

BURLINGTON WATER DISTRICT

Portland, Oregon

REVIEWED FINANCIAL STATEMENTS

Year Ended June 30, 2019

BURLINGTON WATER DISTRICT

Portland, Oregon

TABLE OF CONTENTS

June 30, 2019

<u>INTRODUCTION</u>	Page
DISTRICT OFFICIALS -----	2
<u>FINANCIAL SECTION</u>	
INDEPENDENT REVIEWER'S REPORT -----	3
MANAGEMENT'S DISCUSSION AND ANALYSIS -----	5
<u>BASIC FINANCIAL STATEMENTS:</u>	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS -----	8
STATEMENT OF RECEIPTS, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS -----	9
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -----	10
NOTES TO FINANCIAL STATEMENTS -----	11
<u>SUPPLEMENTARY INFORMATION:</u>	
NOTES TO BUDGETARY COMPARISON SCHEDULE -----	19
BUDGETARY COMPARISON SCHEDULE - CASH BASIS	
..General Fund -----	21
..Fire Protection Fund -----	22
<u>DISCLOSURES REQUIRED BY STATE REGULATIONS</u>	
MANAGEMENT REPRESENTATION OF FISCAL AFFAIRS-----	24

BURLINGTON WATER DISTRICT

Portland, Oregon

DISTRICT OFFICIALS

June 30, 2019

BOARD OF DIRECTORS

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
CHRISTINE NELSON 14912 NW Mill Rd. Portland, OR 97231	1	06/30/21
VACANT	2	06/30/23
DANIEL JOHNSON 16819 Wapato Ave Portland, OR 97231	3	06/30/23
RON YANN 14962 NW Mill Rd Portland, OR 97231	4	06/30/23
MARK OAKLEY 14468 NW Larson Rd Portland, OR 97231	5	06/30/21

REGISTERED AGENT

Hiland Water Corporation
P.O. Box 699
Newberg, Oregon 97132

DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
CLATSKANIE, OREGON 97016

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Burlington Water District
Portland, Oregon

I have reviewed the accompanying modified cash basis financial statements of the business-type activities of the Burlington Water District (the District), as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error..

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

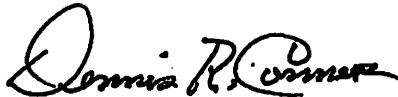
Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1.

Basis of Accounting

My review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1. The budgetary comparison schedules and other financial schedules listed in the table of contents are presented only for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. This information is presented on the cash basis of accounting, and I did not become aware of any material modifications that should be made to such information.

Other Information

The supplementary information titled Management Representation of Fiscal Affairs Required by Oregon Regulation is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information, and accordingly, I do not express an opinion or provide any assurance on such supplementary information.

A handwritten signature in black ink, appearing to read "Dennis R. Conner". The signature is fluid and cursive, with the first name "Dennis" being the most prominent.

Dennis R. Conner
Certified Public Accountant
November 8, 2019

BURLINGTON WATER DISTRICT
Management's Discussion & Analysis

This discussion and analysis of the District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2019, within the limitations of the District's financial statements.

CONSOLIDATED FINANCIAL INFORMATION
MODIFIED CASH BASIS

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 102,034	\$ 136,577	\$ 34,543
Capital Assets, Net of Depreciation	2,541,258	2,453,212	(88,046)
Total	<u>2,643,292</u>	<u>2,589,789</u>	<u>(53,503)</u>
<u>LIABILITIES</u>			
Loans Payable	<u>1,315,563</u>	<u>1,259,797</u>	<u>(55,766)</u>
<u>Total Net Position</u>	<u>\$ 1,327,729</u>	<u>\$ 1,329,991</u>	<u>\$ 2,262</u>
	<u>Fiscal Year Ended June 30, 2018</u>	<u>Fiscal Year Ended June 30, 2019</u>	<u>Increase (Decrease)</u>
<u>RECEIPTS</u>			
Charges for Services	\$ 199,225	\$ 208,189	\$ 8,964
Taxes & Assessments	127,202	137,996	10,794
Interest Income	2,234	2,599	365
Miscellaneous	-	300	300
Total	<u>328,661</u>	<u>349,084</u>	<u>20,423</u>
<u>EXPENSES</u>			
Operating	(300,126)	(245,620)	54,506
Interest Expense	(13,708)	(13,156)	552
Depreciation	(88,042)	(88,046)	(4)
Total	<u>(401,876)</u>	<u>(346,822)</u>	<u>55,054</u>
<u>Change in Net Position</u>	<u>\$ (73,215)</u>	<u>\$ 2,262</u>	<u>\$ 75,477</u>

Report Components

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

Basic Financial Statements

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

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

Supplementary Information: The General Fund and other fund budgetary comparison schedules provide users of this report with additional information that supplements the financial statements.

