

**OREGON WATER WONDERLAND UNIT II
SANITARY DISTRICT
BEND, OREGON**

**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT
BEND, OREGON**

**DISTRICT OFFICIALS
JUNE 30, 2020**

President

Ann Arritola
Bend, Oregon

Secretary

Elreta Humeston
Bend, Oregon

Member

Jeff Okamoto
Bend, Oregon

Member

Ricky Keller
Bend, Oregon

Member

Phil Aves
Bend, Oregon

Registered Agent

Reed Campbell
55841 Swan Road
Bend, OR 97707
541-593-3124

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT
BEND, OREGON**

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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Oregon Water Wonderland Unit II Sanitary District
Bend, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Oregon Water Wonderland Unit II Sanitary District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, starting on page 4, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary 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. 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the District's 2019 financial statements of the business-type activities and major funds and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Standards*, we have also issued a report titled "Independent Auditor's Report Required by Oregon State Regulations" dated December 22, 2020, which is also not a required part of the financial statements. The purpose of that report is to address specific matters required by the State of Oregon.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: 
Wesley B. Price, III – a partner

December 22, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

As management of the Oregon Water Wonderland Unit II Sanitary District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2020.

Financial Highlights

- Net position of the District decreased by \$64,049 during the year-ended June 30, 2020, compared to a decrease of \$57,488 in the prior year.
- The income from operations of the District was \$835,232, an increase of \$78,810 from the prior year.
- The District's total liabilities as of June 30, 2020, were \$3,655,072, a decrease of \$122,339.
- Operating expenses for the year ended June 30, 2020, were \$787,372, of which \$383,408 was depreciation.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position and (3) Statement of Cash Flows. This report also contains Management's Discussion and Analysis (this section), Notes to the Financial Statements and Other Supplementary Information, as described in the table of contents. An elected five-member Board, with a representative from each zone, governs the District.

The *basic financial statements* include the Government-wide financial statements and notes to the financial statements and are designed to provide the readers with a broad overview of the District's finances in a manner similar to a private-sector business. In the basic financial statements, the District's activities are shown in one category, showing the District's operations and maintenance of a sanitary facility in Three Rivers, Oregon. These activities are primarily financed through service fees paid by users.

The *government-wide financial statements* provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The *Statement of Net Position* presents information on all the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenditures and Changes in Net Position* presents information showing how the District's net position changed during the fiscal year ended June 30, 2020. Changes in net position are reported

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

when the underlying event giving rise to the change occurs, regardless of the timing of the related flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods, such as property taxes, deferred revenue and accrued vacation.

The basic financial statements also include *Notes to Financial Statements* which provide additional information that is essential to a full understanding of the data provided in the Government-wide financial statements.

The *Other Supplementary Information* provides fund financial statements that provide more detailed information about the District's operating expenses and budget to actual comparisons.

Government-wide Financial Analysis

Net position at a specific point in time serves as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$1,230,561 at June 30, 2020.

The District's net position reflects its investment in capital assets (e.g. land, sewer system, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide sewer service to its users; consequently, these assets are not available for future spending.

The remaining net assets consist of funds restricted for debt requirements and system development, including a remaining balance of \$474,689 that can be used to meet the District's ongoing obligations to its users.

The District's largest liability is for the repayment of revenue bonds. Current liabilities of the District consist largely of accounts payable, payroll, accrued interest expense and current portion of long-term debt.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

A comparison to the prior year of a summarized Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position is provided below:

