

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

AUDIT REPORT
for the Fiscal Year
JUNE 30, 2020

Prepared By
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Newport, Oregon 97365

**LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon**

COMMISSIONERS

Chairperson	Dan Lowe Lake Oswego, OR 97035
Secretary/Treasurer	Virgil Pearce 4951 SW Oakridge Lake Oswego, OR 97035
Commissioner	Larry Kitchen 16173 Bonaire Lake Oswego, OR 97035
Commissioner	JD Pavak 16737 Roosevelt Ave. Lake Oswego, OR 97035
Commissioner	Dan Taylor 16666 Roosevelt Ave. Lake Oswego, OR 97035

ADMINISTRATORS AND ATTORNEY

District Manager	Tammy Schalk
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Attorney

Clark Balfour
1001 SW 5th Ave, Suite 2000
Portland, OR 97204

**LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page
List of Commissioners
Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report.	1-2
Management's Discussion and Analysis.	I-V
Basic Financial Statements	
Statement of Net Position - Proprietary Funds	3
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.	4
Statement of Cash Flows - Proprietary Funds	5
Notes to Financial Statements	6-12

SUPPLEMENTAL SECTION

Description of Budgetary Funds.	13
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	14
System Development Fund	15
Reconciliation of Revenues and Expenditures (Budgetary Basis) to the Statement of Revenues, Expenses and Changes in Net Position	16

COMPLIANCE SECTION

Independent Auditor's Report Required by Oregon State Regulations.	17-18
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Lake Grove Water District
Lake Oswego, Oregon

I have audited the accompanying financial statements of the business-type activities of Lake Grove Water District (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

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lake Grove Water District as of June 30, 2020, and the respective changes in financial position and 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, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lake Grove Water District's basic financial statements. The budget to actual schedules and reconciliation to net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental budget to actual schedules and reconciliation to net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget to actual schedules and reconciliation to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated October 30, 2020 on my consideration of Lake Grove Water District's compliance with certain 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 my testing of compliance and the results of that testing and not to provide an opinion on compliance.

Signe Grimstad
Certified Public Accountant
Newport, Oregon
October 30, 2020

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2020

ASSETS

Current assets

Cash and cash equivalents	\$ 1,540,862
Accounts receivable	97,975
Prepaid expenses and deposits	17,762
Inventory	<u>17,916</u>

Total current assets 1,674,515

Noncurrent assets

Land	8,457
Work in progress	300,236
Capital assets, net of depreciation	<u>1,213,864</u>

Total noncurrent assets 1,522,557

Total assets 3,197,072

LIABILITIES

Current liabilities

Accounts payable	80,956
Accrued compensated absences	6,492
Deposits	<u>13,632</u>

Total current liabilities 101,080

NET POSITION

Net invested in capital assets	1,522,557
Restricted for System Development	204,711
Unrestricted	<u>1,368,724</u>

Total net position \$ 3,095,992

See accompanying notes to financial statements

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS for the Year Ended June 30, 2020

OPERATING REVENUES	
Water service	\$ 1,146,436
Other service fees	<u>6,050</u>
Total operating revenues	<u>1,152,486</u>
OPERATING EXPENSES	
Maintenance and repairs	93,903
Water purchases	513,473
Professional services	68,664
General and administrative	337,468
Contract services	153,934
Depreciation	<u>68,577</u>
Total operating expenses	<u>1,236,019</u>
OPERATING INCOME (LOSS)	<u>(83,533)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	20,587
System development and review fees	<u>40,685</u>
Total nonoperating revenues (expenses)	<u>61,272</u>
Changes in net position	<u>(22,261)</u>
NET POSITION - Beginning of year	3,097,572
Prior Period Adjustment	<u>20,681</u>
NET POSITION - Revised Beginning of year	<u>3,118,253</u>
NET POSITION - End of year	<u><u>\$ 3,095,992</u></u>

See accompanying notes to financial statements

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,172,009
Cash paid to suppliers	(1,001,352)
Cash paid to employees	<u>(162,441)</u>
Net cash provided (used) by operating activities	<u>8,216</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