Management's Direct Comments

General Comments: Burlington Water District receives revenue from water sales for operations and loan payments. The District receives tax revenues from properties within the District boundaries for the purpose of contracting with other agencies for fire protection. The overall financial condition is sound.

Results of Operations: Operations include but are not limited to system maintenance, and monitoring for water use and loss.

Significant Transactions: In the year 2013 the District replaced and completed the installation of a new 400,000-gallon steel bolted reservoir, 2 new booster pumps, updated the pump station with modern more reliable controls between the pump station and the reservoir and replaced one mile of 10-inch water main pipe along highway 30. A loan through Oregon Infrastructure Finance Authority in the amount of \$958,700 paid for the cost. The District makes annual payments on this 30-year loan at 1% interest. The new system is running efficiently as expected.

Infrastructure;

1. One 400,000 gallon steel bolted glass fused reservoir
2. Approximately twelve miles of 4", 6", 8" and 10" of ductile iron and PVC pipe.
3. Approximately thirty in-service fire hydrants
4. Two high volume pumps with advanced controls within the District's pump station connecting Burlington Water District to Portland Water (the District's water supplier).
5. Updated telemetry communication and alarm system between the pump station and the reservoir.
6. In budget year 2017/18 fire hydrants on Marina Way and Mill Rd were replaced with hydrants that include break-off check valves. These hydrants were susceptible to improperly parked boat trailers.

Other Assets:

1. Billing computer
2. Tools and equipment with a value of approximately \$5,000
3. A shipping/storage container
4. Small but adequate inventory of repair material

Economic Factors: The cost of wholesale water and fire protection contracts has steadily risen and this cost must be passed on to the consumer. BWD purchases its water from Portland Water Bureau. Portland has projected a significant increase in water costs over the next 10 years, due to required infrastructure costs on their part (e.g. building a filtration plant, rebuilt/repared reservoirs, covering reservoirs, line to-and-from the filtration plant).

Other Comments: Over the past year, BWD has worked very hard to improve consistency of policy regarding infrastructure and finances and to provide better transparency and accessibility to our customers. To that end, 3 major projects were undertaken.

The first was the development of Burlington Water District Public Works Design Standards to be used for all future repairs and new construction within the District. The purpose of these Standards was to ensure the development of a water distribution system which would: meet all expected domestic, commercial and

industrial demands, including fire flows; have the structural strength to withstand all external loads which may be imposed; be of materials resistant to both corrosion and erosion; be economical and safe to build and maintain; and, meet all design requirements of the Oregon Health Authority.

The second was the development of a website for the District which allows the public to access information regarding meeting agendas, minutes, ordinances/resolutions, fees, budget and emergency notifications. BWD Website <https://burlingtonwater.specialdistrict.org/>

The third was the development of a Financial Policies and Procedures Manual as a standard for financial operations. This was largely developed with the assistance of Charity Brown at NowCFO.

Personnel:

Burlington Water District is governed by a volunteer Board of Commissioners. BWD does not currently have employees. BWD is contracting with the following companies or individuals to provide necessary services.

System Management - Silas Olsen, Hiland Water Corporation

Customer Service, Billing and Accounts Receivable/Payable - Devin Geiger, Hiland Water Corporation

Accounting/Bookkeeping - Dan Zimmerman, Hiland Water Corporation

External Auditor - Dennis Conner, Dennis R Conner CPA

Budget - Summer Sears, CPA, LLC

Contacting the District's Financial Management:

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about this report or need additional financial information, please contact Hiland Water Corporation at 503-554-8333; 1-855-554-8333 (TF).

