees	123,781	44,023	-	385,203	-	14,250
Other revenue	61,628	-	-	-	-	2,080
Federal grants	54,760	-	-	-	-	-
Assessment loan repayments	53,731	-	-	-	-	-
Interest income	61,902	6,373	13,449	90,390	16,997	28,474
Total revenues	11,129,187	50,396	13,449	475,593	93,440	429,639
Expenditures:						
Personnel services	3,890,990	-	-	-	-	-
Materials and services	4,728,500	9,891	55,849	-	13,715	17,502
Debt service	126,196	-	-	268,167	-	-
Capital outlay	2,305,368	-	-	198,601	39,153	73,861
Payments to the City of Shady Cove	-	-	-	-	-	-
Total expenditures	11,051,054	9,891	55,849	466,768	52,868	91,363
Excess (deficiency) of revenues over (under) expenditures	78,133	40,505	(42,400)	8,825	40,572	338,276
Other financing sources (uses)						
Transfers in	1,028,938	201,688	200,000	407,255	-	-
Transfers out	(608,943)	(226,081)	(32,851)	-	(87,000)	(305,684)
Total other financing sources (uses)	419,995	(24,393)	167,149	407,255	(87,000)	(305,684)
Change in fund balance	498,128	16,112	124,749	416,080	(46,428)	32,592
Beginning fund balance	2,684,187	356,658	521,051	3,956,908	783,260	1,255,874
Ending fund balance	\$ 3,182,315	\$ 372,770	\$ 645,800	\$ 4,372,988	\$ 736,832	\$ 1,288,466

Shady Cove Treatment	Shady Cove Collection System	Shady Cove Capital	Gold Hill Treatment	Gold Hill Collection	Lagoon Fund	Total
\$ 545,010	\$ -	\$ -	\$ 360,000	\$ -	\$ 444,831	\$ 11,260,552
-	-	-	-	-	821	719,182
-	-	-	-	-	-	605,591
-	-	712,100	-	-	-	1,279,357
800	-	-	-	-	-	64,508
-	-	-	-	-	-	54,760
-	-	-	-	-	-	53,731
963	-	6,483	-	-	-	225,031
<u>546,773</u>	<u>-</u>	<u>718,583</u>	<u>360,000</u>	<u>-</u>	<u>445,652</u>	<u>14,262,712</u>
-	-	-	-	-	-	3,890,990
120,473	-	-	57,977	225	19,632	5,023,764
-	-	-	-	-	-	394,363
-	-	99,236	5,230	-	-	2,721,449
<u>125,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,622</u>
<u>246,095</u>	<u>-</u>	<u>99,236</u>	<u>63,207</u>	<u>225</u>	<u>19,632</u>	<u>12,156,188</u>
<u>300,678</u>	<u>-</u>	<u>619,347</u>	<u>296,793</u>	<u>(225)</u>	<u>426,020</u>	<u>2,106,524</u>
-	-	300,000	-	35,000	-	2,172,881
<u>(257,829)</u>	<u>-</u>	<u>-</u>	<u>(219,158)</u>	<u>(34,127)</u>	<u>(401,208)</u>	<u>(2,172,881)</u>
<u>(257,829)</u>	<u>-</u>	<u>300,000</u>	<u>(219,158)</u>	<u>873</u>	<u>(401,208)</u>	<u>-</u>
42,849	-	919,347	77,635	648	24,812	2,106,524
<u>3,185</u>	<u>-</u>	<u>41,412</u>	<u>191,864</u>	<u>789</u>	<u>-</u>	<u>9,795,188</u>
<u>\$ 46,034</u>	<u>\$ -</u>	<u>\$ 960,759</u>	<u>\$ 269,499</u>	<u>\$ 1,437</u>	<u>\$ 24,812</u>	<u>\$ 11,901,712</u>