Summarized Statement of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Assets			
Current assets	\$ 1,454,975	\$ 1,402,734	\$ 52,241
Capital assets, net of depreciation	<u>3,430,658</u>	<u>3,669,287</u>	<u>(238,629)</u>
TOTAL ASSETS	<u>\$ 4,885,633</u>	<u>\$ 5,072,021</u>	<u>\$ (186,388)</u>
Liabilities			
Current liabilities	\$ 285,724	\$ 274,604	\$ 11,120
Noncurrent liabilities	<u>3,357,731</u>	<u>3,491,190</u>	<u>(133,459)</u>
TOTAL LIABILITIES	<u>3,643,455</u>	<u>3,765,794</u>	<u>(122,339)</u>
Deferred inflows of resources			
Revenues received but not earned	<u>11,617</u>	<u>11,617</u>	
Net Position			
Invested in capital assets, net of related debt	(60,532)	50,056	(110,588)
Restricted	816,404	722,439	93,965
Unrestricted	<u>474,689</u>	<u>522,115</u>	<u>(47,426)</u>
TOTAL NET POSITION	<u>1,230,561</u>	<u>1,294,610</u>	<u>(64,049)</u>
 Total liabilities, deferred inflows and net position	 <u>\$ 4,885,633</u>	 <u>\$ 5,072,021</u>	 <u>\$ (186,388)</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

Summarized Statement of Revenues, Expenditures and Changes in Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Revenues Received			
User fees	\$ 643,729	\$ 636,758	\$ 6,971
Other fees and charges	20,540	21,120	(580)
System development charges	170,963	98,544	72,419
Lease revenue	15,180	15,180	
Grant income		20,000	(20,000)
Interest on investments	21,107	23,464	(2,357)
Total Revenues	<u>871,519</u>	<u>815,066</u>	<u>56,453</u>
Total Expenses Paid	<u>935,568</u>	<u>872,554</u>	<u>63,014</u>
Changes in net position	<u>(64,049)</u>	<u>(57,488)</u>	<u>(6,561)</u>
Net position - Beginning of year	<u>1,294,610</u>	<u>1,393,104</u>	<u>(98,494)</u>
Cumulative effect of error in previously issued financial statements		<u>(41,006)</u>	<u>41,006</u>
Net position - Beginning of year, as restated	<u>1,294,610</u>	<u>1,352,098</u>	<u>(57,488)</u>
Net position - End of year	<u>\$ 1,230,561</u>	<u>\$ 1,294,610</u>	<u>\$ (64,049)</u>

Other Supplementary Information

The District has included Other Supplementary Information beginning on page 24, which includes budgetary comparisons for each fund and schedules required under Standards for the Audits of Oregon Municipal Corporations.

Budgetary Highlights

The District's Governing Board adopted the fiscal year 2020 budget according to accepted standards and presented it to the Deschutes County Assessor's Office within the proper timeline. Unexpected additional

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Such transfers require approval by the governing body.

Actual revenues were over budget by approximately \$101,000 and expenditures were under budget in all categories except personnel services within the General Fund by \$6,041.

Capital Assets and Long-term Debt

Capital Assets

The District's investment in capital assets includes land and improvements, buildings and improvements, the District's sewer system, vehicles and other equipment. As of June 30, 2020, the District's investment in capital assets was \$3,430,658, net of accumulated depreciation. The cost of new capital assets placed into service during the year totaled \$144,779, while current year depreciation expense was \$383,408. Additional information on capital assets is included in Note 4 on page 19 of this report.

Long-term Debt

As of June 30, 2020, the District had \$3,357,731 in debt outstanding. This debt is related to the construction of the sewer facilities.

Additional information on debt is included in Note 6 beginning on page 20 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Reed Campbell, District Operations Manager, Oregon Water Wonderland Unit II Sanitary District, 55841 Swan Road, Bend, Oregon 97707.

