



Rockwood Water
People's Utility District

19601 NE Halsey Street
Portland, OR 97230-7430
503-665-4179 - Phone
503-667-5108 - Fax
www.rwpud.org

MEMORANDUM

To: Board of Directors

From: Kari Duncan, General Manager

Date: December 15, 2021

Re: Outside Audit Report and Management Response

The 2020/2021 **final** annual audit report which includes the **final** Communication to the Governing Body and **final** Management Response is enclosed. The Board will receive a report from the Auditors at the Board meeting.

Thank you for your patience with the delayed report.

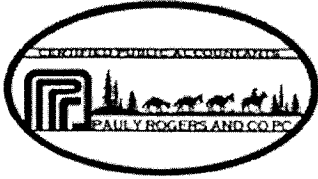
ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

COMMUNICATION TO THE GOVERNING BODY

FOR THE YEAR ENDED JUNE 30, 2021



12700 SW 72nd Ave.
Tigard, OR 97223



PAULY, ROGERS AND Co., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
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November 16, 2021

To the Board of Directors
Rockwood Water People's Utility District
Multnomah County, Oregon

We have audited the basic financial statements of the governmental activities and major fund of Rockwood Water People's Utility District (PUD) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the basic financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the basic financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the PUD and its environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the PUD or to acts by management or employees acting on behalf of the PUD. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter - an unmodified opinion on the basic financial statements has been issued. This means we have given a “clean” opinion with no reservations.
2. State minimum standards – We found no exceptions or issues requiring comment.
3. Management letter – No separate management letter was issued.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 2 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year that ended June 30, 2021. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements were Management’s estimate of receivables, pension and OPEB assets, liabilities, and deferrals for PERS and RHIA, capital asset depreciation, and value of investments, which are based on estimated collectability of receivables, actuarial assumptions, useful lives of assets, and active market values or significant observable inputs, respectively. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the basic financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, taken as a whole. There were immaterial uncorrected misstatements noted during the audit which were discussed with management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

Pauly, Rogers and Co., P.C.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the basic financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to our retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

We applied certain limited procedures to the required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on it.

Supplementary Information

We were engaged to report on the supplementary information, as listed in the table of contents, which accompany the basic financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Other Information

We were not engaged to report on the listing of Board members, located before the Table of Contents, which accompanies the basic financial statements but is not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matters – Future Accounting and Auditing Issues

In order to keep you aware of new auditing standards issued by the American Institute of Certified Public Accounts and accounting statements issued by the Governmental Accounting Standards Board (GASB), we have prepared the following summary of the more significant upcoming issues:

GASB 87 – LEASES

This Statement is effective for fiscal years beginning after June 15, 2021, as extended by GASB 95. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 89 – ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD

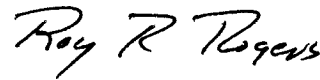
This Statement is effective for fiscal years beginning after December 15, 2020, as extended by GASB 95. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 2009 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Best Practices – Not Significant Deficiencies

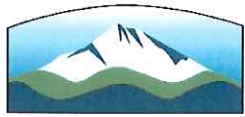
1. Segregation of Duties

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. We noted that the Senior Accountant and Office Supervisor have the ability to input information into the accounting system and have access to the check stock, check printer, and signature stamp. This could allow for the issuance of an unauthorized check which may not be detected within a reasonable time period. We recommend that the Board continually monitor the financial activities to mitigate this risk and consider obtaining additional fidelity (employee honesty) insurance coverage to compensate for this risk.

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



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.



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People's Utility District

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November 16, 2021

Pauly, Rogers and Co., P.C.
12700 S.W. 72nd Avenue
Tigard, Oregon 97223

This representation letter is provided in connection with your audit of the financial statements of Rockwood Water People's Utility District (District), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Governing Body or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including any side agreements.


Government—specific


- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes, GASB 34 conversions, and provided adjusting journal entries. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, GASB 34 conversions, and provided adjusting journal entries.
- 28) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 32) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Special and extraordinary items are appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 43) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to GASB Statement No. 68:
 - a) We have reviewed and have found reasonable all of the formulaic assumptions used by the Plan Auditor to derive the net pension asset/liability attributed to the entity.
 - b) We have made available any schedules or reports furnished to us related to the Oregon Public Employees Retirement System.
 - c) We have reconciled our payroll-related PERS charges with the data the Public Employees Retirement System received.
 - d) We have reviewed and agree to the consistency of the data used and calculated between all GASB 68 exhibits (A-H) of the Plan Auditor.

- e) We agree to the methodology for allocating pension expense between functions, and if applicable, between government and business-type funds.
- 47) With respect to the supplementary information on which an opinion is issued:
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 48) With respect to Oregon Minimum Standards:
- a) There are no instances of non-compliance with ORS Chapter 279 (public contracts and purchasing).
 - b) The School insurance and fidelity bond coverage is adequate.
- 49) We understand that we may incur additional audit fees if any changes are made to the financial statements after audit procedures have been performed on those account balances, revenue or expenditure totals.

Signature: 
Title: General Manager

Signature: 
Title: Senior Accountant

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021



12700 SW 72nd Ave.
Tigard, OR 97223

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

2020-2021

FINANCIAL REPORT

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ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

BOARD OF DIRECTORS

TERM EXPIRES

Tom Lewis, President	December 31, 2024
Kathy Zimmerman, Vice President	December 31, 2024
Colby Riley, Secretary	December 31, 2022
Larry Dixon, Treasurer	December 31, 2022
Steve Okazaki, Director	December 31, 2024

All board members will receive mail at the address below

REGISTERED AGENT

Brian Stahl
19601 NE Halsey
Portland, Oregon 97230

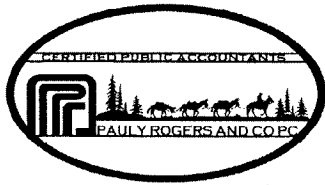
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**ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON**

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November 16, 2021

To the Board of Directors
Rockwood Water People's Utility District
Multnomah County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Rockwood Water People's Utility District (the PUD), which are comprised of the Statements of Net Positions, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows, as of and for the years ended June 30, 2021 and 2020, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of Rockwood Water People's Utility District, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows, thereof for the years 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 required supplementary information, as 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 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, economical, 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 schedules of net pension liability, net OPEB asset, or employer contributions for PERS or RHIA or the management discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of Board of Directors containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 16, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.


ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rockwood Water People's Utility District, (PUD), we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2021.

Financial Highlights

- Our assets exceeded our liabilities at the close of the fiscal year by \$49,212,349. Of this amount, \$24,810,335 (unrestricted net assets) may be used to meet our ongoing obligations of providing retail water service.
- Restricted assets used to finance future system additions to meet future development were \$1,084,495.
- Capital assets were \$45,130,682.
- Total liabilities had a large increase from the prior year due to the Net Pension Liability- PERS and Current Portion of Long-Term debt increases. The PUD's long-term liability is \$20,913,287 for the revenue bond.
- Total Net Position increased by \$3,336,323 primarily due to an increase in capital assets, as the district invests heavily its groundwater development program.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PUD's basic financial statements. These statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows along with the Notes to Basic Financial Statements. Complimenting these statements and notes is other Supplementary Information, which provides additional details about the PUD's operation.

