

RALEIGH WATER DISTRICT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

RALEIGH WATER DISTRICT
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Basic Financial Statements	9-16
SUPPLEMENTARY INFORMATION	
Schedule of Receipts, Cash Expenditures and Changes in Fund Balances- Budget and Actual – General Fund	17
Schedule of Receipts, Cash Expenditures and Changes in Fund Balances – Budget and Actual – Capital Improvement Reserve Fund	18
Schedule of Receipts, Cash Expenditures and Changes in Fund Balances – Budget and Actual – System Development Fund	19
INDEPENDENT AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY OREGON STATE REGULATIONS	20-21

**RALEIGH WATER DISTRICT
BOARD OF COMMISSIONERS**

JUNE 30, 2022

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Robert Ems – Chairman 8411 SW Jamieson Road Portland, OR 97225	1	6/30/23
Dustin Ownby – Commissioner 8217 SW Homewood St. Portland, OR 97225	2	6/30/23
Russ Mickiewicz – Treasurer 5630 SW Arrowwood Lane Portland, OR 97225	3	6/30/25
Narjala Bhasker – Secretary 5365 SW Laurelwood Avenue Portland, OR 97225	4	6/30/23
Richard Visse – Commissioner 8307 SW Homewood Street Portland, OR 97225	5	6/30/25

Superintendent/Registered Agent:

Matthew B. Steidler
5010 SW Scholls Ferry Road
Portland, OR 97225



Certified Public Accountants

1800 Blankenship Rd., Suite 450
West Linn, OR 97068-4198
503-723-7600 503-723-5100 FAX

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Raleigh Water District
Portland, Oregon

Opinions

We have audited the accompanying modified cash basis financial statements of the business-type activities of Raleigh Water District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Raleigh Water District's basis financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of Raleigh Water District as of June 30, 2022, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the basis of accounting described in Note A.

Basis for Opinions

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 Raleigh Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis and introductory section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 22, 2022, on our consideration of Raleigh Water District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to consider an opinion on compliance.

Jarrard, Seibert, Pollard & Co.
JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants

West Linn, Oregon
December 22, 2022

By *Russell T. Ries*
Russell T. Ries, Partner

**RALEIGH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This discussion and analysis of the District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2022, within the limitations of the District's financial statements.

CONSOLIDATED FINANCIAL INFORMATION – MODIFIED CASH BASIS

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and cash equivalents	\$ 922,494	\$ 719,402	\$ 203,092
Capital assets, net of depreciation	<u>4,342,734</u>	<u>4,489,244</u>	<u>(146,510)</u>
Total net position	<u>5,265,228</u>	<u>5,208,646</u>	<u>56,582</u>
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
RECEIPTS			
Water receipts	838,668	782,838	55,827
SDC charges	4,449	185,178	(180,729)
Property tax reimbursements	2,058	2,995	(937)
Lease receipts	151,464	152,013	(549)
ROW & civic pay fees	2,502	1,515	987
Interest income	4,425	3,515	910
Miscellaneous	<u>7,271</u>	<u>2,749</u>	<u>4,522</u>
Total	<u>1,010,834</u>	<u>1,130,803</u>	<u>(119,969)</u>
EXPENSES			
Operating	807,743	811,765	(4,022)
Depreciation	<u>146,509</u>	<u>139,942</u>	<u>6,567</u>
Total	<u>954,252</u>	<u>951,707</u>	<u>2,545</u>
Change in Net Position	<u>\$ 56,582</u>	<u>\$ 179,096</u>	<u>\$ (122,514)</u>

FINANCIAL HIGHLIGHTS

- The net position of the District at June 30, 2022 increased \$56,582 from the prior year.
- The cost of water purchased from the City of Portland during FY 2021-22 decreased by 4% over the prior year.
- The District did not raise rates in FY 2021-22.
- The District has continued working on its Capital Improvement Program. The District has been replacing older and leaking lines to provide greater flows within the distribution system.
- The District has continued to remain debt free and has been able to fund its capital improvement projects by budget transfers of \$157,000 from the General Fund into the Capital Improvement Fund.

Report Components

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting as described in the notes to financial statements.

Basic Financial Statements

Financial Statements – The Statement of Net Position, the Statement of Receipts, Expenses, and Changes in Net Position, and the Statement of Cash Flows provide information about the District's activities, and include information about long-term debt, capital assets, and associated depreciation.

Notes to the Financial Statements – The notes to the financial statements are an integral part of the financial statements and provide explanation and detail regarding the information reported in the statements.