BASIC FINANCIAL STATEMENTS

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	General Fund	Capital Reserve Fund	Total	
			2020	2019
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 336,414	\$ 176,124	\$ 512,538	\$ 550,485
Restricted cash and equity in pooled investments	816,404		816,404	722,439
Accounts receivable, net of allowance	119,508		119,508	123,285
Prepaid expenses	6,525		6,525	6,525
TOTAL CURRENT ASSETS	1,278,851	176,124	1,454,975	1,402,734
CAPITAL ASSETS				
Land, improvements and other	448,407		448,407	448,407
Buildings	1,076,365		1,076,365	1,057,562
Machinery and equipment	1,362,446		1,362,446	1,358,998
Water distribution system	6,042,727		6,042,727	5,920,199
	8,929,945		8,929,945	8,785,166
Less accumulated depreciation	(5,499,287)		(5,499,287)	(5,115,879)
TOTAL CAPITAL ASSETS, NET	3,430,658		3,430,658	3,669,287
TOTAL ASSETS	\$ 4,709,509	\$ 176,124	\$ 4,885,633	\$ 5,072,021
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 7,188		\$ 7,188	\$ 4,481
Accrued payroll expenses	9,470		9,470	1,502
Accrued interest	135,607		135,607	140,580
Current portion of long-term debt	133,459		133,459	128,041
TOTAL CURRENT LIABILITIES	285,724		285,724	274,604
LONG-TERM LIABILITIES				
Long-term capital debt	3,357,731		3,357,731	3,491,190
TOTAL LIABILITIES	3,643,455		3,643,455	3,765,794
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	11,617		11,617	11,617
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,655,072		3,655,072	3,777,411
NET POSITION				
Net investment in capital assets	(60,532)		(60,532)	50,056
Restricted	816,404		816,404	722,439
Unrestricted	298,565	176,124	474,689	522,115
TOTAL NET POSITION	1,054,437	176,124	1,230,561	1,294,610
TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS OF RESOURCES	\$ 4,709,509	\$ 176,124	\$ 4,885,633	\$ 5,072,021

See notes to the basic financial statements

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	General Fund	Capital Reserve Fund	Total	
			2020	2019
OPERATING REVENUE				
User fees	\$ 643,729	\$	\$ 643,729	\$ 636,758
Other fees and charges	20,540		20,540	21,120
System development charges	170,963		170,963	98,544
Total Operating Revenue	<u>835,232</u>		<u>835,232</u>	<u>756,422</u>
OPERATING EXPENSES				
Personnel services	258,747		258,747	177,160
Materials and services	141,717		141,717	164,813
Capital outlay	3,500		3,500	
Depreciation	383,408		383,408	376,985
Total Operating Expenses	<u>787,372</u>		<u>787,372</u>	<u>718,958</u>
OPERATING INCOME	<u>47,860</u>		<u>47,860</u>	<u>37,464</u>
NON-OPERATING REVENUE (EXPENSE)				
Interest income	20,715	392	21,107	23,464
Interest expense	(148,196)		(148,196)	(153,596)
Lease revenue	15,180		15,180	15,180
Grant income				20,000
Total Non-Operating Income (Expense)	<u>(112,301)</u>	<u>392</u>	<u>(111,909)</u>	<u>(94,952)</u>
INCOME (LOSS) BEFORE TRANSFERS				
Transfers in		30,000	30,000	
Transfers out	(30,000)		(30,000)	
Total Transfers	<u>(30,000)</u>	<u>30,000</u>		
CHANGE IN NET POSITION	<u>(94,441)</u>	<u>30,392</u>	<u>(64,049)</u>	<u>(57,488)</u>
NET POSITION - BEGINNING OF YEAR	<u>1,148,878</u>	<u>145,732</u>	<u>1,294,610</u>	<u>1,393,104</u>
Cumulative effect of error in previously issued financial statements				(41,006)
NET POSITION - BEGINNING OF YEAR, as restated	<u>1,148,878</u>	<u>145,732</u>	<u>1,294,610</u>	<u>1,352,098</u>
NET POSITION - END OF YEAR	<u>\$ 1,054,437</u>	<u>\$ 176,124</u>	<u>\$ 1,230,561</u>	<u>\$ 1,294,610</u>