Change in fund balance - budgetary basis	\$ 2,106,524
Change in recording full accrual receivables	(15,887)
Change in assessments receivable	(44,432)
Expenditures for capital assets	2,727,175
Contributed capital assets	825,194
Debt payment and premium amortization	334,890
Change in accrued interest	1,994
Change in compensated absences	(37,954)
Depreciation	<u>(2,111,800)</u>
Change in net position	<u>\$ 3,785,704</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Sewer service charges	\$ 9,732,216	\$ 9,732,216	\$ 9,449,433	\$ (282,783)
System development charges	502,500	502,500	718,361	215,861
Reimbursements	271,000	271,000	605,591	334,591
Maintenance and other fees	134,000	134,000	123,781	(10,219)
Other revenues	71,000	71,000	61,628	(9,372)
Assessment loan repayments	55,000	55,000	53,731	(1,269)
Interest income	50,000	50,000	61,902	11,902
Transfers in	1,021,000	1,021,000	1,028,938	7,938
Beginning fund balance	1,739,302	1,739,302	2,684,187	944,885
Total resources	\$ 13,576,018	\$ 13,576,018	\$ 14,787,552	\$ 1,211,534
REQUIREMENTS				
Expenditures:				
Personnel services	\$ 4,048,133	\$ 4,048,133	\$ 3,890,990	\$ 157,143
Materials and services	5,006,488	5,006,488	4,728,500	277,988
Debt Service	126,196	126,916	126,196	720
Capital outlay	3,006,756	3,006,756	2,305,368	701,388
Total expenditures	12,187,573	12,188,293	11,051,054	1,137,239
Transfers out	550,000	550,000	608,943	(58,943)
Operating contingency	150,000	150,000	-	150,000
Ending fund balance	688,445	687,725	3,127,555	(2,439,830)
Total requirements	\$ 13,576,018	\$ 13,576,018	\$ 14,787,552	\$ (1,211,534)

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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Maintenance fees	\$ 50,000	\$ 50,000	\$ 44,023	\$ (5,977)
Interest income	2,500	2,500	6,373	3,873
Total revenues	52,500	52,500	50,396	(2,104)
Transfers in	200,000	200,000	201,688	1,688
Beginning fund balance	335,389	335,389	356,658	21,269
Total resources	\$ 587,889	\$ 587,889	\$ 608,742	\$ 20,853
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 40,900	\$ 40,900	\$ 9,891	\$ 31,009
Transfers out	192,000	192,000	226,081	(34,081)
Operating contingency	75,000	75,000	-	75,000
Ending fund balance	279,989	279,989	372,770	(92,781)
Total requirements	\$ 587,889	\$ 587,889	\$ 608,742	\$ (20,853)

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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Interest income	\$ 7,041	\$ 7,041	\$ 13,449	\$ 6,408
Transfers in	150,000	150,000	200,000	50,000
Beginning fund balance	502,369	502,369	521,051	18,682
Total resources	\$ 659,410	\$ 659,410	\$ 734,500	\$ 75,090
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 77,400	\$ 77,400	\$ 55,849	\$ 21,551
Transfers out	29,000	29,000	32,851	(3,851)
Operating contingency	75,000	75,000	-	75,000
Ending fund balance	478,010	478,010	645,800	(167,790)
Total requirements	\$ 659,410	\$ 659,410	\$ 734,500	\$ (75,090)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Interceptor Capital Expansion Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Maintenance fees	\$ 400,000	\$ 400,000	\$ 385,203	\$ (14,797)
Interest income	43,000	43,000	90,390	47,390
Transfers in	350,000	350,000	407,255	57,255
Beginning fund balance	3,769,603	3,769,603	3,956,908	187,305
Total resources	\$ 4,562,603	\$ 4,562,603	\$ 4,839,756	\$ 277,153
REQUIREMENTS				
Expenditures:				
Debt service	\$ 268,167	\$ 268,167	\$ 268,167	\$ -
Capital outlay	355,000	355,000	198,601	156,399
Total Expenditures	623,167	623,167	466,768	156,399
Operating contingency	350,000	350,000	-	350,000
Ending fund balance	3,589,436	3,589,436	4,372,988	(783,552)
Total requirements	\$ 4,562,603	\$ 4,562,603	\$ 4,839,756	\$ (277,153)