The Statement of Net Position presents information on all of the PUD's assets, liabilities, and net position. Over time, changes in assets, liabilities, and net position may serve as a useful indicator of whether the PUD's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information related to increases and decreases in net total position. These statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

The Statement of Cash Flows is an analysis of the change in the PUD's cash balance during the fiscal year. It is divided into two components: cash provided from restricted and unrestricted funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis

The financial operations of the PUD are primarily related to the supply and distribution of water in and around the cities of Gresham, Portland and Fairview.

Revenues from the sale of water increased \$1,556,669 from last fiscal year. Other operating revenues increased \$406,485 from the prior year due to increased revenue from other government agencies as the District has partnered with Gresham in expanding the shared ground water system.

Operating expenses increased \$1,193,999 year to year, primarily due to construction expenditures relating to the groundwater development program.

Nonoperating revenue increased \$494,167 and expenses increased \$114,757, for a net nonoperating income increase of \$379,410. The increase is primarily due to \$611,745 of grant income in the current fiscal year, when there was none in the prior year.

In accordance with the multi-year financial plan and rate model we plan to adjust rates in 2022.

Below is summarized information from the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for fiscal years 19, 20 and 21 ending on June 30.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	June 30,		Change
	2021	2020	
Current Assets	\$ 29,543,304	\$ 11,432,792	\$ 18,110,512
Capital Assets	45,130,682	42,144,421	2,986,261
Total Assets	74,673,986	53,577,213	21,096,773
Deferred Outflows of Resources	1,280,749	970,530	310,219
Current Liabilities	2,088,168	1,516,418	571,750
Net Pension Liability - PERS	3,612,174	2,742,196	869,978
Long Term Debt	20,913,287	4,180,399	16,732,888
Total Liabilities	26,613,629	8,439,013	18,174,616
Deferred Inflows of Resources	128,757	256,330	(127,573)
Net Position:			
Net investment in capital assets	23,300,380	37,670,804	(14,370,424)
Restricted for System Development Project:	1,084,495	854,008	230,487
OPEB Related Deferrals - RHIA	17,139	-	17,139
Unrestricted	24,810,335	7,327,589	17,482,746
Total Net Position	<u>\$ 49,212,349</u>	<u>\$ 45,852,401</u>	<u>\$ 3,359,948</u>

Financial Analysis (Continued)

Revenues, Expenses and Changes in Net Position:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 12,350,075	\$ 10,386,891	\$ 9,514,737
Operating expenses:			
Depreciation and amortization	1,521,385	1,187,273	1,162,134
Other	8,425,618	7,565,731	6,893,476
Total Expenses	<u>9,947,003</u>	<u>8,753,004</u>	<u>8,055,610</u>
Operating income	2,403,072	1,633,887	1,459,127
Nonoperating income/expense	413,876	34,466	56,880
Capital contributions	519,375	355,303	123,944
Increase in net position	<u>\$ 3,336,323</u>	<u>\$ 2,023,656</u>	<u>\$ 1,639,951</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Analysis

The capital assets increased by \$2,986,261 during the year due to significant capital outlay projects. Long-term debt increased by \$17,356,684 due to the payoff of the Water Revenue Obligation Series 2011 bond principal and premium totaling \$4,473,618 and the issuance of a new 2021 Bond totaling \$21,830,302.

Economic Factors

The communities we serve continue to see some customer growth primarily in the form of infill and multi-family housing, and the general economy of our service area seems stable. We expect some growth, and the system capacity developed by the groundwater development program will meet near term demands and replace wholesale water purchase needs.

REQUEST FOR INFORMATION

The District's financial statements are designed to present users with a general overview of the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to General Manager at 19601 NE Halsey Street, Portland, Oregon 97230.



Kari Duncan
General Manager

BASIC FINANCIAL STATEMENTS

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ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

STATEMENTS OF NET POSITION

As of June 30, 2021 and 2020

ASSETS

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,212,856	\$ 8,627,613
Restricted cash and cash equivalents	1,084,495	854,008
Receivables:		
Water service	1,890,601	1,639,486
Other	44,376	33,355
Allowance for doubtful accounts	(30,000)	(30,000)
OPEB RHIA Asset	17,139	-
Prepaid Insurance	38,920	36,213
Inventory	284,917	272,117
	<u>29,543,304</u>	<u>11,432,792</u>
TOTAL CURRENT ASSETS		
	<u>29,543,304</u>	<u>11,432,792</u>
CAPITAL ASSETS		
Not being depreciated	9,494,892	5,970,875
Being depreciated, net of accumulated depreciation	35,635,790	36,173,546
	<u>45,130,682</u>	<u>42,144,421</u>
TOTAL CAPITAL ASSETS		
	<u>45,130,682</u>	<u>42,144,421</u>
TOTAL ASSETS	<u>74,673,986</u>	<u>53,577,213</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferrals - PERS	1,271,403	970,530
OPEB Related Deferrals - RHIA	9,346	-
	<u>1,280,749</u>	<u>970,530</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>75,954,735</u>	<u>54,547,743</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	857,904	874,264
Customer deposits	60,357	48,131
Accrued payroll liabilities	24,307	23,744
Interest payable		68,888
Net Pension Liability - PERS	3,612,174	2,742,196
Accrued compensated absences	228,585	208,173
Current liabilities payable from restricted assets:		
Current portion of long-term debt	917,015	293,218
	<u>5,700,342</u>	<u>4,258,614</u>
TOTAL CURRENT LIABILITIES		
	<u>5,700,342</u>	<u>4,258,614</u>
LONG-TERM DEBT, net of current portion	<u>20,913,287</u>	<u>4,180,398</u>
TOTAL LIABILITIES	<u>26,613,629</u>	<u>8,439,012</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferrals - PERS	125,639	256,330
OPEB Related Deferrals - RHIA	3,118	-
	<u>128,757</u>	<u>256,330</u>
TOTAL LIABILITIES AND PENSION RELATED DEFERRALS	<u>26,742,386</u>	<u>8,695,342</u>

NET POSITION

NET POSITION:		
Net investment in capital assets	23,300,380	37,670,804
Restricted for System Development Projects	1,084,495	854,008
OPEB RHIA Asset	17,139	-
Unrestricted	24,810,335	7,327,589
	<u>49,212,349</u>	<u>45,852,401</u>
TOTAL NET POSITION	<u>\$ 49,212,349</u>	<u>\$ 45,852,401</u>