See notes to the basic financial statements

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	General Fund	Capital Reserve Fund	Total	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 839,009	\$	\$ 839,009	\$ 738,275
Cash paid for goods and services	(142,511)		(142,511)	(186,451)
Cash paid to employees	(250,779)		(250,779)	(177,160)
Net cash provided by operating activities	<u>445,719</u>		<u>445,719</u>	<u>374,664</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(144,778)		(144,778)	(146,822)
Principal reduction of capital debt	(128,041)		(128,041)	(122,842)
Interest paid on capital debt	(153,169)		(153,169)	(158,368)
Net cash used in capital and related financing activities	<u>(425,988)</u>		<u>(425,988)</u>	<u>(428,032)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Grant income				20,000
Lease income	15,180		15,180	15,180
Transfers	(30,000)	30,000		
Net cash provided by (used in) non-capital and related financing activities	<u>(14,820)</u>	<u>30,000</u>	<u>15,180</u>	<u>35,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	20,715	392	21,107	23,464
NET INCREASE IN CASH	25,626	30,392	56,018	5,276
CASH AND INVESTMENTS - Beginning of year	<u>1,127,192</u>	<u>145,732</u>	<u>1,272,924</u>	<u>1,267,648</u>
CASH AND INVESTMENTS - End of year	<u>\$ 1,152,818</u>	<u>\$ 176,124</u>	<u>\$ 1,328,942</u>	<u>\$ 1,272,924</u>
Reconciliation of operating income to net cash flows from operations:				
Operating income	\$ 47,860	\$	\$ 47,860	\$ 37,464
Adjustments to reconcile operating loss to cash provided by operations:				
Depreciation	383,408		383,408	376,985
Changes in assets and liabilities:				
Prepaid assessments				(1,601)
Accounts receivable	3,777		3,777	(16,544)
Accounts payable	2,706		2,706	(5,989)
Accrued payroll expenses	7,968		7,968	(15,193)
Deferred inflows of resources				(458)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 445,719</u>	<u>\$ -</u>	<u>\$ 445,719</u>	<u>\$ 374,664</u>

See notes to the basic financial statements

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

Oregon Water Wonderland Unit II Sanitary District (the District) was formed October 1, 1975. The District is located in Deschutes County, Oregon, and serves an area of approximately 700 acres with an estimated 1,014 residential lots. As of June 30, 2020, 849 of the lots were connected to the system. The primary focus of the District is to provide sanitary services to patrons within the District boundary.

The District operates as a special water district and provides irrigation water to residential and agricultural customers. The District is operated as an enterprise in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental agencies. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost, including depreciation, of providing services to the public is financed primarily through user charges.

Financial Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of Government Accounting Standards Board's (GASB's) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, there were no other entities found to be includable in the District's reporting entity. The District was not includable in any other reporting entity.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. Grants and similar revenues are recognized if all eligibility requirements imposed by the provider have been met.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting – Continued

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (e.g. total assets net of total liabilities) are segregated into investment in capital assets, assigned and unassigned components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund Types and Major Funds

All activities of the District are accounted for within two proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenue of the District is from assessments on water rights. Operating expenses for the proprietary fund include the cost of field maintenance, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *General Fund* is used to finance the general operations of the District and subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are user fees and System Development Charge (SDC) fees.

The *Capital Reserve Fund* is used to accumulate funds for future equipment and improvement purchases.

Cash and Cash Equivalents

For financial reporting and purposes of the statement of cash flows, cash includes demand deposits and highly liquid investments with a maturity of three months or less at the time of purchase.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents – Continued

The District maintains separate bank accounts for its funds. Oregon Revised Statutes authorize the District to invest in obligations of the United States Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements and the State of Oregon Local Government Investment Pool. Such investments are stated at cost which approximates fair value. Interest income is allocated to the funds based on actual cash balances.

Capital Assets

Capital assets include property, buildings and improvements and equipment. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and sanitary systems are depreciated using the straight-line method over the estimated useful life of the asset. Estimated useful lives are 15 to 50 years for buildings and the District's system and 5 to 7 years for equipment.

