

**Annual
Comprehensive
Financial
Report**



ROGUE VALLEY
SEWER SERVICES

Jackson County, Oregon

For the Years Ended June 30, 2024 and 2023

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

ROGUE VALLEY SEWER SERVICES

Years ended June 30, 2024 and 2023

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INTRODUCTORY SECTION



ROGUE VALLEY
SEWER SERVICES
CLEAN WATER - HEALTHY COMMUNITIES

December 18, 2024

To the Honorable Chairman and Board of Directors and Citizens of the RVS District,

The Annual Comprehensive Financial Report of Rogue Valley Sewer Services (RVS) for fiscal year ended June 30, 2024, 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, 2024, 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.

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. In November 2018, the City of Shady Cove voters approved the annexation measure to join RVS. As of July 1, 2019 the City of Shady Cove was annexed into RVS.

With the annexation the purpose of this fund will be expanded to cover capital improvements to both the Shady Cove Treatment Plant and the White City Lagoons, as both are now treatment facilities owned and operated by RVS.

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 agreement with Gold Hill expired in 2023. August 2023, Gold Hill held a special election to annex into Rogue Valley Sewer Services. Annexation was approved and went into effect November 1, 2023.

Gold Hill Debt Service. The Gold Hill Debt Service Fund was newly established in FY2024 to track debt payments for the Gold Hill loan assumptions upon annexation. Debt Service payments for the planned DEQ loans on the proposed regional intertie projects will not begin until the projects are complete.

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 expired in 2024 with the annexation November 1, 2024.

Lagoons. The Lagoons Fund was newly established in 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 2024 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, 2024 is \$2,012,118.

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 Annual Comprehensive Financial Reports for the fiscal years ended June 30, 1990 through 2023. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized annual comprehensive 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 Annual Comprehensive 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 annual comprehensive financial 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 4-7, 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

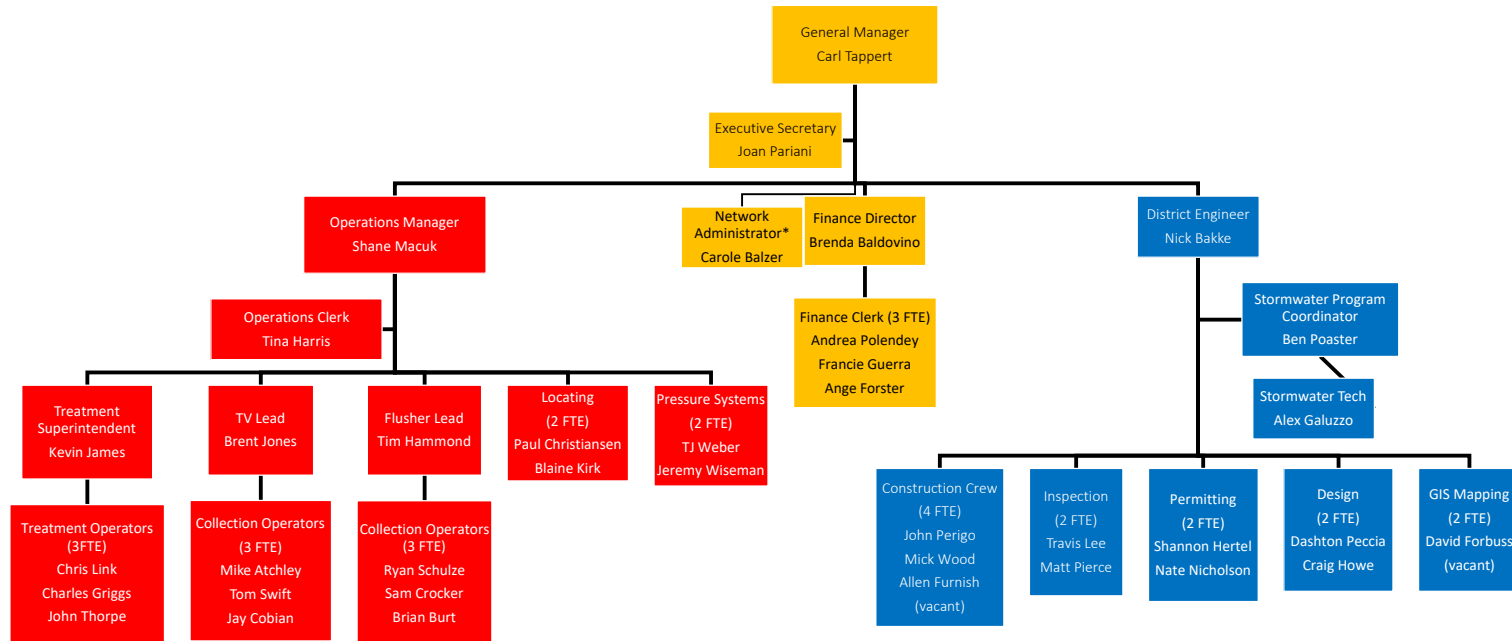
**Rogue Valley Sewer Services
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



- 1 Network Administrator is also designated as Deputy Manager
- 2 The Operations Manager is designated as Building Official and Operator of Record for the collection system
- 3 Treatment Superintendent is designated as Operator of Record for Shady Cove WWTP and the White City Lagoon
- 4 TJ Weber designated as backup Operator of Record for the collection system
- 5 Chris Link designated as backup Operator of Record for Shady Cove WWTP and the White City Lagoon

ROGUE VALLEY SEWER SERVICES

For the Year Ended June 30, 2024

Board of Directors and Registered Agent

As of June 30, 2024

Board of Directors	<u>Term Expires</u>
Kay Harrison, Chair 138 West Vilas Road, Central Point, OR 97502	June 2027
Michael Parsons, Vice Chair 138 West Vilas Road, Central Point, OR 97502	June 2027
John Edwards, Director 138 West Vilas Road, Central Point, OR 97502	June 2025
Roger Thom, Director 138 West Vilas Road, Central Point, OR 97502	June 2025
John Quinn, Director 138 West Vilas Road, Central Point, OR 97502	June 2027
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

Opinion

We have audited the accompanying financial statements of the Rogue Valley Sewer Services ("RVS"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise RVS' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RVS as of June 30, 2024 and 2023 and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RVS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RVS' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2024 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.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a long, sweeping underline.

By Paul Nielson, a member of the firm
for Isler CPA
December 18, 2024

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, 2024 and June 30, 2023. 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, 2024 by \$123,592, an increase of \$7,946. Net Position consists of \$11,176 unrestricted net position which may be used to meet ongoing obligations, \$3,043 of restricted net position related to system development and \$109,373 is invested in capital assets net of accumulated depreciation, amortization and related debt.
- Total operating revenues were \$15,373, an increase of \$865 from the prior year. Operating expenses totaled \$14,065, an increase of \$985 from the prior year. The difference between operating revenues and operating expenses resulted in operating income of \$1,308.
- RVS has \$109,573 in capital assets, net of accumulated depreciation. This is an increase of \$6,543 from the prior year. RVS also recognized \$2,460 in depreciation and amortization 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' 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:

	2024	2023	2022	Change 2023 - 2024	
				Amount	Percent %
Assets:					
Current assets	\$ 15,768	\$ 14,545	\$ 13,844	\$ 1,223	8.4
Noncurrent receivables	96	92	106	4	4.3
Capital - Right to use asset	112	166	-	(54)	
Capital assets (net)	<u>109,461</u>	<u>102,918</u>	<u>101,700</u>	<u>6,543</u>	<u>6.4</u>
Total assets	<u>125,437</u>	<u>117,721</u>	<u>115,650</u>	<u>7,716</u>	<u>6.6</u>
Liabilities:					
Current liabilities	1,392	1,645	2,728	(253)	(15.4)
Long-term liabilities	<u>453</u>	<u>430</u>	<u>379</u>	<u>23</u>	<u>5.3</u>
Total liabilities	<u>1,845</u>	<u>2,075</u>	<u>3,107</u>	<u>(230)</u>	<u>(11.1)</u>
Net position:					
Net investment in capital assets	109,373	102,909	99,815	6,464	6.3
Restricted	3,043	2,728	2,501	315	11.5
Unrestricted	<u>11,176</u>	<u>10,009</u>	<u>10,227</u>	<u>1,167</u>	<u>11.7</u>
Total net position	<u>\$ 123,592</u>	<u>\$ 115,646</u>	<u>\$ 112,543</u>	<u>\$ 7,946</u>	<u>6.9</u>

Total assets increased for this fiscal year by \$7,716. The asset increase is due primarily to the additions of capital asset during the year in the amount of \$6,489. Current assets increased by \$1,223 as a result of an increase in cash and cash equivalents, and accounts receivable.