System development and review fees	40,686
Prior Period Adjustment	<u>20,681</u>
Net cash provided (used) by financing activities	<u>61,367</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned on investments	<u>20,587</u>
Net increase (decrease) by cash and cash equivalents	90,170
Cash and cash equivalents - Beg. of year (restricted \$232,772)	<u>1,450,692</u>
Cash and cash equivalents - End of year (restricted \$204,711)	<u>\$ 1,540,862</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (83,533)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	68,577
(Increase) decrease in operating assets	
Accounts receivable	9,155
Prepays	(7,817)
Inventory	12,533
Increase (decrease) in operating liabilities	
Accounts payable	1,310
Accrued expenses	794
Customer deposits	<u>7,197</u>
Net cash provided (used) by operating activities	<u>\$ 8,216</u>

See accompanying notes to financial statements

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Grove Water District (District) prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Reporting Entity

The Lake Grove Water District is a municipal corporation and therefore is exempt from federal taxes. It operates under the laws of the State of Oregon as a water district. There are five Commissioners elected for terms of four years.

There are various other governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

Basis of Accounting and Presentation

Lake Grove Water District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting utilizing accounting principles applicable to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

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.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate accounting entity with a self balancing set of accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements of this report into one proprietary fund.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The District's investment policies are governed by Oregon statutes. The statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Uncollected water receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible has been established.

Inventory

Inventories are valued at the lower of cost or market, using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets represents those funds set aside for system development. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Capital assets are defined in the District's capitalization policy as having a historic cost or value in excess of \$500 and an estimated useful life greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

	<u>Years</u>
Plant and Sanitary System	50
Equipment	3 - 15

Net Position

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of external constraints placed thereon by parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposing legal mandates. Unrestricted consists of all other net assets not included in the above categories.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating Revenues, Non-Operating Revenues and Operating Expenses

The District has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing water service. Operating expenses are those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. This includes investment interest, capital contributions, and gain (loss) on sale of capital assets.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

Pursuant to Oregon Local Budget Law, Oregon Revised Statutes Chapter 294.305 through 294.770, the District manages its operations through fund accounting. An operating budget is adopted prior to each fiscal year for all funds. The budget is adopted on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available to finance expenditures of the current period). Expenses are generally recognized when the related liability has been incurred. The exception is interest on general long-term debt, which is recognized when due.

The Board adopts the budget and by resolution makes appropriations by major functional categories for all funds for the next fiscal year. Appropriations lapse at the end of the fiscal year, June 30.

Major functional categories identify the legal level of budgetary control above which expenditures are not authorized. The major functional categories are personnel services, materials and services, capital outlay, debt service, interfund transfers, and operating contingency. The Board of Directors may select a lower level of appropriations than the budget committee in which case the legal level of appropriation is stated in the appropriation resolution. The expenditure budget for the year is adopted through the appropriation resolution and only the Board may adjust appropriations.

Overexpenditure

	<u>Balance</u>
Systems Development Fund	
Maintenance and service	<u>\$ 30,478</u>

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30, are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Cash and cash equivalents	<u>\$ 1,540,862</u>	<u>\$ 1,336,151</u>	<u>\$ 204,711</u>

Cash, cash equivalents and investments as of June 30 consist of the following:

	<u>Balance</u>
Cash on hand	\$ 220
Deposits financial institution	561,505
Investments - external pool	<u>979,137</u>
Total cash and investments	<u>\$1,540,862</u>

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$560,894. Deposits represent checking and money market.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

Investments - External Pool

As of June 30 the District held the following investment:

	<u>Fair Value</u>
Local Government Investment Pool	<u>\$ 979,137</u>

Investments

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

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk

Currently, the District's only investment is in the State of Oregon's Local Government Investment Pool. The District places no limit on the amount it may invest in any one issuer.

NOTE 4 - RECEIVABLES

Receivables at June 30 consist of the following:

Accounts receivable	<u>Balance</u>
	<u>\$ 97,975</u>

Bad debts are written off as incurred, therefore, there is no allowance for uncollectible receivables.