See accompanying notes to basic financial statements

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
Multnomah County, Oregon

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020

	Years Ended June 30,	
	2021	2020
OPERATING REVENUES:		
Water sales	\$ 10,422,569	\$ 8,865,870
Ground water charges	165,602	180,000
Service installations	283,038	343,614
Subdivision project income	10,927	61,394
Other service income	144,755	133,948
Service charges	240,458	257,897
Backflow charges	36,985	33,939
Set up fees	25,870	23,378
Miscellaneous income	1,019,871	486,851
	12,350,075	10,386,891
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Personal services	3,078,831	3,238,418
Materials and services	5,346,787	4,327,313
Depreciation	1,521,385	1,187,273
	9,947,003	8,753,004
TOTAL OPERATING EXPENSES		
OPERATING INCOME	2,403,072	1,633,887
NONOPERATING INCOME (EXPENSE):		
Interest income	70,745	207,523
Interest expense	(109,112)	(185,007)
Bond Issuance Costs	(190,652)	-
Grant income	611,745	-
Gain (Loss) on Disposal of Capital Assets	31,150	11,950
	413,876	34,466
TOTAL NONOPERATING INCOME (EXPENSE)		
CAPITAL CONTRIBUTIONS:		
System development charges	519,375	355,303
	519,375	355,303
CHANGE IN FUND NET POSITION	3,336,323	2,023,656
NET POSITION, beginning of year (Restated for GASB 75)	45,876,026	43,828,745
NET POSITION, end of year	\$ 49,212,349	\$ 45,852,401

See accompanying notes to basic financial statements

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 11,077,587	\$ 9,831,825
Paid to suppliers for goods and supplies	(5,375,947)	(3,962,409)
Paid to employees	(2,619,184)	(2,933,088)
Miscellaneous income	1,019,871	486,851
NET CASH FROM OPERATING ACTIVITIES	4,102,327	3,423,179
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions - system development charges	519,375	355,303
Interest paid	(178,000)	(188,925)
Bond payments	(4,375,000)	(280,000)
Bond premium	3,141,686	(8,219)
Bond proceeds	18,590,000	-
Grant income	611,745	-
Bond issuance cost	(190,652)	-
Sale of capital assets	31,150	11,950
Purchase of capital assets (Net)	(4,507,646)	(4,187,215)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	13,642,658	(4,297,106)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	70,745	207,521
NET CASH FROM INVESTING ACTIVITIES	70,745	207,521
NET INCREASE (DECREASE) IN CASH	17,815,730	(666,406)
CASH AND CASH EQUIVALENTS, beginning of year	9,481,621	10,148,027
CASH AND CASH EQUIVALENTS, end of year	\$ 27,297,351	\$ 9,481,621
CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:		
Current	\$ 26,212,856	\$ 8,627,613
Restricted	1,084,495	854,008
TOTAL CASH AND CASH EQUIVALENTS	\$ 27,297,351	\$ 9,481,621
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income	\$ 2,403,072	\$ 1,633,887
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	1,521,385	1,187,273
Changes in assets and liabilities:		
Proportionate Share of Net Pension Liability, Deferred Inflows and Outflows	438,414	262,850
OPEB Related RHIA Asset, Deferred Inflows and Outflows	258	-
Accounts receivable, net	(262,136)	(65,892)
Inventory	(12,800)	(23,185)
Accounts payable	(16,360)	388,089
Customer deposits	12,226	1,903
Accrued payroll liabilities	563	4,096
Prepays	(2,707)	(4,226)
Accrued compensated absences	20,412	38,384
NET CASH FROM OPERATING ACTIVITIES	\$ 4,102,327	\$ 3,423,179

See accompanying notes to basic financial statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

1. REPORTING ENTITY

Rockwood Water People's Utility District (the PUD), established in June 1990, is a municipal corporation governed by an elected board. The PUD was organized under provisions of Oregon Revised Statutes Chapter 261 for the purpose of providing water service to residents and other users located in East Multnomah County, with approximate boundaries being Sandy Boulevard on the North, Division Street on the South, 133rd Avenue on the West and 242nd Avenue on the East.

The PUD is the primary, special purpose government responsible for providing water service within its boundaries. As a result, all significant activities have been included in these financial statements. The basic financial statements represent those of a stand-alone government, as there are no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, operations are accounted on a flow of economic resources measurement focus. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (income) and decreases (expenses) in the net position.

The accrual basis of accounting is utilized for financial reporting. Under the accrual basis of accounting, income is recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating and Non-operating Revenues and Expenses

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily relating to water sales, service charges and system development charges.

Operating expenses include the cost of personnel, materials and services. All revenues and expenses not meeting these definitions are reported as non-operating income and expenses. Non-exchange transactions, in which the PUD receives value without giving equal value in exchange, include contributions from individuals or organizations.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition.

Restricted Assets

Assets with restricted use are segregated on the Statement of Net Position. Increases in restricted assets result from: transfers of unrestricted funds, earnings on restricted assets and certain system development charges. These assets are restricted for system development charges and debt service. When expenses occur that would apply to either restricted or unrestricted resources, it is the PUD's policy to first utilize the restricted resources.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Water service receivables are for residential, commercial and industrial sales. Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the customer base. Credit losses have been within management's expectations. Billings to customers are prepared on a cycle basis due to the large volume of customers serviced. Unbilled revenue relating to the cycle billing is based on a ratio of weeks metered to sales recorded subsequent to year end. Management has elected to write off all unpaid balances sent to collections.

Receivables are shown net of an allowance for doubtful accounts. The allowance is judgmentally determined by management based on a collectability analysis.

Inventory

Inventory of materials is valued at the lower of average cost or market and is charged to operations as used.

Capital Assets

Capital assets are stated at cost, which includes material, labor, indirect costs, overhead, and contracted services. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Contributed capital assets are recorded at their fair value at date of transfer. Maintenance, repairs and routine replacements are expensed as incurred. Replacements which improve or extend the lives of the assets are capitalized. Upon the sale or disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Years</u>
Water systems	50
Buildings	40
Building improvements	10-15
Office, shop and meter equipment	5-10
Automotive equipment	6

Paid Time Off

Paid time off (PTO) was adopted in May 2008 and put into effect July 1, 2008 combining vacation and sick pay. PTO is vested as earned. Employees earn annual leave based on length of service to the PUD.

Retirement Plans

Substantially all of the PUD's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Budget

Under ORS 294.316, people's utility districts organized under ORS Chapter 261, which have no ad valorem tax support, are not required to separately prepare and adopt a budget. However, a budget has been prepared and adopted for operational accountability and control purposes on a fund accounting basis.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until that time. At June 30, 2021 and 2020, there were deferred outflows representing PERS pension and OPEB RHIA related deferrals reported in the Statements of Net Position.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2021 and 2020, there were deferred inflows representing PERS pension and OPEB RHIA related deferrals reported in the Statements of Net Position.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access.