BURLINGTON WATER DISTRICT

Portland, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2019

<u>ASSETS</u>	<u>Water</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 136,577
<u>Noncurrent Assets:</u>	
<u>Capital Assets:</u>	
Land	1,000
Other Capital Assets, Net of Depreciation	<u>2,452,212</u>
<u>Total Assets</u>	<u>2,589,789</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loan Payable	56,324
<u>Noncurrent Liabilities:</u>	
Loan Payable	<u>1,203,474</u>
<u>Total Liabilities</u>	<u>1,259,797</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,193,415
Unrestricted	<u>136,577</u>
<u>Total Net Position</u>	<u>\$1,329,991</u>

See Notes to Financial Statements

BURLINGTON WATER DISTRICT

Portland, Oregon

STATEMENT OF RECEIPTS, EXPENSES, AND

CHANGES IN NET POSITION - MODIFIED CASH BASIS

Year Ended June 30, 2019

	<u>Water</u>
<u>OPERATING RECEIPTS</u>	
Water Sales	\$ 208,190
Property Taxes	137,996
Total	<u>346,187</u>
<u>OPERATING EXPENSES</u>	
Personal Services	3,235
Materials and Services	242,386
Depreciation Expense	88,046
Total	<u>333,666</u>
<u>OPERATING INCOME</u>	<u>12,520</u>
<u>NON-OPERATING RECEIPTS (EXPENSES)</u>	
Interest Income	2,598
Miscellaneous	300
Debt Service - Interest	<u>(13,156)</u>
Total	<u>(10,259)</u>
CHANGE IN NET POSITION	2,262
<u>NET POSITION</u> , Beginning	<u>1,327,729</u>
<u>NET POSITION</u> , Ending	<u>\$ 1,329,991</u>

See Notes to Financial Statements

BURLINGTON WATER DISTRICT

Portland, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

Year Ended June 30, 2019

	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	\$ 208,189
Receipts from Property Taxes	137,996
Payments for Materials and Services	(242,386)
Payments for Personal Services	(3,235)
Net Cash Provided by (Used In) Operating Activities	<u>100,565</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Principal Paid on Debt	(55,766)
Interest Paid on Debt	(13,156)
Net Cash Provided by (Used In) Financing Activities	<u>(68,922)</u>
<u>CASH FLOWS FROM INVESTING & NON-OPERATING ACTIVITIES</u>	
Interest	2,599
Miscellaneous	300
Net Cash Provided by (Used in) Investing & Non-Operating Activities	<u>2,899</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	34,542
<u>CASH BALANCE, Beginning</u>	<u>102,034</u>
<u>CASH BALANCE, Ending</u>	<u>\$ 136,576</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating Income	\$ 12,520
Adjustment to reconcile operating income to cash provided by operating activities:	
Depreciation Expense	<u>88,046</u>
Net Cash Provided by Operating Activities	<u>\$ 100,566</u>

See Notes to Financial Statements

BURLINGTON WATER DISTRICT

Portland, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1A FINANCIAL REPORTING ENTITY

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

Primary Government: BURLINGTON WATER DISTRICT

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

1B BASIS OF PRESENTATION

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

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

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

1C MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

MEASUREMENT FOCUS

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

BASIS OF ACCOUNTING

In the Statement of Net Position, Statement of Receipts, Expenses, and Changes in Net Position, and Statement of Cash Flows, business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions, with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the District utilized the basis of accounting recognized as generally accepted in the United States, all financial statements would be presented on the accrual basis of accounting.

1D ASSETS, LIABILITIES, AND NET POSITION

CASH AND INVESTMENTS

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

CAPITAL ASSETS

The District's modified cash basis of accounting reports capital assets resulting from cash transactions in the Statement of Net Position. Capital assets are those assets that have an initial useful life extending beyond one reporting period. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their fair market value at the time of acquisition.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The capitalization threshold for the Distribution System is \$5,000, and the estimated life is 50 years.

NET POSITION CLASSIFICATION

Net position is classified and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted - Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other assets that do not meet the definition of "restricted" or "net investment in capital assets."

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

1E REVENUES, EXPENDITURES, AND EXPENSES

OPERATING REVENUE AND EXPENSES

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

1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

1G USE OF ESTIMATES

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

Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on a combined balance sheet as Cash and Cash Equivalents. Deposits with financial institutions consist of bank demand deposits.

Cash and investments are recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2019. Cash and investments of the District at June 30, 2019 were:

Checking Account -Bank of the West - General	\$ 101,364
Local Government Investment Pool - Fire	10,631
Local Government Investment Pool - General	24,552
Petty Cash	30
Total	<u>\$ 136,577</u>

Deposits: The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25% if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits which is monitored on a weekly basis. At June 30, 2019, total demand deposits and savings accounts per bank statements were \$90,954. All these deposits were covered by federal depository insurance.