Total liabilities decreased by \$230 from last year. The decrease in liabilities is primarily related to a decrease in accounts payable.

Net position may serve as a useful indicator of RVS' financial position. As of June 30, 2024, assets exceeded liabilities by \$123,592, a 6.9 percent increase over the prior period. Investment in capital assets are considered unavailable for current expenditures and account for 88.5 percent of the total net position (89.0 percent of total net position at June 30, 2023). Unrestricted net position accounts for 9.0 percent of the total net position (8.7 percent of the total net position at June 30, 2023). 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 2023 to 2024.

	2024	2023	2022	<u>Change 2023 - 2024</u>	
				<u>Amount</u>	<u>Percent %</u>
Operating revenues:					
Charges for services	\$ 14,242	\$ 13,418	\$ 12,624	\$ 824	6.1
Reimbursements	883	876	824	7	0.8
Other operating revenues	248	214	121	34	15.9
System development charges and contributions	6,010	1,376	2,244	4,634	336.8
Nonoperating revenues:					
Gain (loss) on sale of assets	(9)	-	-	(9)	-
Interest income	643	335	68	308	91.9
Total revenues	<u>22,017</u>	<u>16,219</u>	<u>15,881</u>	<u>5,798</u>	35.7
Expenses:					
Sewer operations	14,065	13,080	12,359	985	7.5
Interest expense	6	31	64	(25)	(80.6)
Total expenses	<u>14,071</u>	<u>13,111</u>	<u>12,423</u>	<u>960</u>	7.3
Change in net position	<u>7,946</u>	<u>3,108</u>	<u>3,458</u>	<u>4,838</u>	155.7
Net position-beginning*	<u>115,646</u>	<u>112,538</u>	<u>109,085</u>	<u>3,108</u>	2.8
Net position-ending	<u>\$ 123,592</u>	<u>\$ 115,646</u>	<u>\$ 112,543</u>	<u>\$ 7,946</u>	6.9

*Opening net position for the year ended June 30, 2023 was adjusted due to the implementation of GASB 96.

Total operating revenues in 2024 increased by 6.1% over 2023. investment earnings increased due to changes in interest rates. Operating expenses increased by 7.5% as compared to the prior period. Operating expenses increased by 5.9 percent in 2023 compared to 2022.

CAPITAL ASSETS

At June 30, 2024, RVS had \$109,573 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>2024</u>	<u>2023</u>	<u>2022</u>
Land	\$ 608	\$ 486	\$ 486
Site Improvements	269	269	211
Intangible Asset-System Buy-In-Costs	1,450	1,450	1,450
Construction in progress	3,962	1,817	3,287
Utility plant	141,978	135,981	131,038
Buildings	1,751	1,675	1,675
Furniture, Fixture and Equipment	7,123	6,772	7,005
Right-to-use subscription asset	400	431	-
Total	<u>157,541</u>	<u>148,881</u>	<u>145,152</u>
Less accumulated depreciation & amortization	<u>(47,968)</u>	<u>(45,796)</u>	<u>(43,452)</u>
Total	<u><u>\$ 109,573</u></u>	<u><u>\$ 103,085</u></u>	<u><u>\$ 101,700</u></u>

Major capital assets placed into service during FY 2024 included the following:

- Gold Hill Treatment Plant \$2,630
- Contributed assets related to Utility Plant \$3,045
- Vilas project related to Utility Plant \$589

Additional information on RVS' capital assets can be found in the notes to the financial statements in the Note 5 titled capital assets.

DEBT ADMINISTRATION

RVS had the following outstanding debt:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Series 2013 bond obligation	\$ -	\$ -	\$ 1,885
DEQ Loan	<u>82</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 82</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,885</u></u>

Additional information on RVS' debt can be found in the notes to the financial statements in the Note 6 titled Long-term debt.

ECONOMIC FACTORS

The Almeda 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. As of June 30, 2024, a significant amount of the customer base has been rebuilt and started billing again.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 13,779,252	\$ 12,844,127
Accounts receivable	1,799,109	1,479,520
Current portion of assessments receivable	3,303	2,751
Prepaid expenses	<u>186,252</u>	<u>218,470</u>
Total current assets	<u>15,767,916</u>	<u>14,544,868</u>
Noncurrent assets:		
Assessments receivable	95,472	92,620
Capital - Right to use subscription asset - net	112,040	165,723
Capital assets - net	<u>109,461,349</u>	<u>102,917,943</u>
Total noncurrent assets	<u>109,668,861</u>	<u>103,176,286</u>
Total assets	<u><u>\$ 125,436,777</u></u>	<u><u>\$ 117,721,154</u></u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 912,953	\$ 1,174,656
Accrued payroll and related liabilities	76,395	63,374
Unearned revenue	169,335	159,935
Current portion of compensated absences	140,000	140,000
Current portion of long-term debt	1,081	-
Current portion of SBITA	<u>92,506</u>	<u>106,764</u>
Total current liabilities	<u>1,392,270</u>	<u>1,644,729</u>
Noncurrent liabilities:		
Long-term debt, net of current portion	80,571	-
Compensated absences net of current portion	345,778	362,612
SBITA, net of current portion	<u>26,652</u>	<u>67,496</u>
Total noncurrent liabilities	<u>453,001</u>	<u>430,108</u>
Total liabilities	<u>1,845,271</u>	<u>2,074,837</u>
NET POSITION:		
Net investment in capital assets	109,372,579	102,909,406
Restricted for system development	3,043,157	2,727,922
Unrestricted	<u>11,175,770</u>	<u>10,008,989</u>
Total net position	<u>123,591,506</u>	<u>115,646,317</u>
Total liabilities and net position	<u><u>\$ 125,436,777</u></u>	<u><u>\$ 117,721,154</u></u>

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Sewer service charges	\$ 13,663,081	\$ 12,766,564
Reimbursements	883,357	875,618
Maintenance and other fees	579,329	651,326
Other revenues	218,227	214,296
Grant revenue	<u>28,629</u>	<u>-</u>
Total operating revenues	<u>15,372,623</u>	<u>14,507,804</u>
Operating expenses:		
Labor and fringe benefits	5,330,479	4,760,763
Treatment charges	4,453,570	3,987,057
Administrative	1,820,534	1,793,577
Depreciation & amortization	<u>2,460,251</u>	<u>2,538,400</u>
Total operating expenses	<u>14,064,834</u>	<u>13,079,797</u>
Operating income (loss)	<u>1,307,789</u>	<u>1,428,007</u>
Nonoperating revenues and expenses:		
Gain (loss) on disposal of assets	(9,156)	-
Interest income	642,940	335,097
Interest expense	<u>(6,443)</u>	<u>(31,063)</u>
Total nonoperating revenue and expenses	<u>627,341</u>	<u>304,034</u>
Income (loss) before contributions	<u>1,935,130</u>	<u>1,732,041</u>
Capital contributions:		
System development charges	696,910	729,661
City of Gold Hill sewer annexation	2,316,272	-
Capital assets contributed	<u>2,996,877</u>	<u>646,434</u>
Total capital contributions	<u>6,010,059</u>	<u>1,376,095</u>
Change in net position	7,945,189	3,108,136
Net position - beginning of year	115,646,317	112,542,573
Opening balance adjustment (see note 11)	<u>-</u>	<u>(4,392)</u>
Net position - end of year	<u><u>\$ 123,591,506</u></u>	<u><u>\$ 115,646,317</u></u>