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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Storm drain fees	\$ 70,000	\$ 70,000	\$ 76,443	\$ 6,443
Interest income	8,710	8,710	16,997	8,287
Beginning fund balance	702,926	702,926	783,260	80,334
Total resources	\$ 781,636	\$ 781,636	\$ 876,700	\$ 95,064
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 20,000	\$ 20,000	\$ 13,715	\$ 6,285
Capital outlay	550,000	550,000	39,153	510,847
Total Expenditures	570,000	570,000	52,868	517,132
Transfers out	70,000	70,000	87,000	(17,000)
Operating contingency	50,000	50,000	-	50,000
Ending fund balance	91,636	91,636	736,832	(645,196)
Total requirements	\$ 781,636	\$ 781,636	\$ 876,700	\$ (95,064)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Stormwater Quality Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Stormwater fees	\$ 382,000	\$ 382,000	\$ 384,835	\$ 2,835
Construction site erosion permits	13,500	13,500	-	(13,500)
Maintenance and other fees	17,000	17,000	14,250	(2,750)
Other revenues	3,000	3,000	2,080	(920)
Interest income	15,000	15,000	28,474	(13,474)
Beginning fund balance	972,667	972,667	1,255,874	283,207
Total resources	\$ 1,403,167	\$ 1,403,167	\$ 1,685,513	\$ 282,346
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 148,751	\$ 148,751	\$ 17,502	\$ 131,249
Capital outlay	193,400	193,400	73,861	119,539
Total Expenditures	342,151	342,151	91,363	250,788
Transfers out	332,500	332,500	305,684	26,816
Operating contingency	100,000	100,000	-	100,000
Ending fund balance	628,516	628,516	1,288,466	(659,950)
Total requirements	\$ 1,403,167	\$ 1,403,167	\$ 1,685,513	\$ (282,346)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Treatment Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Shady Cove fees	564,942	564,942	545,010	(19,932)
Other revenues	1,500	1,500	800	(700)
Interest income	-	-	963	963
Beginning fund balance	10,316	10,316	3,185	(7,131)
Total resources	\$ 576,758	\$ 576,758	\$ 549,958	\$ (26,800)
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 121,836	\$ 121,836	\$ 120,473	\$ 1,363
Transfers to the City of Shady Cove	127,505	127,505	125,622	1,883
Transfers out	320,000	320,000	257,829	62,171
Ending fund balance	7,417	7,417	46,034	(38,617)
Total requirements	\$ 576,758	\$ 576,758	\$ 549,958	\$ 26,800

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Capital Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Shady Cove Capital Fees	10,000	10,000	712,100	702,100
Interest income	-	-	6,483	6,483
Transfers in	250,000	250,000	300,000	50,000
Beginning fund balance	21,090	21,090	41,412	20,322
Total resources	\$ 281,090	\$ 281,090	\$ 1,059,995	\$ 778,905
REQUIREMENTS				
Expenditures:				
Capital outlay	\$ 126,500	\$ 126,500	\$ 99,236	\$ 27,264
Ending fund balance	154,590	154,590	960,759	(806,169)
Total requirements	\$ 281,090	\$ 281,090	\$ 1,059,995	\$ (778,905)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Treatment Fund

For the Year Ended June 30, 2020

	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	105,654	105,654	191,864	86,210
Total resources	\$ 466,154	\$ 466,154	\$ 551,864	\$ 85,710
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 109,612	\$ 109,612	\$ 57,977	\$ 51,635
Capital outlay	70,000	70,000	5,230	64,770
Total Expenditures	179,612	179,612	63,207	(116,405)
Transfers out	220,000	220,000	219,158	842
Ending fund balance	66,542	66,542	269,499	(202,957)
Total requirements	\$ 466,154	\$ 466,154	\$ 551,864	\$ (85,710)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Collection Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Transfers in	\$ 20,000	\$ 20,000	\$ 35,000	\$ 15,000
Beginning fund balance	28,438	28,438	789	(27,649)
Total resources	<u>\$ 48,438</u>	<u>\$ 48,438</u>	<u>\$ 35,789</u>	<u>\$ (12,649)</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 5,000	\$ 5,000	\$ 225	\$ 4,775
Transfers out	42,000	42,000	34,127	7,873
Ending fund balance	1,438	1,438	1,437	1
Total requirements	<u>\$ 48,438</u>	<u>\$ 48,438</u>	<u>\$ 35,789</u>	<u>\$ 12,649</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Lagoons Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Sewer service charge	\$ 300,000	\$ 300,000	\$ 444,831	\$ 144,831
Interest income	-	-	821	821
Total resources	\$ 300,000	\$ 300,000	\$ 445,652	\$ 145,652
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 31,000	\$ 31,000	\$ 19,632	\$ 11,368
Transfers out	237,000	237,000	401,208	(164,208)
Ending fund balance	32,000	32,000	24,812	7,188
Total requirements	\$ 300,000	\$ 300,000	\$ 445,652	\$ (145,652)