Investments: The District's cash management policies are governed by state statutes. Statutes authorize the District to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States' agencies and instrumentalities and the Oregon State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2019, the District had invested \$35,183.

with the Oregon Short-Term Fund (ORTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2019.

Credit Risk: The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment office for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of the investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2019 was unqualified.

Concentration Risk: The District had concentrations in the following investments: LGIP 25.8%.

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

3B CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Deductions	Balance at June 30, 2019
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
<u>Depreciable Capital Assets</u>				
Distribution system	\$ 3,395,501	\$ -	\$ -	\$ 3,395,501
<u>Less Accumulated Depreciation For:</u>				
Distribution system	(855,243)	(88,046)	-	(943,289)
Total Depreciable Capital Assets, Net of Depreciation	\$ 2,540,258	\$ (88,046)	\$ -	\$ 2,452,212
Total Capital Assets, Net of Depreciation	\$ 2,541,258	\$ (88,046)	\$ -	\$ 2,453,212

Depreciation expense of \$88,046 was charged to the General Fund.

3D LONG-TERM DEBT

INFRASTRUCTURE FINANCE AUTHORITY (IFA) LOAN #S01006

During the fiscal year 2001-2002, the District began work on a Highway 30 line extension project. Funding for this project was provided by the District and a Safe Drinking Water Revolving Loan issued by the Oregon Economic & Community Development Department. As of June 30, 2004 the District had drawn the full amount of an available maximum of \$1,070,000. The first \$250,000 of the note principal was forgiven by the State under the agreement, leaving a balance of \$820,000. The first payment on the loan was made on December 1, 2003. The loan has an annual interest rate of 1.0% and a term of 30 years.

The principal and interest repayment schedule is shown below:

Fiscal Year	IFA LOAN - S01006		
	Interest	Principal	Total
2019-20	4,132	27,642	31,774
2020-21	3,856	27,918	31,774
2021-22	3,577	28,197	31,774
2022-23	3,295	28,479	31,774
2023-24	3,010	28,764	31,774
2023-28	10,677	148,193	158,870
2028-33	3,117	123,979	127,096
Balance 6/30/19	<u>\$ 31,664</u>	<u>\$ 413,172</u>	<u>\$ 444,836</u>

INFRASTRUCTURE FINANCE AUTHORITY (IFA) LOAN #S12005

In August 2012 the District took out a loan with the Oregon Infrastructure Finance Authority in the amount of \$1,317,000 to finance system improvements. Because of economic conditions in the District, \$631,700 of the total was forgiven, leaving a balance of \$685,300. It is a 30 year loan with an estimated interest rate of 1%.

In August 2013 the District approved Amendment No. 1 to the loan agreement, which authorized total borrowing not to exceed \$1,649,000. Of this total, IFA agreed to forgive a principal amount of \$690,300, leaving a balance of \$958,700. The principal and interest payment schedule is shown below.

IFA LOAN - S12005			
<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019-20	8,466	28,682	37,148
2020-21	8,179	28,968	37,148
2021-22	7,890	29,258	37,148
2022-23	7,597	29,551	37,148
2023-24	7,302	29,846	37,148
2023-28	31,971	153,768	185,739
2028-33	24,128	161,612	185,739
2033-38	15,884	169,855	185,739
2039-45	7,585	215,086	222,671
Balance 6/30/19	<u>\$ 119,002</u>	<u>\$ 846,625</u>	<u>\$ 965,628</u>

DEBT SUMMARY

The following is a summary of long-term debt activity for the year ended June 30, 2019:

PRINCIPAL					
<u>Loan</u>	<u>Beginning Balance</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
IFA: S01006	\$ 440,540	\$ (27,368)	\$ 413,172	\$ 27,642	\$ 385,530
IFA: S12005	875,023	(28,398)	846,625	28,682	817,944
Total	<u>\$ 1,315,563</u>	<u>\$ (55,766)</u>	<u>\$ 1,259,797</u>	<u>\$ 56,324</u>	<u>\$ 1,203,474</u>

TOTAL PAYMENTS				
<u>Loan</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>G/L</u>
IFA: S01006	\$ 27,368	\$ 4,406	\$ 31,774	31,773.66
IFA: S12005	28,398	8,750	37,148	37,147.82
Total	<u>\$ 55,766</u>	<u>\$ 13,156</u>	<u>\$ 68,922</u>	<u>68,921.48</u>

3D INTERFUND TRANSFERS AND BALANCES

During FY 18-19 the Fire Protection Fund was closed and the remaining balance was transferred to the General Fund. Payments for the fire protection contract are now made through the General Fund.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,076	\$ -
Fire Protection Fund	-	3,076
Total	<u>\$ 3,076</u>	<u>\$ 3,076</u>

Note 4 - OTHER NOTES

4A RISK MANAGEMENT

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

The District manages these various risks of loss as follows:

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

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

4B COMMITMENTS AND CONTINGENCIES

COMMITMENTS

There were no commitments that were not disclosed in the financial statements.