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 15,062,434	\$ 14,493,907
Payments to suppliers	(6,503,590)	(5,252,963)
Payments to employees	<u>(5,334,292)</u>	<u>(4,753,495)</u>
Net cash provided by operating activities	<u>3,224,552</u>	<u>4,487,449</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,566,348)	(3,075,554)
System development charges	696,910	729,661
Principal paid on subscription liabilities	(134,735)	(139,363)
Principal paid on long-term debt	-	(1,885,000)
Interest paid on notes payable	-	(32,365)
Interest paid on subscription liabilities	(6,442)	(11,015)
Proceeds from notes payable	<u>81,652</u>	<u>109,248</u>
Net cash used by capital and related financing activities	<u>(2,928,963)</u>	<u>(4,304,388)</u>
Cash flows from investing activities:		
Principal received on special assessments	(3,404)	13,518
Interest received on investments	<u>642,940</u>	<u>335,097</u>
Net cash provided by investing activities	<u>639,536</u>	<u>348,615</u>
Net increase (decrease) in cash and cash equivalents	935,125	531,676
Cash and cash equivalents, July 1	<u>12,844,127</u>	<u>12,312,451</u>
Cash and cash equivalents, June 30	<u><u>\$ 13,779,252</u></u>	<u><u>\$ 12,844,127</u></u>
Supplemental schedule of noncash capital and related financing activities:		
Contribution of capital from developers	<u><u>\$ 2,996,877</u></u>	<u><u>\$ 646,434</u></u>
Annexation of City of Gold Hill sewer system	<u><u>\$ 2,174,289</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Cash Flows, Continued

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,307,789	\$ 1,428,007
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation & amortization	2,460,251	2,538,400
Changes in operating assets and liabilities:		
Accounts receivable	(319,589)	(42,665)
Unearned income	9,400	28,768
Prepaid expenses	32,218	(127,577)
Accounts payable	(261,704)	655,244
Payroll and related accruals	13,021	23,680
Compensated absences	<u>(16,834)</u>	<u>(16,408)</u>
Net cash provided by operating activities	<u>\$ 3,224,552</u>	<u>\$ 4,487,449</u>

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

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 17.5-acre 3-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, Shady Cove 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.

Subscription Based IT arrangements (SBITA)

RVS recognizes a subscription asset and liability at the inception of the agreement. Future payments are discounted to present value terms using an appropriate interest rate determined by RVS management. The subscription asset is amortized over the life of the contract using a systematic and rational manner. The subscription liability is reduced by payments made with a portion being allocated to principal and interest.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

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 their acquisition value 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 issuance 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, 2024 and 2023

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: personnel 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
Gold Hill Treatment Fund	\$ 3,602	\$ 281,595

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

3. Cash and cash equivalents

Cash and cash equivalents at June 30 are comprised of:

	2024	2023
Cash on Hand	\$ 650	\$ 650
Deposits with Financial Institutions	173,745	142,139
Local Government Investment Pool	13,604,857	12,701,338
Total cash and cash equivalents	<u>\$ 13,779,252</u>	<u>\$ 12,844,127</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, RVS' deposits may not be returned to it. Deposits with financial institutions include bank demand deposits. Cash, except for the cash held at 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, 2024 and 2023, none of 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, 2024 and 2023

5. Capital assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 2024</u>
Capital assets not being depreciated:				
Land	\$ 486,385	\$ 121,760	\$ -	\$ 608,145
Site Improvements	268,679	-	-	268,679
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>1,816,627</u>	<u>6,177,360</u>	<u>(4,031,999)</u>	<u>3,961,988</u>
Total capital assets not being depreciated	<u>4,022,172</u>	<u>6,299,120</u>	<u>(4,031,999)</u>	<u>6,289,293</u>
Capital assets being depreciated:				
Utility Plant	135,980,609	2,052,529	3,944,579	141,977,717
Buildings	1,674,468	-	76,927	1,751,395
Furniture, Fixture and Equipment	6,772,342	527,848	(177,182)	7,123,008
Right-to-use subscription asset	<u>430,523</u>	<u>79,632</u>	<u>(110,211)</u>	<u>399,944</u>
Total capital assets being depreciated	<u>144,857,942</u>	<u>2,660,009</u>	<u>3,734,113</u>	<u>151,252,064</u>
Less accumulated depreciation for:				
Utility Plant	(38,645,199)	(1,829,976)	-	(40,475,175)
Buildings	(1,300,928)	(66,979)	-	(1,367,907)
Furniture, Fixture and Equipment	(5,585,521)	(429,981)	178,519	(5,836,983)
Right-to-use subscription asset	<u>(264,799)</u>	<u>(133,315)</u>	<u>110,211</u>	<u>(287,903)</u>
Total accumulated depreciation	<u>(45,796,447)</u>	<u>(2,460,251)</u>	<u>288,730</u>	<u>(47,967,968)</u>
Total capital assets, being depreciated, net	<u>99,061,495</u>	<u>199,758</u>	<u>4,022,843</u>	<u>103,284,096</u>
Total capital assets, net	<u>\$ 103,083,667</u>	<u>\$ 6,498,878</u>	<u>\$ (9,156)</u>	<u>\$ 109,573,389</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

5. Capital assets (continued)

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 486,385	\$ -	\$ -	\$ 486,385
Site Improvements	210,615	-	58,064	268,679
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>3,286,743</u>	<u>3,639,866</u>	<u>(5,109,982)</u>	<u>1,816,627</u>
Total capital assets not being depreciated	<u>5,434,224</u>	<u>3,639,866</u>	<u>(5,051,918)</u>	<u>4,022,172</u>
Capital assets being depreciated:				
Utility Plant	131,037,939	-	4,942,670	135,980,609
Buildings	1,674,468	-	-	1,674,468
Furniture, Fixture and Equipment	7,005,324	82,122	(315,104)	6,772,342
Right-to-use subscription asset	<u>-</u>	<u>430,523</u>	<u>-</u>	<u>430,523</u>
Total capital assets being depreciated	<u>139,717,731</u>	<u>512,645</u>	<u>4,627,566</u>	<u>144,857,942</u>
Less accumulated depreciation for:				
Utility Plant	(36,881,126)	(1,764,073)	-	(38,645,199)
Buildings	(1,233,949)	(66,979)	-	(1,300,928)
Furniture, Fixture and Equipment	(5,336,785)	(563,840)	315,104	(5,585,521)
Right-to-use subscription asset	<u>-</u>	<u>(264,799)</u>	<u>-</u>	<u>(264,799)</u>
Total accumulated depreciation	<u>(43,451,860)</u>	<u>(2,659,691)</u>	<u>315,104</u>	<u>(45,796,447)</u>
Total capital assets, being depreciated, net	<u>96,265,871</u>	<u>(2,147,046)</u>	<u>4,942,670</u>	<u>99,061,495</u>
Total capital assets, net	<u>\$ 101,700,095</u>	<u>\$ 1,492,820</u>	<u>\$ (109,248)</u>	<u>\$ 103,083,667</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

6. Long-term debt

On February 5, 2024 RVS entered into a direct borrowing agreement with the State of Oregon's Department of Environment Quality for a total loan amount of \$83,329. To date RVS has drawn down \$81,652 and does not plan to drawdown the remaining available balance. The direct borrowing is for RVS's Cummins Stomwater Project. The agreement requires RVS to intercept stormwater flow from an existing 30" diameter storm drainpipe and redirect it through a green infrastructure treatment/infiltration facility. The loan carries an annual interest rate of 1.51%. Repayment is expected to begin at completion of the project and end no later than 30 years after completion date or 30 years after the estimated completion date. The project was completed in November 2024. Based on the terms of the agreement, RVS is eligible to have 100% of the borrowed amount forgiven if RVS completes the project and is not in default of any of the terms of the agreement. If an event of default of payments or covenants occurs the Oregon DEQ may declare the entire unpaid balance plus any unpaid accrued interest, fees and any other amounts due immediately and payable; cease making disbursements of loan proceeds; appoint a receiver, at RVS's expense, to operate the facility that produces net revenues and collect gross revenues; set and collect utility rates and charges, direct State Treasurer to withhold any amounts otherwise due to RVS; and pursue any other legal or equitable remedy it may have.