NOTE 5 - CAPITAL ASSETS

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

	<u>7/01</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30</u> <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 8,457	\$ 0	\$ 0	\$ 8,457
Work in progress	<u>300,236</u>	<u>0</u>	<u>0</u>	<u>300,236</u>
Total capital assets not being depreciated	<u>308,693</u>	<u>0</u>	<u>0</u>	<u>308,693</u>

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 5 - CAPITAL ASSETS - Continued

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

	<u>7/01</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30</u> <u>Balance</u>
Capital assets being depreciated				
Land improvements	122,843	0	0	122,843
Water system	2,843,680	0	0	2,843,680
Equipment	<u>38,833</u>	<u>0</u>	<u>0</u>	<u>38,833</u>
Total capital assets being depreciated	<u>3,005,356</u>	<u>0</u>	<u>0</u>	<u>3,005,356</u>
Accumulated depreciation				
Land improvements	53,506	7,095	0	60,601
Water system	1,643,145	56,874	0	1,700,019
Equipment	<u>26,263</u>	<u>4,609</u>	<u>0</u>	<u>30,872</u>
Total accum. depreciation	<u>1,722,914</u>	<u>68,578</u>	<u>0</u>	<u>1,791,492</u>
Total depreciable, net	<u>1,282,442</u>	<u>(68,578)</u>	<u>0</u>	<u>1,213,864</u>
Capital assets, net	<u>\$1,591,134</u>	<u>\$ (68,578)</u>	<u>\$ 0</u>	<u>\$1,522,557</u>

Depreciation expense for year end was \$68,577.

NOTE 6 - LEASE COMMITMENTS

With the office lease expiring at the end of July 2020, the District signed a three year and three months lease for the same office space commencing August 1, 2020. Rental expense for the current year was \$33,132 and future minimum rental payments are as follows:

<u>Year End</u>	<u>Balance</u>
2021	\$ 42,622
2022	44,639
2023	45,980
2024	<u>15,712</u>
Total	<u>\$ 148,953</u>

NOTE 7 - POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2020, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective. This statement provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). At June 30, 2020, the District's net OPEB liability/(asset) and deferred inflows and outflows were determined by Management to not be material to the financial statements taken as a whole. Accordingly, no assets or liabilities relating to OPEB have been reported on the government-wide statements nor have note disclosures or required supplementary information (RSI) relating to OPEB are being presented.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 8 - PRIOR PERIOD ADJUSTMENT

During the current year, two old outstanding checks were determined to have been voided and the checks issued as replacements had cleared the bank. As a result payroll expense had been overstated by \$20,681 in a prior year.

NOTE 9 - OTHER INFORMATION

Commitments and Contingencies

In March of 2019 the District entered into an Intergovernmental Agreement with the City of Lake Oswego regarding the roadway improvements on Boones Ferry Road. The District owns an 8 inch waterline located within the City's Boones Ferry Road that it desires to extend. As the City is making improvements to this road, the two municipalities entered into an agreement. The City will perform the work and the District will reimburse the actual costs relating to the construction of the waterline. As of June 30, 2019 the District had paid out \$300,231.

An urban service agreement with the City of Lake Oswego (City) contains provisions for annexation of the District's service area. In the event of annexation, all assets, liabilities, and functions of the District would be assumed by the City and the District would terminate. Annexation is subject to the approval of the voters within the District and the City. As of the date of this report, annexation proceedings had not been initiated.

Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; torts; errors and omissions; and natural disasters. The District purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Management is not aware of any pending litigation involving the District.

Evaluation of Subsequent Events

In the beginning of March 2020, the COVID-19 virus was declared a global pandemic and later in the same month the Oregon governor issued Executive Order No. 20-12 which directed Oregonians to "Stay Home, Save Lives". It is anticipated communities will be severely impacted with the temporarily closing of businesses. The District anticipates an increase of expenses and is monitoring the impact on revenue sources.

Management has evaluated subsequent events through October 30, 2020, the date on which the financial statements were available to be issued.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

SUPPLEMENTAL SECTION

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

DESCRIPTION OF BUDGETARY FUNDS

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary comparison schedules include the following funds:

General Fund

The fund is used to account for the financial resources of the District that are not accounted for in any other fund. Principal source of revenue is from water sales. Primary expenditures are for water purchase, system maintenance and general administration.