Supplementary Information – The General Fund and other fund budgetary comparison schedules are provided to address specific needs of various users of the report.

Management's Direct Comments

Overall Financial Position: The District's financial position remains strong.

Results of Operations: During FY 2021-22, cash receipts exceeded expenditures by \$203,092.

Significant Transactions and Changes in Individual Funds: The current year water revenue was sufficient to cover current year personnel and operating cost as well as to fund a \$157,000 transfer to cover the capital costs incurred by the Capital Improvement Fund.

Significant Budgetary Variances: The total expenditures for personnel services, material services and capital outlay were all within budget limits, with no budget appropriation transfers necessary.

Infrastructure: The District infrastructure consists principally of water service lines, three storage tanks and a booster pump station. The system is depreciated over the estimated useful life of the components.

Significant Capital Assets and Long-Term Debt Activity: None.

Economic Factors: The District purchases all of its water from the City of Portland Water Bureau, an agency of the City of Portland. The future cost of the District's water may be influenced by political and economic factors outside the District's control.

Contacting the District's Financial Management

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, please contact District Manager, Matt Steidler, at 5010 SW Scholls Ferry Road, Portland, OR 97225 or call (503) 292-4894.

**RALEIGH WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

Current assets:

Cash	\$ 922,494
------	------------

Non-current assets:

Land	13,227
Other capital assets, net of depreciation	<u>4,329,507</u>
Total non-current assets	<u>4,342,734</u>

Total Assets	<u>5,265,228</u>
--------------	------------------

NET POSITION

Invested in capital assets	4,342,734
Restricted for capital expenditures	441,632
Unrestricted	<u>480,862</u>

Total Net Position	<u>\$ 5,265,228</u>
--------------------	---------------------

(See accompanying notes to basic financial statements)

**RALEIGH WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

OPERATING REVENUES:	
Water revenue	\$ 838,665
Property tax reimbursements	2,058
Total operating revenues	<u>840,723</u>
OPERATING EXPENSES:	
Personal services	200,066
Materials and services	607,677
Depreciation	146,509
Total operating expenses	<u>954,252</u>
Operating income (loss)	<u>(113,529)</u>
Non-operating revenues (expenses):	
System development charges	4,449
Interest income	4,425
Receipts from leases	151,464
ROW and civic pay fees	2,502
Miscellaneous income(expense)	7,271
Total non-operating revenues (expenses)	<u>170,111</u>
Net income	56,582
Net Position-July 1, 2021	<u>5,208,646</u>
Net Position-June 30,2022	<u>\$ 5,265,228</u>

(See accompanying notes to basic financial statements)

**RALEIGH WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities	
Receipts from customers	\$ 838,665
Receipts from property tax reimbursements	2,058
Payments to suppliers	(607,677)
Payments to employees	(200,066)
Net cash used by operating activities	<u>32,980</u>
Cash flows from capital and related financing activities	
System development charges	4,449
Miscellaneous receipts	7,270
Receipts for leases	151,464
ROW and civic pay fees	2,502
Acquisition of capital assets	0
Net cash provided by capital and related financing activities	<u>165,685</u>
Cash flows from investing activities	
Interest received	<u>4,425</u>
Net increase in cash and investments	203,090
Cash Balance-July 1, 2021	<u>719,402</u>
Cash Balance-June 30, 2022	<u>\$ 922,492</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (113,529)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	146,509
Net cash used by operating activities	<u>\$ 32,980</u>

(See accompanying notes to basic financial statements)

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

As discussed further, these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Financial Reporting Entity

The District's financial reporting entity is composed of the following:

Primary Government:	RALEIGH WATER DISTRICT
---------------------	------------------------

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Basis of Presentation

The accounts of the District are organized and operated on the basis of a single proprietary fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income similar to the private sector.

Governmental financial statements generally include both government-wide and fund financial statements. However, the District is a special purpose government engaged only in business-type activities, and such organizations present only the financial statements required for enterprise funds.

The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated to and accounted for in individual funds based on the purposes for which revenues are received and monies expended.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the financial statements, the District’s activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions, with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the statements would use the accrual basis of accounting.

Assets, Liabilities, and Net Position

Cash and Investments

The District considers cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool is the same as the value of the pool shares.