Future maturities of the DEQ Loan payable at June 30, 2024, are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 1,081	\$ 616	\$ 1,697
2026	2,186	1,208	3,394
2027	2,219	1,175	3,394
2028	2,254	1,142	3,396
2029	2,287	1,107	3,394
2030-34	11,967	5,007	16,974
2035-39	12,901	4,072	16,973
2040-44	13,909	3,064	16,973
2045-50	14,996	1,978	16,974
2051-56	<u>17,852</u>	<u>819</u>	<u>18,671</u>
Total	<u>\$ 81,652</u>	<u>\$ 20,188</u>	<u>\$ 101,840</u>

A summary of the changes in long-term debt for the year ended June 30, 2024 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
DEQ Loan	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,652</u>	<u>\$ 81,652</u>	<u>\$ 1,081</u>

A summary of the changes in long-term debt for the year ended June 30, 2023 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
Series 2013 Obligation	<u>\$ 1,185,000</u>	<u>\$ (1,185,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

7. Compensated Absences

Compensated absences balances were \$485,778 and \$123,592 for the years ended June 30, 2024 and 2023 respectively. The change in accrued PTO for the year ended June 30, 2024 and 2023 consists of net decreases of \$(362,186) and \$16,408. The current portion of compensated absences was \$140,000 for the years ended June 30, 2024 and 2023 respectively.

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, 2024 were \$286,272 on compensation of \$3,527,807. Compensation data for fiscal year ended June 30, 2023 showed contributions of \$247,625 on compensation of \$3,061,871.

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
2025	\$ 70,000	\$ 53,494	\$ 123,494
2026	75,000	50,594	125,594
2027	80,000	47,494	127,494
2028	80,000	44,294	124,294
2029	85,000	41,419	126,419
2030-2034	460,000	165,195	625,195
2035-2039	545,000	76,338	621,338
2040-2044	160,000	7,250	167,250
Total	<u>\$ 1,555,000</u>	<u>\$ 486,078</u>	<u>\$ 2,041,078</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

11. Subscription Based IT Arrangements (SBITA)

RVS implemented GASB 96 during fiscal year 2023. As a result of implementing this standard, there was a \$4,392 reduction in opening net position for the year ended June 30, 2023.

RVS subscribes to various software that are considered subscription based IT arrangements (SBITA). The majority of SBITAs relate to the organizations geographic information system (GIS). Both SBITAs related to GIS software are on three year terms, with fixed payments being made annually. RVS's other SBITA includes access to use multiple software including: Microsoft 365, data backup, cybersecurity, records/document management, and website hosting. Payments are made on a monthly basis. RVS has identified multiple components in SBITAs, but have determined it is not practical to break out various components. RVS did not identify interest rates, implicit or explicit, in any of their SBITA contracts. RVS also does not regularly issue debt and therefore does not have an incremental borrowing rate readily available to use for implementing GASB 96. RVS has used interest rates obtained from the US Department of Treasury and increase these rates by an estimated risk percentage. RVS has estimated their risk to be 2%.

At June 30, 2024 RVS reported \$112,040 in right to use subscription assets, consisting of \$399,948 in asset value net of \$287,907 accumulated amortization. There were no variable or other payments related to any of the SBITA contracts.

Future payments related to SBITAs as of June 30, 2024 are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 92,506	\$ 5,172	\$ 97,678
2026	26,652	1,748	28,400
Total	<u>\$ 119,158</u>	<u>\$ 6,920</u>	<u>\$ 126,078</u>

12. Subsequent Events

In July 2024 RVS acquired the City of Gold Hill's ("City") OBDD IFA Loan balance of \$539,991 as part of the annexation agreement with the City. This loan requires annual payments of \$30,128. RVS is in the process of assuming a Rural Development ("RD") loan from the City as part of the annexation in the amount of \$637,610 with required annual payments of \$27,297. The assumption of the RD loan is still in the approval process stage as of the date of our report and has not been legally assumed by RVS as of the date of these statements.

In December 2024 RVS signed an agreement with Oregon PERS to start participating in their pension plan beginning July 1, 2025.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2024 and 2023

13. Transfer of Operations

On August 22, 2023 City of Gold Hill ("City") voters voted to annex sewer services into RVS. Under the annexation agreement between the City and RVS, the City agreed to annex its sewer services to RVS for the purpose of enhancing the provision of those services to the City's citizens. As a result of the annexation, RVS is receiving various assets and liabilities from the City including: various capital assets, cash and debt related to operations. On November 15, 2023, the City transferred the capital assets comprising its sewer service operations to RVS. On July 25, 2024, the City transferred cash related to their sewer service operations of \$141,983. This amount was recorded as a receivable as of June 30, 2024. Finally, debt expected to be assumed by RVS had not been legally assumed by June 30, 2024. As a result of the transfer, RVS recognized the following assets, and net position:

Transferred Cash	<u>Carrying Values</u>
Cash Received	\$ 141,983
Total Cash Received	<u>\$ 141,983</u>
Transferred Assets (Net)	
Treatment Plant	\$ 2,052,529
Land	121,760
Total Capital Assets	<u>\$ 2,174,289</u>
Net Position of Transferred Sewer Service Operation	
Net investment in transferred assets	<u>\$ 2,316,272</u>

SUPPLEMENTARY INFORMATION

ROGUE VALLEY SEWER SERVICES

Combining Balance Sheet - All Funds Used for Budgetary Reporting
June 30, 2024

	General Fund	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Capital Expansion	White City Storm Drains
ASSETS					
Cash and cash equivalents	\$ 3,584,665	\$ 299,396	\$ 6,249	\$ 5,502,051	\$ 1,069,468
Accounts receivable	1,015,152	3,709	-	32,452	-
Prepaid Expenses	186,252	-	-	-	-
Total assets	<u>\$ 4,786,069</u>	<u>\$ 303,105</u>	<u>\$ 6,249</u>	<u>\$ 5,534,503</u>	<u>\$ 1,069,468</u>
LIABILITIES					
Accounts payable	\$ 681,292	\$ -	\$ 3,305	\$ 2,009	\$ 203
Payroll and Related Accruals	76,395	-	-	-	-
Unearned revenue	169,335	-	-	-	-
Total liabilities	927,022	-	3,305	2,009	203
FUND BALANCES					
Unappropriated	<u>3,859,047</u>	<u>303,105</u>	<u>2,944</u>	<u>5,532,494</u>	<u>1,069,265</u>
Total fund balances	<u>3,859,047</u>	<u>303,105</u>	<u>2,944</u>	<u>5,532,494</u>	<u>1,069,265</u>
Total liabilities and fund balances	<u>\$ 4,786,069</u>	<u>\$ 303,105</u>	<u>\$ 6,249</u>	<u>\$ 5,534,503</u>	<u>\$ 1,069,468</u>

Stormwater Quality	Shady Cove Treatment	Treatment Capital	Gold Hill Debt Service Fund	Gold Hill Treatment	Gold Hill Collection	Lagoon Fund	Total
\$ 1,500,298	\$ 467,273	\$ 1,019,134	\$ 89,987	\$ 197,389	\$ 2,129	\$ 41,213	\$ 13,779,252
28,629	-	-	141,983	-	-	54,365	1,276,290
-	-	-	-	-	-	-	186,252
<u>\$ 1,528,927</u>	<u>\$ 467,273</u>	<u>\$ 1,019,134</u>	<u>\$ 231,970</u>	<u>\$ 197,389</u>	<u>\$ 2,129</u>	<u>\$ 95,578</u>	<u>\$ 15,241,794</u>
\$ 12,188	\$ 13,977	\$ 121	\$ -	\$ 196,561	\$ 1,406	\$ 1,888	\$ 912,950
-	-	-	-	-	-	-	76,395
-	-	-	-	-	-	-	169,335
12,188	13,977	121	-	196,561	1,406	1,888	1,158,680
<u>1,516,739</u>	<u>453,296</u>	<u>1,019,013</u>	<u>231,970</u>	<u>828</u>	<u>723</u>	<u>93,690</u>	<u>14,083,114</u>
<u>1,516,739</u>	<u>453,296</u>	<u>1,019,013</u>	<u>231,970</u>	<u>828</u>	<u>723</u>	<u>93,690</u>	<u>14,083,114</u>
<u>\$ 1,528,927</u>	<u>\$ 467,273</u>	<u>\$ 1,019,134</u>	<u>\$ 231,970</u>	<u>\$ 197,389</u>	<u>\$ 2,129</u>	<u>\$ 95,578</u>	<u>\$ 15,241,794</u>