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	34 -37
Revenue Capacity	
These schedules contain information that may assist the reader in assessing RVS' most significant local revenue source, RVS water rate.	38
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	39 - 40
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.	41 - 42
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.	43 - 44

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Position Components				
Net investment in capital assets	\$ 93,056,409	\$ 86,600,391	\$ 82,974,802	\$ 80,122,932
Restricted	2,119,113	1,736,001	1,736,001	1,509,961
Unrestricted	9,679,253	8,027,219	7,366,108	7,716,162
Total Net Position	<u>\$ 104,854,775</u>	<u>\$ 96,363,611</u>	<u>\$ 92,076,911</u>	<u>\$ 89,349,055</u>

Source: Rogue Valley Sewer Services accounting records

Table 1

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 79,058,152	\$ 78,859,446	\$ 76,699,741	\$ 76,199,276	\$ 76,163,112	\$74,983,873
1,439,263	1,309,302	1,060,137	828,344	722,627	523,174
5,839,491	3,833,966	5,144,550	5,024,938	4,569,936	4,493,903
<u>\$ 86,336,906</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>

Rogue Valley Sewer Services Operating Results

Table 2

for the last ten fiscal years - Unaudited

	2020	2019	2018	2017
Operating revenue				
Sewer service charges	\$ 11,244,665	\$ 10,176,542	\$ 9,782,350	\$ 8,767,177
Other operating revenues	2,184,815	1,674,065	1,634,133	1,736,385
	<u>13,429,480</u>	<u>11,850,607</u>	<u>11,416,483</u>	<u>10,503,562</u>
Operating expenses:				
Labor and fringe benefits	3,928,944	3,770,295	3,768,556	2,905,850
Treatment charges	3,728,850	3,519,408	3,226,022	3,001,448
Materials and services	1,414,810	1,550,696	1,470,837	1,400,725
Depreciation	2,111,800	1,950,561	1,837,885	1,829,777
	<u>11,184,404</u>	<u>10,790,960</u>	<u>10,303,300</u>	<u>9,137,800</u>
Operating income (loss)	2,245,076	1,059,647	1,113,183	1,365,762
Other nonoperating income (loss), net				
Gain(Loss) on disposition of asset	-	-	-	(14,664)
Interest income	53,731	221,500	154,869	90,764
Interest expense	(57,479)	(67,312)	(69,569)	(82,003)
	<u>(3,748)</u>	<u>154,188</u>	<u>85,300</u>	<u>(5,903)</u>
Developer contribution of plant	825,194	2,372,538	1,235,769	915,549
System development charges	719,182	700,327	494,263	639,308
Special assessments	-	-	-	26,735
Change in net assets	<u>\$ 3,785,704</u>	<u>\$ 4,286,700</u>	<u>\$ 2,928,515</u>	<u>\$ 2,941,451</u>