System Development Fund

The fund is used to account for financial resources to be used for the acquisition or construction of water systems. The primary revenue source is system development charges.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Water service	\$ 1,400,000	\$ 1,400,000	\$ 1,146,436	\$ (253,564)
Other service fees	16,000	16,000	7,050	(8,950)
Interest	25,000	25,000	17,756	(7,244)
Miscellaneous	100	100	0	(100)
	<u>1,441,100</u>	<u>1,441,100</u>	<u>1,171,242</u>	<u>(269,858)</u>
Total revenues				
	<u>1,441,100</u>	<u>1,441,100</u>	<u>1,171,242</u>	<u>(269,858)</u>
EXPENDITURES				
Personnel services	312,000	312,000	300,456	11,544
Materials and services	944,552	964,552	783,874	180,678
Contingency	100,000	80,000	0	80,000
	<u>1,356,552</u>	<u>1,356,552</u>	<u>1,084,330</u>	<u>272,222</u>
Total expenditures				
	<u>1,356,552</u>	<u>1,356,552</u>	<u>1,084,330</u>	<u>272,222</u>
Excess (def) of revenues over expenditures	84,548	84,548	86,912	2,364
Unappropriated ending fund balance	(1,282,485)	(1,282,485)	0	1,282,485
FUND BALANCE - Beg. of year (Budget basis)	<u>1,197,937</u>	<u>1,197,937</u>	<u>1,604,305</u>	<u>406,368</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	1,691,217	<u>\$ 1,691,217</u>
GAAP ADJUSTMENTS - Reconciled to June 30, 2019			1,260,493	
Prior Period Adjustment			20,681	
Inventory			(12,533)	
Depreciation			<u>(68,577)</u>	
FUND BALANCE - End of year (GAAP)			<u>\$ 2,891,281</u>	

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

SYSTEM DEVELOPMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest income	\$ 14,000	\$ 2,831	\$ (11,169)
SDC revenue	<u>45,000</u>	<u>39,685</u>	<u>(5,315)</u>
 Total revenues	 <u>59,000</u>	 <u>42,516</u>	 <u>(16,484)</u>
EXPENDITURES			
Materials and services	40,100	70,578	(30,478)
Capital outlay	260,000	0	260,000
Contingency	<u>100,000</u>	<u>0</u>	<u>100,000</u>
 Total expenditures	 <u>400,100</u>	 <u>70,578</u>	 <u>329,522</u>
 Excess (def) of revenues over expenditures	 (341,100)	 (28,062)	 313,038
 Unappropriated ending fund balance	 (191,205)	 0	 191,205
 FUND BALANCE - Beg. of year (Budget basis)	 <u>532,305</u>	 <u>232,773</u>	 <u>(299,532)</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 <u>\$ 204,711</u>	 <u>\$ 204,711</u>

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

**RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION for the Year Ended June 30, 2020**

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
General Fund	\$ 1,171,242	\$ 1,084,331	\$ 86,911
System Development Fund	42,516	70,578	(28,062)
Total budgetary basis	\$ 1,213,758	\$ 1,154,909	58,849
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Inventory			(12,533)
Depreciation			(68,577)
Change in net position			(22,261)
NET POSITION - Beginning of year			3,097,572
Prior Period Adjustment			20,681
NET POSITION - Revised Beginning of year			3,118,253
NET POSITION - End of year			\$ 3,095,992

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

COMPLIANCE SECTION

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

Board of Commissioners
Lake Grove Water District
Lake Oswego, Oregon

I have audited the basic financial statements of the business-type activities of Lake Grove Water District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued my report thereon dated October 30, 2020. I conducted my 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 financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit and, accordingly, I do not express such an opinion.

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

- Accounting records and related internal control structure.
- 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 Chapters 279A, 279B, 279C).
- Programs funded from outside sources.

In connection with my testing nothing came to my attention that caused me to believe 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, except for the following:

Systems Development Fund overexpended in Materials and Service by \$30,478.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This report is intended solely for the information and use of the management, the audit committee, Oregon Secretary of State Audits Division, and Board of Commissioners and is not intended to be and should not be used by anyone other than those specified parties.

Signe Grimstad
Certified Public Accountant
Newport, Oregon
October 30, 2020