Reconciliation to GAAP basis balance sheet:

Ending fund balance - budgetary basis	\$ 14,083,114
Opening balance adjustment	-
Accounts receivable for full accrual	522,819
Assessment receivable	98,775
SBITA, net	(7,120)
Capital assets, net	109,461,348
Long-term debt	(81,652)
Compensated absences	(485,778)
Ending net position	<u>\$123,591,506</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, 2024

	General	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Capital Expansion	White City Storm Drains
Revenues:					
Charges for services	\$ 11,633,753	\$ -	\$ -	\$ -	\$ 77,661
System development charges	687,365	-	-	-	-
Reimbursements	883,357	-	-	-	-
Maintenance and Other Fees	135,933	44,443	-	388,877	-
Other revenues	48,580	-	-	-	-
Assessment Loan Repayments	6,672	-	-	-	-
Interest income	124,285	18,108	21,230	255,177	60,285
Grants and Contracts	-	-	-	-	-
Total revenues	<u>13,519,945</u>	<u>62,551</u>	<u>21,230</u>	<u>644,054</u>	<u>137,946</u>
Expenditures:					
Personnel Services	5,347,313	-	-	-	-
Materials and Services	5,928,275	9,627	59,885	-	-
Capital Outlay	2,670,241	-	-	107,127	20,699
Payments to the City of Shady Cove	-	-	-	-	-
Total Expenditures	<u>13,945,829</u>	<u>9,627</u>	<u>59,885</u>	<u>107,127</u>	<u>20,699</u>
Excess (deficiency) of Revenues Over (under) Expenditures	<u>(425,884)</u>	<u>52,924</u>	<u>(38,655)</u>	<u>536,927</u>	<u>117,247</u>
Other Financing Sources (Uses)					
Debt Issuance Proceeds	-	-	-	-	-
Transfers in	776,087	244,853	-	1,734,415	-
Transfers out	<u>(739,268)</u>	<u>(530,612)</u>	<u>(786,018)</u>	<u>-</u>	<u>(35,503)</u>
Total Other Financing Sources (Uses)	<u>36,819</u>	<u>(285,759)</u>	<u>(786,018)</u>	<u>1,734,415</u>	<u>(35,503)</u>
Change in Fund Balance	(389,065)	(232,835)	(824,673)	2,271,342	81,744
Beginning Fund Balance	<u>4,248,112</u>	<u>535,940</u>	<u>827,617</u>	<u>3,261,152</u>	<u>987,521</u>
Ending Fund Balance	<u>\$ 3,859,047</u>	<u>\$ 303,105</u>	<u>\$ 2,944</u>	<u>\$ 5,532,494</u>	<u>\$ 1,069,265</u>

Stormwater Quality	Shady Cove Treatment	Treatment Capital	Gold Hill Treatment	Gold Hill Collection	Gold Hill Debt Service	Lagoon Fund	Total
\$ 392,295	\$ 635,931	\$ -	\$ 245,137	\$ -	\$ -	\$ 603,470	\$ 13,588,247
-	-	8,743	-	-	803	-	696,911
-	-	-	-	-	-	-	883,357
-	-	-	-	-	-	-	569,253
80,460	-	-	-	-	231,167	-	360,207
-	-	-	-	-	-	-	6,672
75,504	20,662	57,511	4,474	7	-	5,698	642,941
28,629	-	-	-	-	-	-	28,629
<u>576,888</u>	<u>656,593</u>	<u>66,254</u>	<u>249,611</u>	<u>7</u>	<u>231,970</u>	<u>609,168</u>	<u>16,776,217</u>
-	-	-	-	-	-	-	5,347,313
16,501	146,097	-	90,000	2,133	-	36,471	6,288,989
74,683	-	453,986	381,595	-	-	-	3,708,331
-	126,294	-	-	-	-	-	126,294
<u>91,184</u>	<u>272,391</u>	<u>453,986</u>	<u>471,595</u>	<u>2,133</u>	<u>-</u>	<u>36,471</u>	<u>15,470,927</u>
<u>485,704</u>	<u>384,202</u>	<u>(387,732)</u>	<u>(221,984)</u>	<u>(2,126)</u>	<u>231,970</u>	<u>572,697</u>	<u>1,305,290</u>
81,652	-	-	-	-	-	-	81,652
-	1,500	468,000	159,000	53,000	-	-	3,436,855
<u>(274,032)</u>	<u>(199,807)</u>	<u>-</u>	<u>(261,235)</u>	<u>(50,655)</u>	<u>-</u>	<u>(559,725)</u>	<u>(3,436,855)</u>
<u>(192,380)</u>	<u>(198,307)</u>	<u>468,000</u>	<u>(102,235)</u>	<u>2,345</u>	<u>-</u>	<u>(559,725)</u>	<u>81,652</u>
293,324	185,895	80,268	(324,219)	219	231,970	12,972	1,386,942
1,223,415	267,401	938,745	325,047	504	-	80,718	12,696,172
<u>\$ 1,516,739</u>	<u>\$ 453,296</u>	<u>\$ 1,019,013</u>	<u>\$ 828</u>	<u>\$ 723</u>	<u>\$ 231,970</u>	<u>\$ 93,690</u>	<u>\$ 14,083,114</u>

Reconciliation to Statement of Revenues, Expenses, and Changes in Net Position

Change in fund balance - budgetary basis	\$ 1,386,942
Change in recording full accrual receivables	74,834
Change in assessments receivable	3,404
Expenditures for capital assets	3,699,177
Contributed capital assets	5,171,166
Amortization	(133,316)
Debt Issuance Proceeds	(81,652)
Change in accrued interest	-
Change in compensated absences	16,834
Depreciation	(2,326,935)
Expenditures for subscription based IT arrangements	134,735
Change in net position	<u>\$ 7,945,189</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

General Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Sewer service charges	\$ 11,753,415	\$ 11,753,415	\$ 11,633,753	\$ (119,662)
System development charges	542,500	542,500	687,365	144,865
Reimbursements	645,000	645,000	883,357	238,357
Maintenance Fees	134,000	134,000	135,933	1,933
Assessment loan repayments	41,280	41,280	6,672	(34,608)
Interest income	40,000	40,000	124,285	84,285
Other revenues	<u>2,061,500</u>	<u>2,061,500</u>	<u>48,580</u>	<u>(2,012,920)</u>
Total revenues	15,217,695	15,217,695	13,519,945	(1,697,750)
Transfers in	1,268,697	1,268,697	776,087	(492,610)
Beginning fund balance	<u>3,707,036</u>	<u>3,707,036</u>	<u>4,248,112</u>	<u>541,076</u>
Total resources	<u>\$ 20,193,428</u>	<u>\$ 20,193,428</u>	<u>\$ 18,544,144</u>	<u>\$ (1,649,284)</u>
REQUIREMENTS				
Expenditures:				
Personnel Services	\$ 5,460,226	\$ 5,460,226	\$ 5,347,313	\$ 112,913
Materials and Services	6,161,047	6,161,047	5,928,275	232,772
Capital Outlay	<u>5,134,000</u>	<u>5,094,000</u>	<u>2,670,241</u>	<u>2,423,759</u>
Total expenditures	16,755,273	16,715,273	13,945,829	2,769,444
Transfers out	550,000	740,000	739,268	732
Operating contingency	300,000	110,000	-	110,000
Ending fund balance	<u>2,588,155</u>	<u>2,628,155</u>	<u>3,859,047</u>	<u>(1,230,892)</u>
Total requirements	<u>\$ 20,193,428</u>	<u>\$ 20,193,428</u>	<u>\$ 18,544,144</u>	<u>\$ 1,649,284</u>