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS

A common cash and investment pool is maintained for all funds. The cash and cash equivalents are as follows:

	2021	2020
Cash on hand	\$ 700	\$ 700
Demand deposits	793,081	736,977
Local Government Investment Pool	26,503,570	8,743,944
Total Cash	\$ 27,297,351	\$ 9,481,621
 <u>Financial Statement Presentation</u>		
Unrestricted	\$ 26,212,856	\$ 8,627,613
Restricted	1,084,495	854,008
Total Cash	\$ 27,297,351	\$ 9,481,621

Deposits with Financial Institutions

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. As of June 30, 2021, \$250,000 of the total bank balance of \$737,237 was insured by FDIC. The remainder is covered by the collateral held in a multiple financial institution collateral pool administered by the State of Oregon Treasurer.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a counterparty, the PUD will not be able to recover the value of its deposits that are in the possession of an outside party. At June 30, 2021, there was no exposure to custodial credit risk.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS (CONTINUED)

Investments

The types of investments that may be invested in are restricted by State of Oregon Revised Statutes. Authorized investments include general obligations of the United States government and its agencies, obligations of the States of Oregon, California, Idaho and Washington, that have a rating of AA or better, A-1 rated commercial paper and banker's acceptances, AA rated corporate bonds, time deposits, repurchase agreements and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
Local Government Investment Pool (LGIP)	\$ 26,503,570	\$ 26,503,570	\$ -	\$ -
Total	\$ 26,503,570	\$ 26,503,570	\$ -	\$ -

Interest Rate Risk - Investments

Oregon Revised Statues require investments not to exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. Cash not expected to be used within thirty days is invested in the Local Government Investment Pool which manages investment rate risk. There are no investments that have a maturity date beyond 3 months.

Credit Risk- Investments

The State of Oregon Treasurer's LGIP is not rated.

4. ACCOUNTS RECEIVABLE – WATER SERVICE

The water service receivables of \$1,890,601 and \$1,639,486 at June 30, 2021 and 2020 respectively, include estimates of approximately \$850,601 and \$790,000, respectively, of water sales that have been earned but not yet billed as of those dates. Of these amounts, none are considered over 90 days past due for the year ended June 30, 2021. Allowance for doubtful accounts at June 30, 2021 and 2020 were \$30,000 and \$30,000 respectively.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021 are summarized below:

	Balance July 1, 2020	Adjustments	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:					
Land and improvements	\$ 3,348,877	\$ (11,362)	\$ -	\$ -	\$ 3,337,515
Construction in progress	2,621,998	(235,487)	3,770,866		6,157,377
Total capital assets not being depreciated	5,970,875	(246,849)	3,770,866	-	9,494,892
Capital assets being depreciated:					
Buildings/improvements	2,187,905	-	-	-	2,187,905
Water system	56,484,836	235,487	389,927	-	57,110,250
Automotive equipment	1,509,106	-	237,177	(103,614)	1,642,669
Shop equipment	194,483	-	2,499	-	196,982
Office equipment	585,515	1	73,729	-	659,245
Meter equipment	168,635	-	44,805	-	213,440
Total capital assets being depreciated	61,130,480	235,488	748,137	(103,614)	62,010,491
Accumulated Depreciation:					
Buildings/improvements	(1,260,250)	1	(34,341)	-	(1,294,590)
Water system	(21,932,045)	1	(1,382,361)	-	(23,314,405)
Automotive equipment	(1,117,958)	1	(58,421)	103,614	(1,072,764)
Shop equipment	(181,942)	1	(3,878)	-	(185,819)
Office equipment	(402,849)	-	(35,153)	-	(438,002)
Meter equipment	(61,890)	-	(7,231)	-	(69,121)
Total accumulated depreciation	(24,956,934)	4	(1,521,385)	103,614	(26,374,701)
Total capital assets being depreciated, net	36,173,546				35,635,790
Total capital assets, net	\$ 42,144,421				\$ 45,130,682

Vehicles with a book value of \$0 were sold during the year for \$31,150 resulting in a gain of \$31,150 which is recognized in the Statement of Revenues, Expenses, and Changes in Net Position.

Assets in CIP totaling \$235,487 were placed in service during the FY2020-21 and were capitalized as Water System assets.

An adjustment was made to Land and improvements in order to agree the balance to the capital asset register at June 30, 2021.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the year ended June 30, 2020 are summarized below:

	Balance July 1, 2019	Adjustments	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:					
Land and improvements	\$ 3,360,239	\$ -	\$ -	\$ (11,362)	\$ 3,348,877
Construction in progress	219,828	(1,232,505)	3,634,675		2,621,998
Total capital assets not being depreciated	<u>3,580,067</u>	<u>(1,232,505)</u>	<u>3,634,675</u>	<u>(11,362)</u>	<u>5,970,875</u>
Capital assets being depreciated:					
Buildings/improvements	2,187,905	-	-	-	2,187,905
Water system	54,997,155	1,232,505	255,176	-	56,484,836
Automotive equipment	1,365,753	-	224,108	(80,755)	1,509,106
Shop equipment	189,069	-	5,414	-	194,483
Office equipment	564,555	-	20,960	-	585,515
Meter equipment	110,391	-	58,244	-	168,635
Total capital assets being depreciated	59,414,828	1,232,505	563,902	(80,755)	61,130,480
Accumulated Depreciation:					
Buildings/improvements	(1,225,225)	-	(35,025)	-	(1,260,250)
Water system	(20,853,965)	-	(1,078,080)	-	(21,932,045)
Automotive equipment	(1,161,460)	-	(37,253)	80,755	(1,117,958)
Shop equipment	(179,335)	-	(2,607)	-	(181,942)
Office equipment	(371,889)	-	(30,960)	-	(402,849)
Meter equipment	(58,542)	-	(3,348)	-	(61,890)
Total accumulated depreciation	<u>(23,850,416)</u>	<u>-</u>	<u>(1,187,273)</u>	<u>80,755</u>	<u>(24,956,934)</u>
Total capital assets being depreciated, net	<u>35,564,412</u>				<u>36,173,546</u>
Total capital assets, net	<u>\$ 39,144,479</u>				<u>\$ 42,144,421</u>

Vehicles with a book value of \$0 was sold during the year for \$11,950 resulting in a gain of \$11,950 which is recognized in the Statement of Revenues, Expenses, and Changes in Net Position.

A parcel of District's land was sold to City of Gresham during FY2020. The District sold the parcel of land at the original cost, and did not experience any gain or loss.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS

Water Revenue Obligations, Series 2011 was originally issued in the amount of \$6,375,000 at a rate of 2.00%-4.25%, and with a premium of \$164,370. The Series 2011 bonds were due to mature in full by 2032 but will instead be paid off in August of 2021. This debt will be paid off with Water Revenue and Refunding Bonds, Series 2021 that were issued in June of 2021. The cash proceeds and long term obligations for the 2021 bonds were recorded in the 2020-21 year, however, since the proceeds used to refund the 2011 series in August 2021 were transferred directly to an escrow account and not recorded by the District, the remaining obligations and premium amount for the 2011 bonds have been removed from the financial statements as of June 30, 2021 as well.