Compensated Absences

The District's full-time employees are allowed to accumulate earned but unused personal leave. A liability for the unused leave is reported on the Statement of Net Position. Accrued personal leave payable is recorded at actual accrued hours times current pay rates plus related fringe benefits, as an expense when earned.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenues received but not earned is the District's sole amount that qualifies for this treatment and is reported in the Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Assessed and uncollected receivables for water service can be attached as an enforceable lien on customer property. No allowance for doubtful accounts is considered necessary for the assessment accounts receivable. The District uses the direct write-off method for recognition of bad debts associated with assessments. Delinquent accounts are submitted to the County Assessor each year and are collected by the Deschutes County Tax Collector.

An allowance for doubtful accounts has been recorded for uncollected connection fees. In this case, a lien on the related property is held with the District, but no payments have been made. The District will recognize this revenue in the case that the property is sold. See Note 3 for additional information.

Budgetary Controls

The District budgets all funds in accordance with the Oregon Revised Statutes which set forth local budget law procedures. A budget is prepared for each fund on the accrual basis of accounting, modified for principal payments on debt, capitalized expenditures and the recording of depreciation expense, a basis which is not consistent with generally accepted accounting principles. The District's Board of Directors authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. For each fund, personnel services, materials and services, operations and maintenance, capital outlay, debt service and transfers, are the levels of control over appropriations. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

With the approval of the Board of Directors, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Board of Directors.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – CASH AND INVESTMENTS

The District's investment of cash funds is regulated by the Oregon Revised Statutes. Under these guidelines, cash funds may be invested in bank accounts of deposit, general obligation issues of the United States and its agencies, and certain states and certain guaranteed investments issued by banks and the State of Oregon Local Government Investment Pool. During the year, the District did not purchase any repurchase agreements or reverse repurchase agreements.

Cash and investments at June 30, 2020, consisted of the following:

Balance Sheet Classification:

Unrestricted cash	\$ 45,909
Unrestricted equity in pooled investments	<u>466,629</u>

Unrestricted cash and equity in pooled investments	<u>512,538</u>
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Restricted equity in pooled investments	<u>816,404</u>
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Total cash and equity in pooled investment:	<u>\$ 1,328,942</u>
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Deposits:

Bank demand deposits	\$ 45,759
Cash on hand	<u>150</u>

Total demand deposits and cash on hand	<u>45,909</u>
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Investments:

Oregon short-term fund (Local Government Investment Pool)	1,106,909
Money market investment	<u>176,124</u>

Total investments	<u>1,283,033</u>
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Total investments and deposit:	<u>\$ 1,328,942</u>
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Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

aggregate Oregon public fund collateral pledged at June 30, 2020, was \$107,190,684 for reported public funds of \$77,404,504. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

Deposits with Financial Institutions: The District's deposits with financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The District's policy, in compliance with state statutes, requires that deposits be covered by the Federal Deposit Insurance Corporation (FDIC) and deposited in a qualified depository for public funds. Certain financial institutions have pledged they will cover deposits of public funds in any one of the group's banks, the banks that have joined this group have been identified by the State Treasurer. The District only deposits funds in banks that have been approved by the Office of the State Treasurer. At June 30, 2020, the carrying amount of the District's deposits in the financial institution was \$222,033 and the balance per the bank statements was \$329,083. These amounts are above FDIC insurance limits and not deemed to be in compliance with District policy at year-end.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District invests in a highly liquid sweep account with daily maturities. Fair value of these investments is not expected to vary greatly as interest rates change. The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond the limits provided in state statutes.

Investments: The District participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), a non-SEC regulated, open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council under the governance of the Oregon Start-Term Fund Board. The LGIP is audited annually by the Oregon Secretary of State, Audits Division. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the District's share of fair value is reflected below:

<u>Investment</u>	<u>Fair Value</u>
Local Government Investment Pool	\$ 1,106,909

Credit risk: State law limits investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities. The District has no investment policy that would further limit its investment choices. At June 30, 2020, the District was in compliance with the above state limitations. The State of Oregon Local Government Investment Pool is unrated.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Custodial credit risk – Investments: Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the State of Oregon's name.

Foreign currency risk: Oregon Revised Statutes prohibit investments that are not U.S. dollar-denominated; therefore, the District is not exposed to this risk.