CONTINGENCIES

Litigation

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

SUPPLEMENTARY INFORMATION

BURLINGTON WATER DISTRICT

Portland, Oregon

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2019

BUDGET LAW

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

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

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

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

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

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

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

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

All transfers of appropriations between departments and supplemental appropriations require the Board's approval. The Superintendent may transfer appropriations between object categories within a department without the Board's approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The Budget is prepared on the cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions.

PROPERTY TAX CALENDAR

The budget officer prepares a proposed budget.

Notice of the budget committee meeting is published.

The budget document is made available at or before the budget committee meeting at which the budget is presented.

The budget committee conducts at least one public meeting for receiving the budget message and the budget document, as well as providing opportunity for public questions or comments.

The budget committee approves the budget.

Notice of the public hearing and a summary of the approved budget is published.

The governing body conducts a public hearing on the approved budget.

The governing body, after public comment and deliberations, adopts the budget and enacts resolutions or ordinances accordingly by June 30.

The governing body certifies the entity's tax, if any, by July 15.

The lien and levy date of the tax is July 1.

Full payment receives a 3% discount if paid by November 15 of each year.

Real property taxes are delinquent if not paid in full by May 15 of the following year.

BURLINGTON WATER DISTRICT

Portland, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL FUND

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Water Sales	\$ 216,000	\$ 260,000	\$ 208,189	\$ (51,811)
Property Taxes	135,200	130,577	137,996	7,419
SDC Charges	8,000	8,000	-	(8,000)
Interest Income	1,500	1,500	2,599	1,099
Miscellaneous	-	-	300	300
Total	<u>360,700</u>	<u>400,077</u>	<u>349,084</u>	<u>(50,993)</u>
 <u>CASH EXPENDITURES</u>				
Personal Services	71,784	3,235	3,235	0
Material and Services	223,362	290,862	242,386	48,476
Capital Outlay	3,000	3,000	-	3,000
Debt Service	68,921	68,940	68,921	19
Operating Contingencies	81,793	81,793	-	81,793
Total	<u>448,860</u>	<u>447,830</u>	<u>314,542</u>	<u>133,288</u>
 RECEIPTS OVER (UNDER) EXPENDITURES	<u>(88,160)</u>	<u>(47,753)</u>	<u>34,542</u>	<u>82,295</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Fire Protection Fund	<u>-</u>	<u>3,076</u>	<u>3,076</u>	<u>-</u>
 NET CHANGE IN CASH BALANCE	(88,160)	(44,677)	37,618	82,295
 CASH BALANCE, Beginning	<u>100,000</u>	<u>100,000</u>	<u>98,958</u>	<u>(1,042)</u>
 CASH BALANCE, Ending	<u>\$ 11,840</u>	<u>\$ 55,323</u>	<u>\$ 136,577</u>	<u>\$ 81,254</u>

See Notes to Financial Statements & Accountant's Review Report

BURLINGTON WATER DISTRICT

Portland, Oregon

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

FIRE PROTECTION FUND

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>CASH EXPENDITURES</u>				
Materials and Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to General Fund	<u>-</u>	<u>(3,076)</u>	<u>(3,076)</u>	<u>0</u>
NET CHANGE IN CASH BALANCE	<u>-</u>	<u>(3,076)</u>	<u>(3,076)</u>	<u>0</u>
CASH BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>3,076</u>	<u>3,076</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ (3,076)</u>	<u>\$ -</u>	<u>\$ 3,076</u>

See Notes to Financial Statements & Accountant's Review Report

**COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

**MANAGEMENT REPRESENTATION OF FISCAL AFFAIRS
REQUIRED BY OREGON REGULATION**

The Burlington Water District (the District) is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operations and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, Division 40) including, but not limited to:

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

The management of the District is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

 _____ Signature	<u>BWP CHAIR</u> _____ Title	<u>11/11/19</u> _____ Date
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