Changes in long-term debt for the year ended June 30, 2021 was as follows:

	Balance <u>7/1/2020</u>	Issued	Matured and Redeemed	Balance <u>6/30/2021</u>	Due Within One Year
Bonds Payable					
Revenue Bonds	\$ 4,375,000	\$ 18,590,000	\$ 4,375,000	\$ 18,590,000	\$ 755,000
Total Bonds	4,375,000	18,590,000	4,375,000	18,590,000	755,000
Premium Related to Bond					
Bond Premium	98,618	3,240,302	98,618	3,240,302	162,015
Total	<u>\$ 4,473,618</u>	<u>\$ 21,830,302</u>	<u>\$ 4,473,618</u>	<u>\$ 21,830,302</u>	<u>\$ 917,015</u>

Amounts due on the long term obligations are as follows:

Year Ending <u>June 30,</u>	Revenue Bonds	Bond Interest (2.00 – 4.25%)
2022	755,000	659,636
2023	790,000	646,350
2024	825,000	614,750
2025	855,000	581,750
2026	885,000	547,550
2027-2041	14,480,000	3,818,250
Total	<u>\$ 18,590,000</u>	<u>\$ 6,868,286</u>

The Water Revenue Obligation Series 2011 Agreement requires the net revenues in each fiscal year to equal 1.25 times the annual debt service due in that fiscal year on outstanding obligations. For the years ended June 30, 2021, 2020, and 2019, the PUD was in compliance with this requirement.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS (CONTINUED)

The calculation for the years ended June 30, 2021 through 2019, were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Principal Payments \$	285,000	\$ 280,000	\$ 265,000
Interest Payments	<u>178,000</u>	<u>188,925</u>	<u>198,125</u>
Total Payments	463,000	468,925	463,125
Rate	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
Requirement	<u>\$ 578,750</u>	<u>\$ 586,156</u>	<u>\$ 578,906</u>
Net Revenues	<u>\$ 3,526,535</u>	<u>\$ 3,028,683</u>	<u>\$ 2,873,284</u>

For purposes of the calculation above, net revenues are defined as follows: operating revenues, plus interest income, minus operating expenses (excluding depreciation).

7. ACCRUED COMPENSATED ABSENCES

Accrued Compensated Absences amount to \$228,585 and \$208,173 at June 30, 2021 and 2020, respectively.

8. CUSTOMER DEPOSITS

Customer Deposits amount to \$60,357 and \$48,131 at June 30, 2021 and 2020, respectively. Customer Deposits are required of a user or former user if water service was terminated for violation of PUD policy or after the PUD has issued three termination notices in any twelve month period. These deposits normally are refunded after customers close their account. Customers who have established an excellent payment history of no late notices during a twelve month period receive a credit applied to their account.

9. OTHER INFORMATION

Major Customer

Sales to one customer accounted for approximately 11.27% and 11.27% of operating revenue for the years ended June 30, 2021 and 2020, respectively.

Major Supplier

In 2006 a contract was entered into with the City of Portland for the purchase of water through the year 2026. For the years ended June 30, 2021 and 2020, the cost of water purchased under this contract with the City of Portland was \$3,113,709 and \$3,167,838, respectively.

Commitments

At June 30, 2021, there were no material construction contract commitments.

Risk Management

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
 - iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation, which became effective July 1, 2019. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Effective January 1, 2020, Senate Bill 1049 requires employees to pay contributions on re-employed PERS retirees' salaries as if they were an active member, excluding IAP (6%) contributions. Employer contributions for the year ended June 30, 2021 were \$353,053, excluding amounts to fund employer specific liabilities. In addition, approximately \$117,936 in employee contributions were paid or picked up by the District in 2020-2021.

Pension Asset or Liability – At June 30, 2021, the District reported a net pension liability of \$3,612,174 at June 30, 2021 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2020 and 2019, the District's proportion was .016 percent and .017 percent, respectively. Pension expense for the year ended June 30, 2021 was \$438,414.

The rates in effect for the year ended June 30, 2021 were:

- (1) Tier 1/Tier 2 – 22.65%
- (2) OPSRP general services – 16.76%

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 158,979	\$ -
Changes in assumptions	193,854	6,792
Net difference between projected and actual earnings on pension plan investments	424,745	-
Net changes in proportionate share	135,972	79,292
Differences between District contributions and proportionate share of contributions	4,800	39,555
Subtotal - Amortized Deferrals (below)	<u>918,350</u>	<u>125,639</u>
District contributions subsequent to measurement date	353,053	-
Deferred outflow (inflow) of resources	<u>\$ 1,271,403</u>	<u>\$ 125,639</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Subtotal amounts related to pension as deferred outflows of resources, \$918,350, and deferred inflows of resources, (\$125,639), net to \$792,711 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 175,452
2023	243,951
2024	208,505
2025	157,731
2026	7,072
Thereafter	-
Total	<u>\$ 792,711</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 12, 2021. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2019 through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Investments	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

(Source: June 30, 2020 PERS CAFR; p. 102)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2020 PERS CAFR; p. 74)

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability as of the measurement dates of June 30, 2020 and 2019 was 7.20 percent for both years, was 7.20 for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 5,363,780	\$ 3,612,174	\$ 2,143,371

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the District pay six (6) percent of their covered payroll. Effective July 1, 2020, currently employed Tier 1/Tier 2 and OPSERP members earning \$2,500 or more per month will have a portion of their 6 percent monthly IAP contributions redirected to an Employee Pension Stability Account. The Employee Pension Stability Account will be used to pay part of the member's future benefit. Of the 6 percent monthly IAP contribution, Tier 1/Tier 2 will have 2.5 percent redirected to the Employee Pension Stability Account and OPSERP will have 0.75 percent redirected to the Employee Pension Stability Account, with the remaining going to the member's existing IAP account. Members may voluntarily choose to make additional after-tax contributions into their IAP account to make a full 6 percent contribution to the IAP. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2021.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

11. OTHER POST EMPLOYMENT BENEFIT PLANS - RHIA

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2021. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFIT PLANS – RHIA (CONTINUED)

At June 30, 2021, the District reported a net OPEB asset of \$17,139 for its proportionate share of the net OPEB asset. The OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB asset is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement dates of June 30, 2020 and 2019, the District's proportion was .007 percent and .008 percent, respectively. OPEB expense for the year ended June 30, 2021 was \$258.

Components of OPEB Expense/(Income)

Employer's Proportionate share of collective system OPEB Expense/(Income)	\$	(2,757)
Net amortization of employer-specific deferred amounts from:		
- Changes in proportionate share (per paragraph 64 of GASB 75)		3,550
- Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)		-
Employer's total OPEB Expense/(Income)	<u>\$</u>	<u>793</u>

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ -	\$ 1,752
Changes of assumptions	-	911
Net difference between project and actual earning on investment	1,906	-
Changes in proportionate share	7,440	455
Differences between employer contributions and employer's proportionate share of system contributions	-	-
Subtotal - Amortized Deferrals (below)	<u>\$ 9,346</u>	<u>\$ 3,118</u>
Contributions subsequent to measurement date	<u>-</u>	<u>-</u>
Deferred outflow (inflow) of resources	<u>\$ 9,346</u>	<u>\$ 3,118</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the fiscal year ended June 30, 2022.

