

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

AUDIT REPORT
for the Fiscal Year
JUNE 30, 2021

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
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

Attorney

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

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

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GRIMSTAD & ASSOCIATES

Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

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, 2021, 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, 2021, 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.

Members:
AICPA OSCPA & OAIA

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.

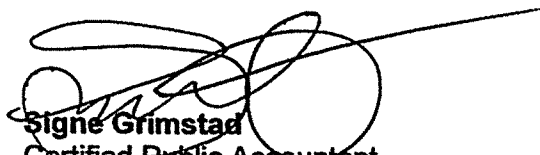
Other Information

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 December 8, 2021, 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
December 8, 2021

Lake Grove Water District Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) is presented by the management of Lake Grove Water District. The narrative overview is intended to assist readers of our financial statements for fiscal year 2020-21, ending June 30, 2021, providing an overview and analysis of the highlights of these statements.

Financial Highlights

- ❖ Total assets of the District were \$3,328,224. This includes capital assets of \$1,458,217 (net of accumulated depreciation), and current assets of \$1,870,007 at June 30, 2021.
- ❖ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,213,824 (net position). Of this amount, \$1,504,585 (unrestricted net position) may be used to meet the District's ongoing obligations. Restricted \$251,022 is for system development.
- ❖ Total liabilities were \$114,400, up \$13,320 from June 30, 2020.
- ❖ The District's net position increased by \$117,832 from June 30, 2020.
- ❖ Total operating profit for the fiscal year 2020-21 was 61,580, compared to a loss of \$(83,533) the prior fiscal year.
- ❖ Total operating expenses for the fiscal year 2020-21 as \$1,123,825, from the prior fiscal year.

Overview of the Financial Statements

Lake Grove Water District is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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 other supplementary information in addition to the basic financial statements.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the District is improving or deteriorating if viewed over time. This statement includes all of the District's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations of the District's creditors (liabilities). The Statement of Net Position also provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing profitability and credit worthiness as well as how the District's net position changed during the most recent fiscal year. This statement shows income and expenses from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through user fees and other charges.

The Statement of Cash Flows is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, non-capital financing, capital and related financing activities and investing activities. This statement also includes reconciliation to the Statement of Revenues, Expenses and Changes in Net Position. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It answers such questions as, where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data in the financial statements.

Financial Analysis

Over time, net position may serve as a useful indicator of the District's financial position. In Lake Grove Water District's case, assets exceeded liabilities by \$3,213,824 at the close of the most recent fiscal year, and an increase of \$117,832 from the prior fiscal year.

The largest portion of the District's net position (45.4%) reflects its investment in capital assets (e.g., land, equipment, reservoirs and pipelines). The District uses these assets to provide services to rate payers; consequently, these assets are not available for future spending.

An additional portion of the District's net position (7.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (46.8%) may be used to meet the District's ongoing obligations to ratepayers and creditors.

Statement of Net Position

Assets	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Current assets	\$ 1,870,007	\$ 1,674,515	\$ 195,492
Capital assets	<u>1,458,217</u>	<u>1,522,557</u>	<u>(64,340)</u>
Total assets	<u>3,328,224</u>	<u>3,197,072</u>	<u>131,152</u>
Current liabilities	<u>114,400</u>	<u>101,080</u>	<u>13,320</u>
Net invested in capital assets	1,458,217	1,522,557	(64,340)
Restricted	251,022	204,711	46,311
Unrestricted	<u>1,504,585</u>	<u>1,368,724</u>	<u>135,861</u>
Total net position	<u>\$ 3,213,824</u>	<u>\$ 3,095,992</u>	<u>\$ 117,832</u>

Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Operating Revenues			
Water sales	\$ 1,168,723	\$ 1,146,436	\$ 22,287
Other services	<u>16,682</u>	<u>6,050</u>	<u>10,632</u>
Total operating revenues	<u>1,185,405</u>	<u>1,152,486</u>	<u>32,919</u>
Operating Expenses			
Personnel services	308,454	300,456	(7,998)
Materials and services	748,531	867,006	118,475
Depreciation	<u>66,840</u>	<u>68,557</u>	<u>1,717</u>
Total operating expenses	<u>1,123,825</u>	<u>1,236,019</u>	<u>112,194</u>
Operating Income (Loss)	<u>61,580</u>	<u>(83,533)</u>	<u>145,113</u>
Nonoperating Revenues (Expenses)			
Interest income	8,980	20,587	(11,607)
System Dev. fees & review fees	<u>47,272</u>	<u>40,685</u>	<u>6,587</u>
Total nonoperating revenues (expenses)	<u>56,252</u>	<u>61,272</u>	<u>(5,020)</u>
Changes in Net Position	117,832	(22,261)	140,093
Net Position – Beg. of year	<u>3,095,991</u>	<u>3,118,253</u>	<u>(22,261)</u>
Net Position – End of year	<u>\$ 3,213,824</u>	<u>\$ 3,095,991</u>	<u>\$ 117,832</u>

2021 Operating Profit

The District's operating profit for the current year is up by \$145,113 from the previous year.

The District implemented increases in water rates in the middle of fiscal year 2020-21. With the Covid impact in the spring of 2020 many commercial buildings closed resulting in a decrease of revenue. In the current year water sales increased by \$22,287. There was a decrease in water costs totaling \$499,392 this year compared to the prior year of \$513,473. Personnel expense of \$298,012 was up compared to \$300,456 in the previous year.

Non-operating revenue and interest income was \$56,252 compared to \$61,272 the previous year.

Financial Condition

The District's financial condition remained consistent with the previous year with adequate liquid assets for ongoing operations at a level necessary to meet demand and a reasonable level of unrestricted net position.

Capital Asset

The District's investment in capital assets as of June 30, 2021, amounts to over \$1.46 million (net of depreciation). This investment in capital assets includes land, reservoirs, pipelines, sample stations, and equipment. The District's net investment in capital assets decreased during the current fiscal year by \$64,340.

Debt

The District has no outstanding debt.

District Governance and Board Resolutions

The Board adopted the following resolutions during the fiscal year:

- Resolution 2021-01 A resolution adopting the budget for fiscal year 2020-2021.
- Resolution 2021-02 A resolution establishing water rates and other service charge for the Lake Grove Water District with an effective date October 1, 2021.

Water Loss

The District's water loss for fiscal 2020-2021 is estimated to be between 8.00 and 9.00 percent. This is consistent with estimates of prior years. Data provided by the SCADA (supervisor control and data acquisition) system that was brought online a few years ago and the inclusion of known water loses in calculation will allow the District to calculate this metric more accurately in future years.

Economic Factors

Overview

The District comprises the area lying between the City of Lake Oswego to the North and East; Cities of Rivergrove and Tualatin and the Rivergrove Water District to the South; and Interstate 5 and the City of Tigard to the West. Most of the structures and land uses in the District are single family residential. Older residential properties are generally on larger wooded lots, while newer homes are usually built on subdivided lots. This trend is resulting in a slow rise in density within the District.

The District has approximately 1,375 customer accounts, about 1,265 of which are residential, and they produce close to 60% of operating revenue. The remaining commercial accounts are less than 10% of the total but generate around 40% of operating revenue. Although commercial accounts use much more water per property, on average and as expected, most of the District's revenue come from the residential customer.

The District renewed another three year lease for the office on August 1, 2020 at 4550 Kruse Way, Suite 360 Lake Oswego, OR 97035.

Economy and Weather

The District does not have the resource to independently make economic or weather forecasts. The District could be characterized as a suburb of Portland with above average per capita income. With most of the

District's water going to residential customers, unless there is a significant economic downturn, water sales continue and are highest in the summer months, particularly July and August. In the future, the weather may have a larger impact on water usage than the economy. It is too soon to tell but the Board, along with other Portland area water providers, is trying to determine if changing weather patterns will have impact on water sales and peaking charges.

There are a few development projects underway, primarily residential. Several will be completed in fiscal year 2021-2022 resulting in new customers for the District. The City of Lake Oswego started the Lower Boones Ferry Road project fiscal year 2019-2020, and the road improvements have caused some commercial redevelopment. The project is expected to be completed in fiscal year 2021-2022.