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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Maintenance Fees	\$ 50,000	\$ 50,000	\$ 44,443	\$ (5,557)
Interest income	<u>5,000</u>	<u>5,000</u>	<u>18,108</u>	<u>13,108</u>
Total revenues	55,000	55,000	62,551	7,551
Transfers in	200,000	200,000	244,853	44,853
Beginning fund balance	<u>498,548</u>	<u>498,548</u>	<u>535,940</u>	<u>37,392</u>
Total resources	<u>\$ 753,548</u>	<u>\$ 753,548</u>	<u>\$ 843,344</u>	<u>\$ 89,796</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 25,900	\$ 25,900	\$ 9,627	\$ 16,273
Transfers out	542,000	542,000	530,612	11,388
Operating contingency	150,000	150,000	-	150,000
Ending fund balance	<u>35,648</u>	<u>35,648</u>	<u>303,105</u>	<u>(267,457)</u>
Total requirements	<u>\$ 753,548</u>	<u>\$ 753,548</u>	<u>\$ 843,344</u>	<u>\$ (89,796)</u>

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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Interest income	\$ 7,600	\$ 7,600	\$ 21,230	\$ 13,630
Transfers in	150,000	150,000	-	(150,000)
Beginning fund balance	<u>794,093</u>	<u>794,093</u>	<u>827,617</u>	<u>33,524</u>
Total resources	<u>\$ 951,693</u>	<u>\$ 951,693</u>	<u>\$ 848,847</u>	<u>\$ (102,846)</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 71,550	\$ 71,550	\$ 59,885	\$ 11,665
Transfers out	692,000	787,000	786,018	982
Operating contingency	150,000	55,000	-	55,000
Ending fund balance	<u>38,143</u>	<u>38,143</u>	<u>2,944</u>	<u>35,199</u>
Total requirements	<u>\$ 951,693</u>	<u>\$ 951,693</u>	<u>\$ 848,847</u>	<u>\$ 102,846</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Interceptor Capital Expansion Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Maintenance Fees	\$ 400,000	\$ 400,000	\$ 388,877	\$ (11,123)
Interest income	<u>43,000</u>	<u>43,000</u>	<u>255,177</u>	<u>212,177</u>
Total revenues	443,000	443,000	644,054	201,054
Transfers in	1,350,000	1,350,000	1,734,415	384,415
Beginning fund balance	<u>3,058,927</u>	<u>3,058,927</u>	<u>3,261,152</u>	<u>202,225</u>
Total resources	<u>\$ 4,851,927</u>	<u>\$ 4,851,927</u>	<u>\$ 5,639,621</u>	<u>\$ 787,694</u>
REQUIREMENTS				
Expenditures:				
Capital outlay	\$ 345,000	\$ 345,000	\$ 107,127	\$ 237,873
Total Expenditures	345,000	345,000	107,127	237,873
Operating contingency	350,000	350,000	-	350,000
Ending fund balance	<u>4,156,927</u>	<u>4,156,927</u>	<u>5,532,494</u>	<u>(1,375,567)</u>
Total requirements	<u>\$ 4,851,927</u>	<u>\$ 4,851,927</u>	<u>\$ 5,639,621</u>	<u>\$ (787,694)</u>