Subtotal amounts related to OPEB as deferred outflows of resources, \$9,346, and deferred inflows of resources, (\$3,118), net to \$6,228 and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ 1,792
2023	3,130
2024	705
2025	601
2026	-
Thereafter	-
Total	<u>\$ 6,228</u>

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFIT PLANS – RHIA (CONTINUED)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2020. That independently audited report was dated March 12, 2021 and can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2020/GASB_75_FYE_6.30.2020.pdf

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

Discount Rate:

The discount rate used to measure the total OPEB liability as of the measurement dates of June 30, 2020 and 2019 was 7.20 and 7.20 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFIT PLANS – RHIA (CONTINUED)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	38.00%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

(Source: June 30, 2020 PERS CAFR; p. 74)

Sensitivity of the District's proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the District's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate.

**ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS**

11. OTHER POST EMPLOYMENT BENEFIT PLANS – RHIA (CONTINUED)

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20)
School's proportionate share of the net OPEB liability (asset)	\$ (13,837)	\$ (17,139)	\$ (19,963)

Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

12. RENTAL REVENUE

Property at 19601 Northeast Halsey, Portland, Oregon is leased to New Cingular Wireless PCS, LLC for \$4,140 a month ending in March 2022. Two other residential properties located at 335 NE141st Ave and 718 NE 202nd Ave in Portland are leased month-to-month. Total rental revenue received from all properties totaled \$74,921, for the year ended June 30, 2021.

Future minimum rent receipts are scheduled as follows:

Future minimum lease receipts:	
2021-22	\$ 33,120
Future minimum lease receipts	\$ 33,120

13. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 2,583,000	\$ 498,328
System Development	300,000	-
Debt Reserve	463,000	463,000
Debt Service	-	463,000
Ground Water Production	198,328	180,000
Ground Water Construction	-	1,940,000
Total Funds	\$ 3,544,328	\$ 3,544,328

Operating transfers between funds were made to fund the various programs and activities.

14. COMMITMENT AND CONTINGENCIES

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. The ultimate impact on the District's finances is not determinable at this time.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

15. RESTATEMENT OF NET POSITION

Due to the current actuarial valuation of the District's OPEB – RHIA for GASB Statement No. 75, a restatement of the prior year net position was required to correctly record the RHIA asset at the prior measurement date.

Net Position - Beginning as previously reported	\$ 45,852,401
Change in June 30, 2020 OPEB RHIA asset	<u>23,625</u>
Net Position - Beginning as restated	<u><u>\$ 45,876,026</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

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ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.017 %	\$ 3,612,174	\$ 1,980,503	182.4 %	75.8 %
2020	0.016	2,742,196	1,817,367	150.9	80.2
2019	0.017	2,533,708	1,701,145	148.9	82.1
2018	0.016	2,090,480	1,599,587	130.7	83.1
2017	0.015	2,319,842	1,404,322	165.2	80.5
2016	0.020	1,132,051	1,159,286	97.7	91.9
2015	0.022	(500,608)	1,192,186	(42.0)	103.6
2014	0.022	1,127,038	1,312,797	85.9	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ 353,053	\$ 353,053	\$ -	\$ 2,047,309	17.2 %
2020	358,830	358,830	-	1,980,503	18.1
2019	265,091	265,091	-	1,817,367	14.6
2018	234,636	234,636	-	1,701,145	13.8
2017	186,333	186,333	-	1,599,587	11.6
2016	164,102	164,102	-	1,404,322	11.7
2015	118,407	118,407	-	1,159,286	10.2
2014	124,062	124,062	-	1,192,186	10.4

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET FOR RHIA

Year Ended June 30,	(a) Employer's proportion of the net OPEB asset (NOA)	(b) Employer's proportionate share of the net OPEB asset (NOA)	(c) Employer's covered payroll	(b/c) NOA as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB asset
2021	0.0084 %	\$ 17,139	\$ 1,980,503	0.865 %	150.1 %
2020	0.0157	30,354	1,817,367	1.737	144.5
2019	0.0141	15,760	1,701,145	0.926	124.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ N/A	\$ N/A	\$ N/A	\$ 2,047,309	N/A %
2020	N/A	N/A	N/A	1,980,503	N/A
2019	N/A	N/A	N/A	1,817,367	N/A

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
Multnomah County, Oregon
YEARS ENDED JUNE 30, 2021 AND 2020

Description of Budgetary Funds

General Fund

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The fund's principal sources of revenue are water sales and related charges and transfers from other funds.

System Development Fund - Reimbursement

This fund accounts for the resources designated for water distribution system extensions and improvements. The principal revenue source is system development charges.

System Development Fund - Improvement

This fund accounts for the resources designated for water distribution system extensions and improvements that expand the capacity of the water system. The principal revenue source is system development charges.

Debt Reserve Fund

This fund provides funding for the Debt Service Fund. The fund accumulates enough cash to meet current debt service obligations plus one year's reserve. The principal sources of revenue are earnings on investments and transfers from the General Fund.

Debt Service Fund

This fund accounts for the payment of principal and interest of the revenue bonds. The principal revenue source is transfers from the Debt Reserve Fund.

Groundwater Production Fund

This fund accounts for costs associated with producing and pumping groundwater. The principal sources of revenue are ground water fees and transfers from the General Fund and from the City of Gresham equally.

Groundwater Construction Fund

This fund accounts for construction costs for the Ground Water system. The principal financing source is bond proceeds.