Requests for Information

The financial report is designed to provide a general overview of Lake Grove Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Officer, Lake Grove Water District, PO Box 1173, Lake Oswego, Oregon 97035.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 1,726,931
Accounts receivable	117,862
Prepaid expenses and deposits	12,866
Inventory	<u>12,348</u>

Total current assets 1,870,007

Noncurrent assets

Land	8,457
Work in progress	300,236
Capital assets, net of depreciation	<u>1,149,524</u>

Total noncurrent assets 1,458,217

Total assets 3,328,224

LIABILITIES

Current liabilities

Accounts payable	98,121
Accrued compensated absences	5,508
Deposits	<u>10,771</u>

Total current liabilities 114,400

NET POSITION

Net invested in capital assets	1,458,217
Restricted for System Development	251,022
Unrestricted	<u>1,504,585</u>

Total net position \$ 3,213,824

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, 2021

OPERATING REVENUES	
Water service	\$ 1,168,723
Other service fees	<u>16,682</u>
Total operating revenues	<u>1,185,405</u>
OPERATING EXPENSES	
Maintenance and repairs	42,042
Water purchases	499,392
Professional services	56,512
General and administrative	330,506
Contract services	128,533
Depreciation	<u>66,840</u>
Total operating expenses	<u>1,123,825</u>
OPERATING INCOME (LOSS)	<u>61,580</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,980
System development and review fees	<u>47,272</u>
Total nonoperating revenues (expenses)	<u>56,252</u>
Changes in net position	117,832
NET POSITION - Beginning of year	<u>3,095,992</u>
NET POSITION - End of year	<u>\$ 3,213,824</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,155,063
Cash paid to suppliers	(862,352)
Cash paid to employees	<u>(160,394)</u>
Net cash provided (used) by operating activities	<u>132,317</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

System development and review fees	47,272
Asset additions	<u>(2,500)</u>
Net cash provided (used) by financing activities	<u>44,772</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned on investments	<u>8,980</u>
Net increase (decrease) by cash and cash equivalents	186,069
Cash and cash equivalents - Beg. of year (restricted \$204,711)	<u>1,540,862</u>
Cash and cash equivalents - End of year (restricted \$251,022)	<u>\$ 1,726,931</u>

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

Operating income (loss)	\$ 61,580
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	66,840
(Increase) decrease in operating assets	
Accounts receivable	(19,888)
Prepays	4,896
Inventory	5,568
Increase (decrease) in operating liabilities	
Accounts payable	17,166
Accrued expenses	(984)
Customer deposits	<u>(2,861)</u>
Net cash provided (used) by operating activities	<u>\$ 132,317</u>

The notes to the financial statements are an integral part of this statement.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

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 THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

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 represent 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.

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 consist 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 THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

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.

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

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	\$ 1,726,931	\$ 1,475,909	\$ 251,022

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

	<u>Balance</u>
Cash on hand	\$ 220
Deposits financial institution	412,069
Investments - external pool	1,314,642
Total cash and investments	\$ 1,726,931

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$412,481. 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	\$ 1,314,642

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 THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

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:

	<u>Balance</u>
Accounts receivable	\$ <u>117,862</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, 2021:

	<u>7/01 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30 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 THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS - Continued

Capital asset activity for the year ended June 30, 2021:

	<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>2,500</u>	<u>0</u>	<u>41,333</u>
Total capital assets being depreciated	<u>3,005,356</u>	<u>2,500</u>	<u>0</u>	<u>3,007,856</u>
Accumulated depreciation				
Land improvements	60,601	7,094	0	67,695
Water system	1,700,019	55,867	0	1,756,886
Equipment	<u>30,872</u>	<u>38,781</u>	<u>0</u>	<u>33,750</u>
Total accum. depreciation	<u>1,791,492</u>	<u>66,839</u>	<u>0</u>	<u>1,858,331</u>
Total depreciable, net	<u>1,213,864</u>	<u>(64,340)</u>	<u>0</u>	<u>1,149,524</u>
Capital assets, net	<u>\$1,522,557</u>	<u>\$ (64,340)</u>	<u>\$ 0</u>	<u>\$1,458,217</u>

Depreciation expense for year end was \$66,840.