Capital Assets

The District’s modified cash basis of accounting reports capital assets results from cash transactions and reports depreciation where appropriate. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their fair market value at the time of acquisition.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below:

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

<u>Asset</u>	<u>Years</u>
Buildings & improvements	25-40
Lane improvements	10-20
Computer systems & equipment	5-10
Machinery & equipment	5-15
Vehicles	5-15
Infrastructure	3-40

Net Position Classification

Net position is classified and displayed in three components:

Invested in Capital Assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the District’s policy to first use restricted assets prior to the use of unrestricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Receipts, Expenditures and Expenses

Operating Receipts and Expenses

Operating receipts and expenses for proprietary funds results from providing services and producing and delivering goods and/or services. They also include all receipts and expenses not related to capital and related financing, noncapital financing, or investing activities.

Internal and Interfund Balances and Activities

Interfund activity, if any, within and among the proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payable.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustment to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budget Law

The District prepares its annual operating budget under the provisions of the Oregon Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

Local Budget law process requires that certain, specific actions must happen as a local government prepares its annual budget. The process can be broken down into four phases.

Phase 1 begins the process. The budget officer puts together a proposed budget. In larger local governments, department heads or program managers may help. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

Phase 2 is when the budget committee approves the budget. Statutes spell out who can be on the budget committee and who cannot. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

Phase 3 includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the government body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.

Phase 4 occurs during the fiscal year when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level on control by department within a fund:

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued):

All transfers of appropriations between departments and supplemental appropriations require Board approval. Supplemental budgets for appropriations exceeding 10% of the original budget must also be filed with the Office of State Auditor and Inspector.

Contractual Regulations

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. The District has no instances of noncompliance that are considered material to the financial statements.

NOTE C – CASH AND INVESTMENTS:

Cash and investments of the District at June 30, 2022 were:

Bank Deposits – Banner Bank - Checking	\$ 45,810
Bank Deposits – Banner Bank – Public Funds	47,786
Local Government Investment Pool	<u>828,898</u>
	<u>\$ 922,494</u>

Deposits: The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total saving accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer’s office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25% if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits, which is monitored on a weekly basis. At June 30, 2022, total demand deposits and savings accounts per bank statements were \$121,208.

Investments: At June 30, 2022, the District had invested \$828,898 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon’s Comprehensive Annual Financial Report. The Oregon Short-Term Fund board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2022.

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE C – CASH AND INVESTMENTS (Continued):

Credit Risk: The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's office audits the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2022 was unqualified.

Concentration Risk: The District's investments (checking and savings) were distributed as shown below:

<u>Institution</u>	<u>%</u>
Banner Bank	10%
Oregon Short-Term Fund	90%

Interest Rate Risk: The District does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

NOTE D – CAPITAL ASSETS:

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2022 was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
<u>Non-Depreciable</u>				
<u>Capital Assets</u>				
Land	\$ 13,227	\$ -	\$ -	\$ 13,227
Construction in progress	-	-	-	-
Total	<u>13,227</u>	<u>-</u>	<u>-</u>	<u>13,227</u>
<u>Depreciable Capital</u>				
<u>Assets</u>				
Buildings	10,075	-	-	10,075
Fixtures & equipment	149,979	-	-	149,979
Distribution system	<u>6,857,370</u>	<u>-</u>	<u>-</u>	<u>6,857,370</u>
Total	<u>7,017,424</u>	<u>-</u>	<u>-</u>	<u>7,017,424</u>
<u>Less Accumulated</u>				
<u>Depreciation For:</u>				
Buildings	(7,317)	(286)	-	(7,603)
Fixtures & equipment	(147,061)	(2,918)	-	(149,979)
Distribution system	<u>(2,387,030)</u>	<u>(143,305)</u>	<u>-</u>	<u>(2,530,335)</u>
Total	<u>(2,541,408)</u>	<u>(146,509)</u>	<u>-</u>	<u>(2,687,917)</u>

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE D – CAPITAL ASSETS (Continued):

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Total depreciable capital assets, net of depreciation	\$ 4,476,016	\$ (146,509)	\$ -	\$ 4,329,507
Total capital assets, net of depreciation	\$ 4,489,243	\$ (146,509)	\$ -	\$ 4,342,734

During FY 2021-22, \$0 was invested in the distribution system.

Depreciation expense of \$146,509 was charged to the General Fund.

NOTE E – INTERFUND TRANSFERS AND BALANCES:

Transfers are used to move revenues from one fund to another in order to finance various expenditures in accordance with budgetary authorization.

Transfers between funds of the District for the year ended June 30, 2022 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 157,000
Capital Improvement	157,000	-
Total transfers	<u>\$ 157,000</u>	<u>\$ 157,000</u>

At June 30, 2022, there were no interfund balances.