Fair Value Measurements: GASB Statement No. 72, Fair Value Measurement and Application, specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and; Level 3 inputs are significant unobservable inputs. The District has no investments that are measured using Level 1 or 3 inputs. The investment in the Local Government Investment Pool is classified as a Level 2 investment.

Restricted cash and equity pooled investments: Cash and equity pooled investments that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded as current assets on our balance sheet.

The District's restricted cash balances consist of minimum balance requirements related to debt agreements and funds restricted for system development. The June 30, 2020, balance included cash collateral required to be held against loans from the United States Department of Agriculture (USDA).

Restricted cash balances as of June 30, 2020, were as follows:

Restricted for:		
USDA Note #8	\$	39,930
USDA Note #9		12,280
USDA Note #11		115,850
USDA Note #13		120,440
SDC Reimbursement Fee		379,335
SDC Improvement Fee		<u>145,569</u>
Total Restricted Cash	\$	<u>813,404</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 – ACCOUNTS RECEIVABLE

The District records user fees, connection fees and liens due from the county as accounts receivable. An allowance for doubtful accounts is recorded for the uncollected connection fees. A detail of the District’s accounts receivable as of June 30, 2020, is as follows:

User fees	\$	87,539
Liens - Due from County		293
Connection fees, net of allowance for doubtful accounts		<u>31,676</u>
Accounts receivable, net of allowance	\$	<u>119,508</u>

Of the \$87,539 in user fees accounts receivable, \$20,007 was over 60 days old as of June 30, 2020.

NOTE 4 – CAPITAL ASSETS

Changes in the District’s capital assets during the year were as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated				
Land	\$ 443,807	\$	\$	\$ 443,807
Assets not in service	<u>4,600</u>			<u>4,600</u>
	448,407			448,407
Capital assets being depreciated				
Buildings	1,057,562	18,803		1,076,365
Sewer system	1,358,998	122,528		1,481,526
Equipment	<u>5,920,199</u>	<u>3,448</u>		<u>5,923,647</u>
Totals	8,785,166	144,779		8,929,945
Accumulated depreciation	<u>(5,115,879)</u>	<u>(383,408)</u>		<u>(5,499,287)</u>
Capital assets, net	<u>\$ 3,669,287</u>	<u>\$ (238,629)</u>	<u>\$ -</u>	<u>\$ 3,430,658</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft or damages to and destruction of assets; errors and omissions; injury to employees; and natural disasters for which the District participates in the Special District Insurance Services (SDIS) formed in 1985 by the Special Districts Association of Oregon (SDAO). SDIS is a public entity risk pool currently operating as a common risk management and insurance program for approximately 900 special districts in the state of Oregon. SDIS is self-sustaining through member contributions and reinsures through commercial companies for excess of certain claims amounts. The District’s coverage includes \$5,000,000 of general liability insurance, among others, which are reviewed periodically and there has not been a significant reduction in coverage from the prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, and there is no liability for claims that have been accrued as of June 30, 2020.

NOTE 6 – LONG-TERM DEBT

On July 30, 2007, the District issued four revenue bonds for the financing of the sewer project constructed in a prior year. The total obligation was a USDA Rural Development loan of \$4,728,300. The four loans have 30-year repayment terms at 4.125% and 4.25% interest with annual payments of principal and interest totaling \$281,210. The loan agreement requires a reserve to be established of \$28,850 per year for the first ten years until the reserve equals \$288,500. The reserve balance as of June 30, 2020, was \$288,500. The unobligated net revenues of the sewer utility system of the District are pledged.