Source: Rogue Valley Sewer Services accounting records

Table 2

2016	2015	2014	2013	2012	2011
\$ 8,041,172	\$ 6,994,396	\$ 6,840,381	\$ 6,801,091	\$ 6,578,729	\$ 6,636,860
1,428,711	1,439,449	1,155,144	1,081,222	934,105	546,681
<u>9,469,883</u>	<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>
2,728,191	2,703,183	2,361,332	2,274,062	2,005,587	1,916,816
2,748,900	2,497,440	2,482,151	2,414,519	2,360,774	2,347,878
1,199,064	1,300,210	1,206,070	1,133,978	1,164,091	697,380
1,862,091	1,741,477	1,725,641	1,741,811	1,701,287	1,660,513
<u>8,538,246</u>	<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>
931,637	191,535	220,331	317,943	281,095	560,954
46,611	4,515	46,770	(3,746)	(2,973)	(9,142)
38,101	39,989	43,150	56,344	53,076	51,735
(95,754)	(104,765)	(93,650)	(178,252)	(190,153)	(185,391)
<u>(11,042)</u>	<u>(60,261)</u>	<u>(3,730)</u>	<u>(125,654)</u>	<u>(140,050)</u>	<u>(142,798)</u>
649,186	635,831	407,570	217,962	434,656	164,647
606,851	328,157	319,463	186,638	310,190	93,811
27,599	3,024	-	-	568,834	-
<u>\$ 2,204,231</u>	<u>\$ 1,098,286</u>	<u>\$ 943,634</u>	<u>\$ 596,889</u>	<u>\$ 1,454,725</u>	<u>\$ 676,614</u>

Rogue Valley Sewer Services

Table 3

Permits Issued, Customers, Gallons Transmitted, Rates

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Number Permits Issued	Residential Units	Commercial Industrial Customers	Total Units/ Customers	Million Gallons Transmitted	Sewer Rates
2020	377	32,866	1,924	34,790	5,820	\$ 21.50
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

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
2020	87,058	223,240	\$ 3,760,100	\$ 43,191	11.2%	1.8%
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%	1.0%

Sources:

- (1) County population estimates are from data developed by Portland State University Population Research Center.
- (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, 2020		June 30, 2010		
	Monthly Gallons	Percent Total	Monthly Gallons	Percent Total	
Amy's Kitchen	9,458,260	14.1%	4,587,000	6.8%	(2)
V A Domiciliary #692	3,957,000	5.9%	2,615,000	3.9%	(3)
Boise Cascade Corp	3,462,000	5.2%	7,541,207	11.3%	(1)
Carestream Health Inc	3,136,500	4.7%	2,154,927	3.2%	(4)
Bear Creek Operations	2,277,106	3.4%	1,540,028	2.3%	(5)
Southern Oregon Linen	1,373,000	2.0%	1,090,000	1.6%	(6)
Roseburg Forest Products PO#C1994	1,220,391	1.8%	-	0.0%	
Linde Inc	796,000	1.2%	738,000	1.1%	(7)
Cascade Wood Prod	727,000	1.1%	-	0.0%	
Coastal Farm & Home Supply LLC	649,000	1.0%	-	0.0%	
	27,056,257	13.5%	20,266,162	30.2%	
All other commercial customers	173,664,950	86.5%	46,756,211	69.8%	
	200,721,207	100.0%	67,022,373	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	
2020	\$ 2,460,000	\$ -	\$ -	\$2,460,000	\$30.31	0.061%
2019	2,765,000	-	-	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%

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	
2020	\$ 13,429,480	\$ 9,072,604	\$ 4,356,876	\$ 305,000	\$ 89,363	\$ 394,363	11.05
2019	11,850,607	8,840,399	3,010,208	295,000	99,150	394,150	7.64
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

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	Storm Water Quality	Treatment	Total
2020	7.85	1.65	4.50	17.0	2.0	4.0	37.0
2019	7.85	1.65	5.50	18.0	0.0	3.0	36.0
2018	7.85	1.65	5.50	18.0	0.0	3.0	36.0
2017	7.85	1.65	4.50	19.0	0.0	0.0	33.0
2016	6.00	2.00	5.00	17.0	0.0	0.0	30.0
2015	6.0	2.0	5.0	16.0	0.0	0.0	29.0
2014	6.0	1.0	4.6	17.4	0.0	0.0	29.0
2013	8.0	0.0	10.0	13.0	0.0	0.0	31.0
2012	8.0	0.0	9.5	12.0	0.0	0.0	29.5
2011	8.0	0.0	11.0	11.0	0.0	0.0	30.0

Source: Rogue Valley Sewer Services accounting records

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

Table 9

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>
2020	414	42,340	5,820	36,520	14%
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%

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:

K:data/general/eng departmnet/cmom/flowdata/flows/fy20.

COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR

REQUIRED BY STATE REGULATIONS



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE REGULATIONS

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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, 2020, and have issued our report thereon dated January 20, 2021. 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
January 20, 2021