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, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Storm drain fees	\$ 70,000	\$ 70,000	\$ 77,661	\$ 7,661
Interest income	<u>8,800</u>	<u>8,800</u>	<u>60,285</u>	<u>51,485</u>
Total revenues	78,800	78,800	137,946	59,146
Beginning fund balance	<u>838,809</u>	<u>838,809</u>	<u>987,521</u>	<u>148,712</u>
Total resources	<u><u>\$ 917,609</u></u>	<u><u>\$ 917,609</u></u>	<u><u>\$ 1,125,467</u></u>	<u><u>\$ 207,858</u></u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 24,000	\$ 24,000	\$ -	\$ 24,000
Capital outlay	<u>450,000</u>	<u>450,000</u>	<u>20,699</u>	<u>429,301</u>
Total Expenditures	474,000	474,000	20,699	453,301
Transfers out	50,000	50,000	35,503	14,497
Operating contingency	50,000	50,000	-	50,000
Ending fund balance	<u>343,609</u>	<u>343,609</u>	<u>1,069,265</u>	<u>(725,656)</u>
Total requirements	<u><u>\$ 917,609</u></u>	<u><u>\$ 917,609</u></u>	<u><u>\$ 1,125,467</u></u>	<u><u>\$ (207,858)</u></u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Stormwater Quality Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Stormwater fees	\$ 349,900	\$ 349,900	\$ 392,295	\$ 42,395
Storm Water Maintenance Fees	17,000	17,000	-	(17,000)
Construction Site Erosion Permits	19,440	19,440	53,455	34,015
Plan Review and Inspection Fees	11,500	11,500	25,500	14,000
Other revenues	2,600	2,600	1,505	(1,095)
Interest income	13,404	13,404	75,504	62,100
Grants and Contracts	-	-	28,629	(28,629)
Debt issuance Proceeds	-	-	81,652	(81,652)
Total revenues	<u>413,844</u>	<u>413,844</u>	<u>658,540</u>	<u>24,134</u>
Beginning fund balance	<u>951,829</u>	<u>951,829</u>	<u>1,223,415</u>	<u>271,586</u>
Total resources	<u>\$ 1,365,673</u>	<u>\$ 1,365,673</u>	<u>\$ 1,881,955</u>	<u>\$ 516,282</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 72,750	\$ 72,750	\$ 16,501	\$ 56,249
Capital outlay	<u>750,000</u>	<u>750,000</u>	<u>74,683</u>	<u>675,317</u>
Total Expenditures	822,750	822,750	91,184	731,566
Transfers out	347,500	347,500	274,032	73,468
Operating contingency	100,000	100,000	-	100,000
Ending fund balance	<u>95,423</u>	<u>95,423</u>	<u>1,516,739</u>	<u>(1,421,316)</u>
Total requirements	<u>\$ 1,365,673</u>	<u>\$ 1,365,673</u>	<u>\$ 1,881,955</u>	<u>\$ (516,282)</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Treatment Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Shady Cove fees	673,696	673,696	635,931	(37,765)
Interest income	<u>1,770</u>	<u>1,770</u>	<u>20,662</u>	<u>18,892</u>
Total revenues	675,466	675,466	656,593	(18,873)
Transfers in	1,500	1,500	1,500	-
Beginning fund balance	<u>85,614</u>	<u>85,614</u>	<u>267,401</u>	<u>181,787</u>
Total resources	<u><u>\$ 762,580</u></u>	<u><u>\$ 762,580</u></u>	<u><u>\$ 925,494</u></u>	<u><u>\$ 162,914</u></u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 133,235	\$ 146,235	\$ 146,097	\$ 138
Transfers to the City of Shady Cove	<u>126,294</u>	<u>126,294</u>	<u>126,294</u>	<u>-</u>
Total expenditures	259,529	272,529	272,391	138
Transfers out	437,375	437,375	199,807	237,568
Operating contingency	50,000	37,000	-	37,000
Ending fund balance	<u>15,676</u>	<u>15,676</u>	<u>453,296</u>	<u>(437,620)</u>
Total requirements	<u><u>\$ 762,580</u></u>	<u><u>\$ 762,580</u></u>	<u><u>\$ 925,494</u></u>	<u><u>\$ (162,914)</u></u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Treatment Capital Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Interest income	\$ 11,430	\$ 11,430	\$ 57,511	\$ 46,081
SDC Fees - Shady Cove	<u>8,044</u>	<u>8,044</u>	<u>8,743</u>	<u>699</u>
Total revenues	19,474	19,474	66,254	46,780
Transfers in	185,000	185,000	468,000	283,000
Beginning fund balance	<u>960,989</u>	<u>960,989</u>	<u>938,745</u>	<u>(22,244)</u>
Total resources	<u>\$ 1,165,463</u>	<u>\$ 1,165,463</u>	<u>\$ 1,472,999</u>	<u>\$ 307,536</u>
REQUIREMENTS				
Expenditures:				
Capital Outlay	\$ 800,000	\$ 800,000	\$ 453,986	\$ 346,014
Ending fund balance	<u>365,463</u>	<u>365,463</u>	<u>1,019,013</u>	<u>(653,550)</u>
Total requirements	<u>\$ 1,165,463</u>	<u>\$ 1,165,463</u>	<u>\$ 1,472,999</u>	<u>\$ (307,536)</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Treatment Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Gold Hill treatment fees	\$ 360,000	\$ 360,000	\$ 245,137	\$ (114,863)
Connection Permits	500	500	-	(500)
Interest Income	-	-	4,474	4,474
Total revenues	360,500	360,500	249,611	(110,889)
Transfers in	-	-	159,000	159,000
Beginning fund balance	174,178	174,178	325,047	150,869
Total resources	<u>\$ 534,678</u>	<u>\$ 534,678</u>	<u>\$ 733,658</u>	<u>\$ 198,980</u>
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 86,398	\$ 86,398	\$ 90,000	\$ (3,602)
Capital Outlay	50,000	100,000	381,595	(281,595)
Total Expenditures	136,398	186,398	471,595	(285,197)
Transfers out	316,322	316,322	261,235	55,087
Operating contingency	50,000	-	-	-
Ending fund balance	31,958	31,958	828	31,130
Total requirements	<u>\$ 534,678</u>	<u>\$ 534,678</u>	<u>\$ 733,658</u>	<u>\$ (198,980)</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Collection Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Interest income	\$ -	\$ -	\$ 7	\$ 7
Transfers in	75,000	75,000	53,000	(22,000)
Beginning fund balance	<u>38,300</u>	<u>38,300</u>	<u>504</u>	<u>(37,796)</u>
Total resources	<u>\$ 113,300</u>	<u>\$ 113,300</u>	<u>\$ 53,511</u>	<u>\$ (59,789)</u>
REQUIREMENTS				
Expenditures:				
Materials and Services	\$ 5,000	\$ 5,000	\$ 2,133	\$ 2,867
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	7,000	7,000	2,133	(4,867)
Transfers out	30,000	51,000	50,655	345
Operating contingency	50,000	29,000	-	29,000
Ending fund balance	<u>26,300</u>	<u>26,300</u>	<u>723</u>	<u>25,577</u>
Total requirements	<u>\$ 113,300</u>	<u>\$ 113,300</u>	<u>\$ 53,511</u>	<u>\$ 59,789</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Debt Service Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
System development charges	\$ -	\$ -	\$ 803	\$ 803
Other revenues	<u>-</u>	<u>-</u>	<u>231,167</u>	<u>231,167</u>
Total revenues	<u>-</u>	<u>-</u>	<u>231,970</u>	<u>231,970</u>
Total resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,970</u>	<u>\$ 231,970</u>
REQUIREMENTS				
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,970</u>	<u>\$ (231,970)</u>
Total requirements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,970</u>	<u>\$ (231,970)</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Lagoon Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES				
Revenues:				
Sewer service charges	\$ 450,000	\$ 450,000	\$ 603,470	\$ 153,470
Interest income	<u>1,686</u>	<u>1,686</u>	<u>5,698</u>	<u>4,012</u>
Total revenues	451,686	451,686	609,168	157,482
Beginning fund balance	<u>6,772</u>	<u>6,772</u>	<u>80,718</u>	<u>73,946</u>
Total resources	<u><u>\$ 458,458</u></u>	<u><u>\$ 458,458</u></u>	<u><u>\$ 689,886</u></u>	<u><u>\$ 231,428</u></u>
REQUIREMENTS				
Expenditures:				
Materials and Services	\$ 42,575	\$ 42,575	\$ 36,471	\$ 6,104
Transfers out	265,000	629,000	559,725	69,275
Operating Contingency	50,000	-	-	-
Ending fund balance	<u>100,883</u>	<u>(213,117)</u>	<u>93,690</u>	<u>(306,807)</u>
Total requirements	<u><u>\$ 458,458</u></u>	<u><u>\$ 458,458</u></u>	<u><u>\$ 689,886</u></u>	<u><u>\$ (231,428)</u></u>

STATISTICAL SECTION

This part of Rogue Valley Sewer Services' Annual Comprehensive 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	38 -39
Revenue Capacity	
These schedules contain information that may assist the reader in assessing RVS' most significant local revenue source, RVS water rate.	40
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	41 - 42
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.	43-44
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.	45 - 46

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

Rogue Valley Sewer Services
Net Position by Component
for the last ten fiscal years ended - Unaudited

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net Position Components				
Net investment in capital assets	\$ 109,372,579	\$ 102,909,406	\$ 99,815,095	\$ 96,606,240
Restricted	3,043,157	2,727,922	2,500,809	2,295,884
Unrestricted	11,175,770	10,008,989	10,226,669	10,182,546
Total Net Position	<u>\$ 123,591,506</u>	<u>\$ 115,646,317</u>	<u>\$ 112,542,573</u>	<u>\$ 96,363,611</u>

Source: Rogue Valley Sewer Services accounting records

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 93,056,409	\$ 86,600,391	\$ 82,974,802	\$ 80,122,932	\$ 79,058,152	\$ 78,859,446
2,119,113	1,736,001	1,736,001	1,509,961	1,439,263	1,309,302
9,679,253	8,027,219	7,366,108	7,716,162	5,839,491	3,833,966
<u>\$ 104,854,775</u>	<u>\$ 96,363,611</u>	<u>\$ 92,076,911</u>	<u>\$ 89,349,055</u>	<u>\$ 86,336,906</u>	<u>\$ 84,002,714</u>

Rogue Valley Sewer Services Operating Results

for the last ten fiscal years ended - Unaudited

	2024	2023	2022	2021
Operating revenue				
Sewer service charges	\$ 13,663,081	\$ 12,766,564	\$ 11,972,093	\$ 11,122,816
Other operating revenues	1,709,542	1,741,240	1,596,988	1,886,097
	<u>15,372,623</u>	<u>14,507,804</u>	<u>13,569,081</u>	<u>13,008,913</u>
Operating expenses:				
Labor and fringe benefits	5,330,479	4,760,763	4,405,512	4,402,676
Treatment charges	4,453,570	3,987,057	3,821,771	3,671,496
Materials and services	1,820,534	1,793,577	1,848,600	1,141,917
Depreciation and amortization	2,460,251	2,538,400	2,283,511	2,109,102
	<u>14,064,834</u>	<u>13,079,797</u>	<u>12,359,394</u>	<u>11,325,191</u>
Operating income (loss)	1,307,789	1,428,007	1,209,687	1,683,722
Other nonoperating income (loss), net				
Gain(Loss) on disposition of asset	(9,156)	-	-	-
Interest income	642,940	335,097	67,596	89,305
Interest expense	(6,443)	(31,063)	(63,830)	(68,946)
	<u>627,341</u>	<u>304,034</u>	<u>3,766</u>	<u>20,359</u>
Developer contribution of plant	2,996,877	646,434	1,188,445	1,728,840
System development charges	696,910	729,661	1,056,005	796,974
City of Gold Hill sewer annexation	2,316,272	-	-	-
Special assessments	-	-	-	-
Change in net position	<u>\$ 7,945,189</u>	<u>\$ 3,108,136</u>	<u>\$ 3,457,903</u>	<u>\$ 4,229,895</u>