NOTE F – EMPLOYEE PENSION PLAN:

The District has one employee who participates in the defined-contribution pension plan. Contributions are determined by the Board of Commissioners on an annual basis. Deposits are made quarterly to SEP accounts managed by The American Funds Group. Contributions for the year ended June 30, 2022 totaled \$8,500.

NOTE G – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; error or omissions; injuries to employees; employees' health and life; and natural disasters.

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Loss Risk Retained</u>
Torts, errors, and omissions	Purchased commercial insurance	None
Workers compensation, health and life	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

**RALEIGH WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE G – RISK MANAGEMENT (Continued):

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE H – COMMITMENTS AND CONTINGENCIES:

Commitments

On June 7, 2006, the District signed a 20-year agreement, commencing on July 1, 2006, to purchase potable water from the City of Portland to be resold to the residents of the District. The major terms of the agreement require the City to maintain the water quality, dictates the quantities that can and are to be purchased and the rate the District will pay.

Contingencies

The District is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the modified cash basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the District and the State statute relating to judgments, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

SUPPLEMENTARY INFORMATION

**RALEIGH WATER DISTRICT
SCHEDULE OF RECEIPTS,CASH EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Receipts				
Water sales and service installations	\$ 804,000	\$ 804,000	\$ 838,665	\$ 34,665
Property tax reimbursements	3,100	3,100	2,058	(1,042)
Cellular antenna lease	113,000	113,000	151,464	38,464
ROW and civic pay fees	4,200	4,200	2,502	(1,698)
Interest	750	750	610	(140)
Miscellaneous revenue	6,000	6,000	7,271	1,271
Total receipts	931,050	931,050	1,002,570	71,520
Cash Expenditures				
Personnel services	200,900	200,900	200,066	834
Materials and services	520,000	520,000	511,868	8,132
Capital outlay	61,000	61,000	47,703	13,297
Contingencies	22,650	22,650		22,650
	804,550	804,550	759,637	44,913
Excess of receipts over (under) cash expenditures	126,500	126,500	242,933	116,433
Other financing sources (uses)				
Operating transfers in				
Operating transfers out	(157,000)	(157,000)	(157,000)	0
Excess of receipts and other sources over (under) cash expenditures and other uses	(30,500)	(30,500)	85,933	116,433
Cash balance - July 1, 2021	130,500	130,500	75,008	(55,492)
Cash Balance- June 30, 2022	\$ 100,000	\$ 100,000	\$ 160,941	\$ 60,941

**RALEIGH WATER DISTRICT
SCHEDULE OF RECEIPTS, CASH EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
CAPITAL IMPROVEMENT RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Receipts				
Interest	\$ 500	\$ 500	\$ 1,350	\$ 850
Cash Expenditures				
Capital outlay	120,000	120,000	48,105	71,895
Contingency	50,000	50,000	48,105	50,000
Total expenditures	170,000	170,000	48,105	121,895
Excess of receipts over (under) cash expenditures	(169,500)	(169,500)	(46,755)	122,745
Other financing sources(uses)				
Operating transfers in	157,000	157,000	157,000	0
Operating transfers out				
Excess of revenues and other sources over (under) expenditures and other uses	(12,500)	(12,500)	110,245	122,745
Cash balance - July 1, 2021	103,000	103,000	209,676	106,676
Cash Balance - June 30, 2022	\$ 90,500	\$ 90,500	\$ 319,921	\$ 229,421

**RALEIGH WATER DISTRICT
SCHEDULE OF RECEIPTS, CASH EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
SYSTEM DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Receipts				
Interest	\$ 750	\$ 750	\$ 2,465	\$ 1,715
System development charges			3,020	3,020
System development reimbursement fee			1,429	1,429
Total receipts	<u>750</u>	<u>750</u>	<u>6,914</u>	<u>6,164</u>
Cash Expenditures				
Capital outlay				
Excess of receipts over (under) cash expenditures	750	750	6,914	6,164
Other financing sources(uses)				
Operating transfers in				
Operating transfers out				
Excess of revenues and other sources over (under) expenditures and other uses	750	750	6,914	6,164
Cash balance - July 1, 2021	<u>145,000</u>	<u>145,000</u>	<u>434,718</u>	<u>289,718</u>
Cash Balance - June 30, 2022	<u>\$ 145,750</u>	<u>\$ 145,750</u>	<u>\$ 441,632</u>	<u>\$ 295,882</u>

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

We have audited the basic financial statements of Raleigh Water District, as of and for the year ended June 30, 2022, and have issued our report thereon dated December 22, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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

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

Our consideration of the 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 the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners and management of Raleigh Water District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By 
Russell T. Ries, Partner

December 22, 2022