Changes in the long-term debt is summarized as follows:

	Balance at July 1, 2019	New Issues	Principal Matured and Paid	Interest Matured and Paid	Balance at June 30, 2020	Due Within One Year
USDA Rural Notes:						
Note #8	\$ 518,463	\$	\$ 18,544	\$ 21,387	\$ 499,919	\$ 19,308
Note #9	153,189		5,409	6,511	147,780	5,639
Note #11	1,445,180		51,034	61,420	1,394,146	53,203
Note #13	1,502,399		53,054	63,851	1,449,345	55,309
	<u>\$ 3,619,231</u>	<u>\$ -</u>	<u>\$ 128,041</u>	<u>\$ 153,169</u>	<u>\$ 3,491,190</u>	<u>\$ 133,459</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 6 – LONG-TERM DEBT – CONTINUED

Future maturities for each of the USDA Rural Development loans are as follows:

USDA Rural Development Loan #8			
Year Ended June 30,	Principal	Interest	Total
2021	\$ 19,308	\$ 20,622	\$ 39,930
2022	20,105	19,825	39,930
2023	20,934	18,996	39,930
2024	21,798	18,132	39,930
2025	22,697	17,233	39,930
2026-2030	128,324	71,326	199,650
2031-2035	157,067	42,583	199,650
2036-2038	109,686	10,103	119,789
	\$ 499,919	\$ 218,820	\$ 718,739

USDA Rural Development Loan #9			
Year Ended June 30,	Principal	Interest	Total
2021	\$ 5,639	\$ 6,281	\$ 11,920
2022	5,879	6,041	11,920
2023	6,129	5,791	11,920
2024	6,389	5,531	11,920
2025	6,661	5,259	11,920
2026-2030	37,800	21,800	59,600
2031-2035	46,544	13,056	59,600
2036-2038	32,739	2,812	35,551
	\$ 147,780	\$ 66,571	\$ 214,351

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 6 – LONG-TERM DEBT – CONTINUED

USDA Rural Development Loan #11

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 53,203	\$ 59,251	\$ 112,454
2022	55,464	56,990	112,454
2023	57,821	54,633	112,454
2024	60,279	52,175	112,454
2025	62,840	49,614	112,454
2026-2030	356,606	205,664	562,270
2031-2035	439,105	123,165	562,270
2036-2038	308,828	26,532	335,360
	<u>\$ 1,394,146</u>	<u>\$ 628,024</u>	<u>\$ 2,022,170</u>

USDA Rural Development Loan #13

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 55,309	\$ 61,597	\$ 116,906
2022	57,660	59,246	116,906
2023	60,110	56,796	116,906
2024	62,665	54,241	116,906
2025	65,328	51,578	116,906
2026-2030	370,722	213,808	584,530
2031-2035	456,488	128,042	584,530
2036-2038	321,063	27,582	348,645
	<u>\$ 1,449,345</u>	<u>\$ 652,890</u>	<u>\$ 2,102,235</u>

NOTE 7 – RETIREMENT PLAN

The District has established a standard 457(b) Plan for its employees, all of whom are eligible to participate in the Plan. Employees may contribute the maximum allowed under IRS limitations, including an age-based catch-up contribution each year. Employees must begin receiving benefits when they reach age 70.5. The District will match up to \$9,000 of an employee's contributions each year. During the year ended June 30, 2020, the District's contribution to the plan was \$8,725.

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The District does not have a formal post-employment benefits plan for any employee groups. However, the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the District does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the District due to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

Funding Policy. Although the District does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The District will then pay healthcare insurance premiums for all retirees at the blended rate for the appropriate classification.

For fiscal year 2019-20, the District made no contributions to the Plan and there were no retiree payments. There are currently 4 active employees who receive health care benefits. The average single member monthly contribution per employee for group health coverage for the year ended June 30, 2020, was \$701. The District has not conducted an actuarial study to determine its liability under this plan, as it is deemed immaterial to the financial statements as a whole as of June 30, 2020.

NOTE 9 – INTERFUND TRANSFERS

The District made the following transfer associated with funding for future equipment and improvement purchases.