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SUPPLEMENTARY INFORMATION

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ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
SOURCES (USES) AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Water sales	\$ 9,690,517	\$ 9,690,517	\$ 10,422,569	\$ 732,052
Gresham utility tax	379,300	379,300	362,127	(17,173)
Portland utility tax	152,000	152,000	161,451	9,451
Fairview utility tax	11,360	11,360	11,191	(169)
Service installations	200,000	200,000	283,038	83,038
Subdivision project income	50,000	50,000	10,927	(39,073)
Other service income	150,000	150,000	144,755	(5,245)
Late Fees	250,000	250,000	240,458	(9,542)
Backflow charges	35,000	35,000	36,985	1,985
Set-up fees	28,000	28,000	25,870	(2,130)
Rental income	89,780	89,780	74,921	(14,859)
Interest income	210,000	210,000	54,242	(155,758)
Scrap metal sales	10,000	10,000	11,968	1,968
Miscellaneous income	766,500	766,500	952,678	186,178
TOTAL REVENUES	<u>12,022,457</u>	<u>12,022,457</u>	<u>12,793,180</u>	<u>770,723</u>
EXPENDITURES:				
Personal services:				
Salaries/wages	1,999,207	1,999,207	1,956,608	42,599
Overtime	17,500	17,500	15,857	1,643
Other	83,170	83,170	70,813	12,357
Employee Bonus	16,000	16,000	-	16,000
Payroll taxes/benefits	1,210,613	1,210,613	1,158,897	51,716
Total personal services	<u>3,326,490</u>	<u>3,326,490 (1)</u>	<u>3,202,175</u>	<u>124,315</u>
Materials and services:				
Water purchases	3,142,547	3,142,547	3,113,709	28,838
Professional services	232,560	232,560	189,468	43,092
Utilities	74,320	74,320	66,874	7,446
Postage and office supplies	73,800	73,800	67,007	6,793
Conservation and customer relations	69,350	69,350	26,941	42,409
Elections/legal advertising	3,500	3,500	3,087	413
Insurance	85,000	85,000	80,287	4,713
Safety gear and equipment	23,000	23,000	22,920	80
Training and education	31,500	31,500	6,745	24,755
Dues/licenses/subscriptions	103,771	103,771	111,634	(7,863)
Maintenance - other	97,940	97,940	107,222	(9,282)
Utility operating supplies	366,100	366,100	357,873	8,227
Maintenance - water system	62,500	62,500	27,569	34,931
Water testing/EPA requirements	37,000	37,000	33,349	3,651
Telemetry	20,600	20,600	21,921	(1,321)
Board meeting fees/Director's expense	36,100	36,100	6,880	29,220
General office expense	62,400	62,400	63,211	(811)
Manager's expense	3,000	3,000	761	2,239
Bad Debt Expense	35,000	35,000	25,232	9,768

(Continued on page 29)

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
Multnomah County, Oregon

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
SOURCES (USES) AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) (Continued)**

YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued):				
Material and services (Continued):				
Gresham utility tax	379,300	379,300	382,342	(3,042)
Portland utility tax	152,000	152,000	160,961	(8,961)
Fairview utility tax	11,360	11,360	11,162	198
Customer assistance	60,000	60,000	23,199	36,801
Taxes and assessments	3,100	3,100	6,045	(2,945)
Total materials and services	5,165,748	5,165,748 (1)	4,916,399	249,349
Capital outlay:				
Water system	2,495,880	2,495,880	2,530,254	(34,374)
Meters	127,100	127,100	177,453	(50,353)
Equipment	447,082	447,082	313,404	133,678
Buildings	10,000	10,000	-	10,000
Land	400,000	400,000	21,243	378,757
Total capital outlay	3,480,062	3,480,062 (1)	3,042,354	58,951
Operating contingencies	1,400,000	1,400,000 (1)	-	1,400,000
TOTAL EXPENDITURES	13,372,300	13,372,300	11,160,928	2,211,372
REVENUES OVER (UNDER) EXPENDITURES	(1,349,843)	(1,349,843)	1,632,252	2,982,095
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	355,000	355,000	31,150	(323,850)
Transfers to other funds	(2,583,000)	(2,583,000) (1)	(2,583,000)	-
Transfers from other funds	498,328	498,328	498,328	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,729,672)	(1,729,672)	(2,053,522)	-
NET CHANGE IN FUND BALANCE	(3,079,515)	(3,079,515)	(421,270)	2,658,245
BEGINNING FUND BALANCE	9,130,922	9,130,922	8,800,467	(330,455)
ENDING FUND BALANCE	\$ 6,051,407	\$ 6,051,407	\$ 8,379,197	\$ 2,327,790

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

SYSTEM DEVELOPMENT FUND - REIMBURSEMENT

**SCHEDULE OF REVENUES, OTHER FINANCING SOURCES (USES)
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
System development charges	\$ 150,000	\$ 407,672	\$ 257,672
Interest earned	15,000	9,785	(5,215)
TOTAL REVENUES	<u>165,000</u>	<u>417,457</u>	<u>252,457</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	<u>(300,000) (1)</u>	<u>(300,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(135,000)	117,457	252,457
BEGINNING FUND BALANCE	<u>632,492</u>	<u>735,763</u>	<u>103,271</u>
ENDING FUND BALANCE	<u>\$ 497,492</u>	<u>853,220</u>	<u>\$ 355,728</u>

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

SYSTEM DEVELOPMENT FUND - IMPROVEMENT

**SCHEDULE OF REVENUES, OTHER FINANCING SOURCES (USES)
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
System development charges	\$ 25,000	\$ 111,703	\$ 86,703
Interest earned	<u>1,000</u>	<u>1,326</u>	<u>326</u>
TOTAL REVENUES	<u>26,000</u>	<u>113,029</u>	<u>87,029</u>
NET CHANGE IN FUND BALANCE	26,000	113,029	87,029
BEGINNING FUND BALANCE	<u>99,802</u>	<u>118,246</u>	<u>18,444</u>
ENDING FUND BALANCE	<u>\$ 125,802</u>	<u>\$ 231,275</u>	<u>\$ 105,473</u>

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

DEBT RESERVE FUND

**SCHEDULE OF REVENUES, OTHER FINANCING SOURCES
(USES) AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Interest earned	<u>\$ 13,500</u>	<u>\$ 4,423</u>	<u>\$ (9,077)</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(463,000) (1)	(463,000)	-
Transfers from other funds	<u>463,000</u>	<u>463,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	13,500	4,423	(9,077)
BEGINNING FUND BALANCE	<u>551,163</u>	<u>549,330</u>	<u>(1,833)</u>
ENDING FUND BALANCE	<u>\$ 564,663</u>	<u>\$ 553,753</u>	<u>\$ (10,910)</u>

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

DEBT SERVICE FUND

**SCHEDULE OF EXPENDITURES, OTHER FINANCING
SOURCES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES:			
Bond principal	\$ 285,000	\$ 285,000	\$ -
Interest	178,000	178,000	-
TOTAL EXPENDITURES	<u>463,000</u> (1)	<u>463,000</u>	<u>-</u>
OTHER FINANCING SOURCES:			
Transfer from other funds	463,000	463,000	-
NET CHANGE IN FUND BALANCE	-	-	-
BEGINNING FUND BALANCE	-	-	-
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

GROUND WATER PRODUCTION

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
SOURCES (USES) AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Ground Water Fees	\$ 180,000	\$ 165,602	\$ (14,398)
Interest Earned	5,000	969	(4,031)
	-		
TOTAL REVENUES	<u>185,000</u>	<u>166,571</u>	<u>(18,429)</u>
EXPENDITURES:			
Equipment Maintenance	10,000	16,539	(6,539)
Operating Supplies	30,000	29,561	439
Wellhead Protection	70,000	70,000	-
Water Testing	5,000	1,863	3,137
Reservoir Maintenance	5,000	-	5,000
Pumping	200,000	238,333	(38,333)
TOTAL EXPENDITURES	<u>320,000 (1)</u>	<u>356,296</u>	<u>(36,296)</u>
REVENUES OVER (UNDER) EXPENDITURES	(135,000)	(189,725)	(54,725)
OTHER FINANCING SOURCES (USES):			
Transfer to other funds	(198,328) (1)	(198,328)	-
Transfer from other funds	180,000	180,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,328)</u>	<u>(18,328)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(153,328)	(208,053)	(54,725)
BEGINNING FUND BALANCE	<u>253,295</u>	<u>282,849</u>	<u>29,554</u>
ENDING FUND BALANCE	<u>\$ 99,967</u>	<u>\$ 74,796</u>	<u>\$ (25,171)</u>