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 \$42,622 and future minimum rental payments are as follows:

<u>Year End</u>	<u>Balance</u>
2022	44,639
2023	45,980
2024	<u>15,712</u>
Total	<u>\$ 106,331</u>

NOTE 7 - POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was 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 THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

NOTE 8 - OTHER INFORMATION

Commitments and Contingencies

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". June 2021, the Governor lifted most COVID-19 restrictions and reopened the state for business activities. However, effective August 27, 2021, a new statewide outdoor mask requirement was mandated to help stop the spread of the highly contagious Delta variant. In November of 2021 Oregon Health Authority lifted the outdoor mask requirement. This is an evolving virus.

Management has evaluated subsequent events through December 8, 2021, 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, 2021

GENERAL FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Water service	\$ 1,400,000	\$ 1,168,723	\$ (231,277)
Other service fees	14,000	6,340	(7,660)
Interest	25,000	7,716	(17,284)
Miscellaneous	100	10,342	10,242
Total revenues	1,439,100	1,193,121	(245,979)
EXPENDITURES			
Personnel services	315,000	308,454	6,546
Materials and services	931,750	740,868	190,882
Contingency	100,000	0	100,000
Total expenditures	1,346,750	1,049,322	297,428
Excess (def) of revenues over expenditures	92,350	143,799	51,449
Unappropriated ending fund balance	(1,370,678)	0	1,370,678
FUND BALANCE - Beg. of year (Budget basis)	1,278,328	1,468,285	189,957
FUND BALANCE - End of year (Budget basis)	\$ 0	1,612,084	\$ 1,612,084
GAAP ADJUSTMENTS - Reconciled to June 30, 2020		1,422,996	
Compensated absences		(10,442)	
Inventory		2,504	
Asset additions		2,500	
Depreciation		(66,840)	
FUND BALANCE - End of year (GAAP)		\$ 2,962,802	

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, 2021

SYSTEM DEVELOPMENT FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest income	\$ 14,000	\$ 1,264	\$ (12,736)
SDC revenue	30,000	47,272	17,272
Total revenues	44,000	48,536	4,536
EXPENDITURES			
Materials and services	110,100	2,225	107,875
Contingency	100,000	0	100,000
Total expenditures	210,100	2,225	207,875
Excess (def) of revenues over expenditures	(166,100)	46,311	212,411
Unappropriated ending fund balance	(31,151)	0	31,151
FUND BALANCE - Beg.of year (Budget basis)	197,251	204,711	7,460
FUND BALANCE - End of year (Budget basis)	\$ 0	\$ 251,022	\$ 251,022

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, 2021**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 1,193,121	\$ 1,049,322	\$ 143,799
System Development Fund	48,536	2,225	46,311
	<u>1,241,657</u>	<u>1,051,547</u>	
Total budgetary basis	<u>\$ 1,241,657</u>	<u>\$ 1,051,547</u>	190,110
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Compensated Absences			(10,442)
Inventory			2,504
Capital asset activity			
Asset additions			2,500
Depreciation			<u>(66,840)</u>
Change in net position			117,832
NET POSITION - Beginning of year			<u>3,095,992</u>
NET POSITION - End of year			<u>\$ 3,213,824</u>

LAKE GROVE WATER DISTRICT
Lake Oswego, Oregon

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

**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, 2021, and the related notes to the financial statements, and have issued my report thereon dated December 8, 2021. 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 financial statements. 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:

Internal Control Over Financial Reporting

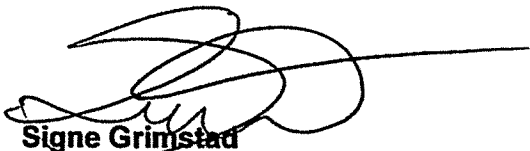
In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, 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, 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
December 8, 2021