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 30,000	\$
Capital Reserve Fund		30,000
	<u>\$ 30,000</u>	<u>\$ 30,000</u>

OTHER SUPPLEMENTARY INFORMATION

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance Over (Under) Budget
Revenues				
User fees	\$ 641,280	\$ 641,280	\$ 643,729	\$ 2,449
Other fees and charges	20,000	20,000	20,540	540
System development charges	83,440	83,440	170,963	87,523
Lease revenue	15,180	15,180	15,180	
Interest on investments	10,000	10,000	20,715	10,715
Total revenues	769,900	769,900	871,127	101,227
Expenditures				
Personnel services	247,952	247,952	253,993	6,041
Materials and services	187,510	187,510	141,717	(45,793)
Capital outlay	371,600	371,600	148,279	(223,321)
Debt services	281,210	281,210	281,210	
Operating contingency	10,000	10,000		(10,000)
Total expenditures	1,098,272	1,098,272	825,199	(273,073)
Excess of revenues over (under) expenditures	(328,372)	(328,372)	45,928	374,300
Other financing uses				
Interfund transfer out	(30,000)	(30,000)	(30,000)	
Total other financing uses	(30,000)	(30,000)	(30,000)	
Net change in fund balance	(358,372)	(358,372)	15,928	374,300
Fund balance - Beginning of year	1,302,650	1,302,650	1,193,769	(108,881)
Fund balance - End of year	\$ 944,278	\$ 944,278	\$ 1,209,697	\$ 265,419
Net change in fund balance - budgetary basis above			\$ 15,928	
Amounts reported for budgetary basis in the statement of Revenues, Expenditures and Changes in Net Position are different because:				
Budgetary basis records capital outlay as expenditures. However, in the Statement of Revenues, Expenditures and Changes in Net Position, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.				
- Capital asset additions			144,779	
- Depreciation expense			(383,408)	
Repayment of long-term debt principal is an expenditure on the budgetary basis. However, the repayment reduces long-term debt in the Statement of Revenues, Expenditures and Changes in Net Position.			128,041	
Budgetary basis records the effect of accrued compensated absences when paid. In the Statement of Revenues, Expenditures and changes in Net Position, however, compensated absences are recognized when accrued. The change in compensated absences is recognized as an expense on the Statement of Revenues, Expenditures and Changes in Net Position.			(4,754)	
Accrued interest reported in the Statement of Revenues, Expenditures and Changes in Net Position does not require the use of current financial resources and, therefore, is not reported as an expense for budgetary purposes.			4,973	
Statement of Revenues, Expenditures and Changes in Net Position, page 10.			\$ (94,441)	

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL CAPITAL RESERVE FUND YEAR ENDED JUNE 30, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance Over (Under) Budget
Revenues				
Interest on investments	\$	\$	392	392
Total revenues			392	392
Expenditures				
Materials and services				
Capital outlay				
Total expenditures				
Excess of revenues over expenditures			392	392
Other financing uses				
Interfund transfer in	30,000	30,000	30,000	
Total other financing uses	30,000	30,000	30,000	
Net change in fund balance	30,000	30,000	30,392	392
Fund balance - Beginning of year	175,700	175,700	145,732	(29,968)
Fund balance - End of year	\$ 205,700	\$ 205,700	\$ 176,124	\$ (29,576)
Net change in fund balance - budgetary basis above			\$ 30,392	
Statement of Revenues, Expenditures and Changes in Net Position, page 10.			\$ 30,392	

INDEPENDENT AUDITORS' REPORT
REQUIRED BY STATE REGULATIONS

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Oregon Water Wonderland Unit II Sanitary District
Bend, Oregon

We have audited the basic financial statements of Oregon Water Wonderland Unit II Sanitary District (the District), as of and for the year ended June 30, 2020, and have issued our report thereon dated December 22, 2020. 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 the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **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)**

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS – CONTINUED**

We reviewed the District's procedures for preparation, adoption and execution of its budget for the year ended June 30, 2020, and found them to be in compliance with statutory requirements.

In connection with our testing nothing came to our attention that caused us to believe that the District was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, with the exception of expenditures in excess of appropriation in personnel services within the General Fund in the amount of \$6,041.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Control deficiencies in internal control will be reported to management in a separate letter.

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

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: 

Wesley B. Price, III – a partner

December 22, 2020