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

GROUND WATER CONSTRUCTION

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
SOURCES (USES) AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)**

YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES:			
Contract Services	20,000	1,980,346	(1,960,346)
Engineering Services	4,732,500	-	4,732,500
	<u>4,752,500</u>	<u>1,980,346</u>	<u>2,772,154</u>
Total materials and services			
Capital outlay:			
Groundwater Construction	15,380,000	-	15,380,000
	<u>15,380,000</u>	<u>-</u>	<u>15,380,000</u>
Total capital outlay			
	<u>15,380,000</u>	<u>-</u>	<u>15,380,000</u>
TOTAL EXPENDITURES	<u>20,132,500 (1)</u>	<u>1,980,346</u>	<u>18,152,154</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(20,132,500)</u>	<u>(1,980,346)</u>	<u>18,152,154</u>
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	1,940,000	1,940,000	-
Bond Proceeds	13,492,500	17,919,957	4,427,457
Financing Proceeds	4,700,000	611,745	(4,088,255)
	<u>20,132,500</u>	<u>20,471,702</u>	<u>339,202</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>20,132,500</u>	<u>20,471,702</u>	<u>339,202</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>18,491,356</u>	<u>18,491,356</u>
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 18,491,356</u>	<u>\$ 18,491,356</u>

(1) Control Level

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

**RECONCILIATION OF BUDGETARY REVENUES
AND EXPENDITURES TO CHANGE IN NET POSITION**

YEAR ENDED JUNE 30, 2021

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net change in Fund Balance</u>
General Fund	\$ 13,322,658	\$ 13,743,928	\$ (421,270)
System Development Fund - Reimbursement	417,457	300,000	117,457
System Development Fund - Improvement	113,029	-	113,029
Debt Reserve Fund	467,423	463,000	4,423
Debt Service Fund	463,000	463,000	-
Ground Water Protection	346,571	554,624	(208,053)
Construction Fund	20,471,702	1,980,346	18,491,356
			<u>18,096,942</u>

**ADD (DEDUCT) ITEMS TO RECONCILE TO
AN ENTITY-WIDE REPORTING BASIS:**

Capital outlay expenditures capitalized	3,042,354
Personal services expenditures capitalized	582,428
Materials and services expenditures capitalized	894,221
Depreciation	(1,521,385)
Disposal of and adjustments to capital assets	(11,357)
Principal payments on revenue bonds	4,375,000
Premium on new bond issuance	(3,240,302)
Bond Issuance Principal	(18,590,000)
Change in accrued interest expense	68,888
Amortization of Debt Premium	98,618
Accrued compensated absences	(20,412)
GASB 68 Pension Revenue (Expense)	(438,414)
GASB 75 RHIA Pension Expense (Applied to Personal Services Expense)	(258)
	<u>\$ 3,336,323</u>
Change in net position	

YEAR ENDED JUNE 30, 2020

	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues over (under) expenditures</u>
General Fund	\$ 11,038,892	\$ 12,350,867	\$ (1,311,975)
System Development Fund - Reimbursement	323,271	100,000	223,271
System Development Fund - Improvement	52,194	-	52,194
Debt Reserve Fund	480,692	468,925	11,767
Debt Service Fund	468,925	468,925	-
Ground Water Protection	361,776	304,222	57,554
			<u>(967,189)</u>

**ADD (DEDUCT) ITEMS TO RECONCILE TO
AN ENTITY-WIDE REPORTING BASIS:**

Capital outlay expenditures capitalized	3,848,077
Personal services expenditures capitalized	137,203
Materials and services expenditures capitalized	213,297
Depreciation	(1,187,273)
Principal payments on revenue bonds	280,000
Bond Premium	8,219
Accrued compensated absences	(38,384)
GASB 68 Pension Revenue (Expense)	(262,850)
Interest payable	3,918
	<u>\$ 2,023,656</u>
Change in net position	

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT

Multnomah County, Oregon

**RECONCILIATION OF BUDGETARY FUND
BALANCES TO NET POSITION**

June 30, 2021

ENDING FUND BALANCES - BUDGETARY BASIS:

General Fund	\$	8,379,197
System Development Fund - Reimbursement		853,220
System Development Fund - Improvement		231,275
Debt Reserve Fund		553,753
Debt Service Fund		-
Ground Water Protection		74,796
Ground Water Construction		18,491,356

Total fund balance - budgetary basis 28,583,597

**ADD (DEDUCT) ITEMS TO RECONCILE TO
GAAP NET POSITION**

Bonds payable	(18,590,000)
Bond premium	(3,240,302)
Net capital assets	45,130,682
Proportionate Share of Net Pension Liability - PERS	(3,612,174)
Proportionate Share of Net Pension Liability (Asset) - RHIA	17,139
Deferred Outflows - PERS	1,271,403
Deferred Inflows - PERS	(125,639)
Deferred Outflows - RHIA	9,346
Deferred Inflows - RHIA	(3,118)
Accrued compensated absences	(228,585)

Net Position \$ 49,212,349

June 30, 2020

ENDING FUND BALANCES - BUDGETARY BASIS:

General Fund	\$	8,800,467
System Development Fund - Reimbursement		735,763
System Development Fund - Improvement		118,246
Debt Reserve Fund		549,330
Debt Service Fund		-
Ground Water Protection		282,849

Total fund balance - budgetary basis 10,486,655

**ADD (DEDUCT) ITEMS TO RECONCILE TO
GAAP NET POSITION**

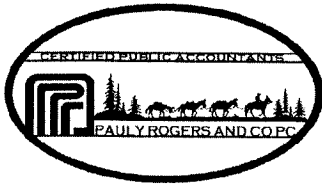
Bonds payable	(4,375,000)
Bond premium	(98,618)
Net capital assets	42,144,421
Proportionate Share of Net Pension Liability	(2,742,196)
Deferred Outflows	970,530
Deferred Inflows	(256,330)
Accrued compensated absences	(208,173)
Accrued interest payable on bonds	(68,888)

Net Position \$ 45,852,401

ROCKWOOD WATER PEOPLE'S UTILITY DISTRICT
MULTNOMAH COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

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November 16, 2021

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Rockwood Water People's Utility District as of and for the year ended June 30, 2021, and have issued our report thereon dated November 16, 2021. 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 basic financial statements are free of material misstatement, we performed tests of 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 the basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **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).**

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

OAR 162-10-0230 Internal Control

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

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

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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