Source: Rogue Valley Sewer Services accounting records

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 11,244,665	\$ 10,176,542	\$ 9,782,350	\$ 8,767,177	\$ 8,041,172	\$ 6,994,396
2,184,815	1,674,065	1,634,133	1,736,385	1,428,711	1,439,449
<u>13,429,480</u>	<u>11,850,607</u>	<u>11,416,483</u>	<u>10,503,562</u>	<u>9,469,883</u>	<u>8,433,845</u>
3,928,944	3,770,295	3,768,556	2,905,850	2,728,191	2,703,183
3,728,850	3,519,408	3,226,022	3,001,448	2,748,900	2,497,440
1,414,810	1,550,696	1,470,837	1,400,725	1,199,064	1,300,210
2,111,800	1,950,561	1,837,885	1,829,777	1,862,091	1,741,477
<u>11,184,404</u>	<u>10,790,960</u>	<u>10,303,300</u>	<u>9,137,800</u>	<u>8,538,246</u>	<u>8,242,310</u>
2,245,076	1,059,647	1,113,183	1,365,762	931,637	191,535
-	-	-	(14,664)	46,611	4,515
53,731	221,500	154,869	90,764	38,101	39,989
<u>(57,479)</u>	<u>(67,312)</u>	<u>(69,569)</u>	<u>(82,003)</u>	<u>(95,754)</u>	<u>(104,765)</u>
<u>(3,748)</u>	<u>154,188</u>	<u>85,300</u>	<u>(5,903)</u>	<u>(11,042)</u>	<u>(60,261)</u>
825,194	2,372,538	1,235,769	915,549	649,186	635,831
719,182	700,327	494,263	639,308	606,851	328,157
-	-	-	-	-	-
-	-	-	26,735	27,599	3,024
<u>\$ 3,785,704</u>	<u>\$ 4,286,700</u>	<u>\$ 2,928,515</u>	<u>\$ 2,941,451</u>	<u>\$ 2,204,231</u>	<u>\$ 1,098,286</u>

Rogue Valley Sewer Services

Permits Issued, Customers, Gallons Transmitted, Rates

for the last ten fiscal years ended - Unaudited

Fiscal Year Ended June 30th	Number Permits Issued	Residential Units	Commercial Industrial Customers	Total Units/ Customers	Million Gallons Transmitted	Sewer Rates
2024	376	32,939	1,929	34,868	5,463	\$ 25.50
2023	333	31,226	1,907	33,133	5,509	24.00
2022	579	31,785	1,875	33,660	5,663	23.00
2021	**1284	32,306	1,857	34,163	5,852	21.50
2020	377	32,866	1,924	34,790	5,820	21.50
2019	413	32,497	1,910	34,407	6,405	20.50
2018	384	32,489	1,886	34,375	5,709	19.60
2017	362	31,844	1,862	33,706	7,424	19.00
2016	353	31,346	1,843	33,189	6,868	18.30
2015	360	30,985	1,838	32,823	6,378	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
Dashton in Engineering uses a website to keep track of all the flows.

** Of the 1,289 permits written,
609 were to cap the lines after the Alameda fire
320 were for reconnecting after the fire
355 were from normal operation connections

Rogue Valley Sewer Services Demographic Statistics

for the last ten fiscal years end - Unaudited

Fiscal Year Ended June 30th	RVS Population (Estimated) (1)	Population Jackson County (1)	RVS Personal Income (amounts expressed in	RVS Per Capita Income (2)	Unemploy- ment Rate (3)	County Popula- tion Growth
2024	69,622	220,981	\$ 4,555,089	\$ 65,426	4.0%	0.0%
2023	73,875	220,913	5,286,643	71,562	4.0%	-0.4%
2022	89,737	221,895	5,527,440	61,596	3.6%	-0.9%
2021	89,241	223,827	5,025,339	56,312	5.6%	0.3%
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%	1.8%

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

for the last ten fiscal years ended - Unaudited

Customer name	June 30, 2024		June 30, 2014		
	Monthly Gallons	Percent Total	Monthly Gallons	Percent Total	
Amy's Kitchen	7,812,589	3.6%	4,046,941	1.9%	(2)
Boise Cascade Corp	6,465,062	3.0%	5,648,661	2.6%	(1)
Carestream Health Inc	3,624,676	1.7%	3,632,588	1.7%	(3)
V A Domiciliary #692	2,828,333	1.3%	1,562,569	0.7%	(7)
Bear Creek Operations	1,965,013	0.9%	1,848,649	0.9%	(5)
Southern Oregon Linen	1,226,250	0.6%	1,166,750	0.5%	(8)
Dry Creek Landfill Inc	1,149,627	0.5%	1,102,917	0.5%	(9)
Roseburg Forest Products #C1994	10,745,819	5.0%	-	0.0%	
Plycem USA	881,293	0.4%	-	0.0%	
Linde Gas & Equipment	781,250	0.4%	800,500	0.4%	(10)
	37,479,911	17.1%	19,809,575	9.2%	
All other commercial customers	181,876,070	82.9%	195,413,507	90.8%	
	219,355,981	100.0%	215,223,082	100.0%	

Source: Rogue Valley Sewer Services accounting and engineering records

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

Numbers in parenthesis are the customers ranking in that year.

Rogue Valley Sewer Services Ratio of Outstanding Debt by Type

for the last ten fiscal years ended - Unaudited

Fiscal Year Ended June 30th					Total		
	DEQ Loan	Series 2013 Obligations	Unamortized Premium	Notes	Amount	Per Capita	Percent of Personal Income
2024	\$ 81,652	-	-	-	81,652	\$1.17	0.002%
2023	-	-	-	-	-	-	0.000%
2022	-	1,885,000	-	-	1,885,000	21.01	0.034%
2021	-	2,150,000	(6,091)	-	2,150,000	24.09	0.043%
2020	-	2,460,000	(29,900)	-	2,460,000	28.26	0.065%
2019	-	2,765,000	(29,900)	-	2,765,000	34.07	0.068%
2018	-	3,060,000	(29,900)	-	3,060,000	38.10	0.079%
2017	-	3,350,000	(29,900)	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%

Source: Rogue Valley Sewer Services accounting records.

Rogue Valley Sewer Services Debt Coverage Ratio

for the last ten fiscal years ended - Unaudited

Fiscal Year Ended June 30th	Operating Revenues	Less Operating Expenses	Net Available Revenues	Debt Payments			Coverage Ratio
				Principal	Interest	Total	
2024	\$ 15,372,623	\$ 11,604,583	\$ 3,768,040	\$ -	\$ -	\$ -	-
2023	14,507,804	10,541,397	3,966,407	1,885,000	32,342	1,917,342	2.07
2022	13,569,081	12,359,394	1,209,687	265,000	65,563	330,563	3.66
2021	13,008,913	9,216,089	3,792,824	310,000	77,062	387,062	9.80
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

Source: Rogue Valley Sewer Services accounting records.

Notes: Operating expenses exclude depreciation and amortization.

Rogue Valley Sewer Services Number of Employees

for the last ten fiscal years ended - Unaudited

Fiscal Year Ended June 30th	Administration	Information Technology	Engineering	Maintenance	Storm Water Quality	Treatment	Total
2024	6.00	1.00	13.00	14.0	2.0	4.0	40.0
2023	6.00	1.00	9.00	18.0	2.0	5.0	41.0
2022	7.85	1.65	4.00	17.0	2.5	5.0	38.0
2021	7.85	1.65	4.50	17.0	2.0	5.0	38.0
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

Source: Rogue Valley Sewer Services accounting records

Rogue Valley Sewer Services Operating and Capital Indicators

for the last ten fiscal years ended - Unaudited

Fiscal Year Ended June 30th	Miles of Sewer	Annual Line Capacity Million Gal	Annual Transported Million Gal	Unused Capacity Total	Percentage Capacity Utilized
2024	442	42,340	5,463	36,877	13%
2023	442	42,340	5,509	36,831	13%
2022	441	42,340	5,663	36,677	13%
2021	416	42,340	5,852	36,488	14%
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%

Source: Rogue Valley Sewer Services accounting records

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 by Engineering's data collecting software.

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, 2024, and have issued our report thereon dated December 18, 2024. 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 budgeted amounts as described in Note 2 to the financial statements.

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, 2024