

**Annual
Comprehensive
Financial
Report**



ROGUE VALLEY
SEWER SERVICES

Jackson County, Oregon

For the Years Ended June 30, 2023 and 2022

**Prepared by Finance Department
Brenda Baldovino
Finance Director**

ROGUE VALLEY SEWER SERVICES

Jackson County, Oregon

Annual Comprehensive Financial Report

FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

Prepared by:
Finance Department

ROGUE VALLEY SEWER SERVICES

Years ended June 30, 2023 and 2022

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INTRODUCTORY SECTION



ROGUE VALLEY
SEWER SERVICES
CLEAN WATER - HEALTHY COMMUNITIES

January 26, 2024

To the Honorable Chairman and Board of Directors,

The Comprehensive Annual Financial Report of Rogue Valley Sewer Services (RVS) for fiscal year ended June 30, 2023, is hereby submitted.

This report was prepared in accordance with the provisions of Oregon Revised Statutes Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the District. We believe the data is accurate and complete in all material respects; that it is presented in a manner designed to present fairly the financial position, results of operations, and changes in cash flows of the District at June 30, 2023, and for the year then ended.

Profile of RVS

The Rogue Valley Sewer Services is a Sanitary District that provides sewer service for rural and urban portions of Jackson County, Oregon, the cities of Talent, Central Point, Jacksonville, Phoenix and Eagle Point, Oregon, and portions of the city of Medford, Oregon. Voters approved formation of the District at a special election dated August 30, 1966. The District was declared established on September 21, 1966. The District's primary purpose is to provide sanitary sewer service to those within its boundaries who may connect to our system as well as to construct and maintain sewers where health hazards exist in rural areas of Jackson County, Oregon.

The District operates the regional interceptor sewer system, which transports flows from the other regional member – the city of Medford. The cities of Central Point, Jacksonville and Phoenix have been annexed into the District in 2000, 2005 and 2006 respectively. The interceptor system consists of the Upper Bear Creek Interceptor, the Lower Bear Creek Interceptor, the North Medford Trunk, the Dunn Pump Station and Pressure Main. The District also operates a sanitary sewer collection system within the service area. Total interceptor and trunk system is approximately 395 miles in length, within a District boundary of about 190 square miles.

The District manages a storm water quality program for the cities of Talent, Phoenix, Central Point, and Jackson County through Intergovernmental agreements with the cities.

The District also operates the sanitary sewer collection system and treatment plant for the City of Shady Cove and the City of Gold Hill through an intergovernmental agreement.

The Board of Directors of the District consists of five elected members. The District is separately governed and was established under Oregon Revised Statutes Chapter 450.705 through .990.

Factors Affecting Financial Condition

As the region continues to recover from the most recent recession, Rogue Valley Sewer Services has seen an increase in new construction which results in increases in development fees and services charges.

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the District are protected from loss, theft or misuse in a cost effective manner. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes two facts. First, the cost of a control should not exceed the benefit likely to be derived. Second, the evaluation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by management and by independent accountants.

All internal control evaluations occur within this framework. We believe the District's systems of internal control adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgeting Controls.

For financial reporting and operating purposes, management considers the District's activities as those of an enterprise operation and, as such, are reported in a single fund in the basic financial statements. However, for budgetary and legal purposes, these activities are accounted for in the funds described below on the modified accrual basis of accounting.

General Fund. The General Fund accounts for the District's normal recurring sewer operations. The primary source of revenue is sewer service fees, maintenance contracts, and service payments. The General Fund also accounts for the construction of new sewer projects and the rehabilitation of existing systems. Assessments levied to finance new projects are accounted for by this fund prior to the sale of bonds. New construction has been primarily financed internally. Major rehabilitation projects have been financed with state revolving loan funds

Bear Creek Interceptor (BCI) Operations and Maintenance Fund. The BCI Operations and Maintenance Fund accounts for the maintenance cost of the Bear Creek Interceptor that is shared by the District and the cities of Medford, Jacksonville, and Phoenix. The actual maintenance is the responsibility of the District, and each entity is billed monthly for their share of the cost.

Dunn Pump Station (DPS) Operations and Maintenance Fund. The DPS Operations and Maintenance Fund accounts for the maintenance cost of the Dunn Pump Station that is shared by the District and the cities of Medford and Jacksonville. The actual maintenance is the responsibility of the District, and each entity is billed monthly for their share of the cost. In 2004 the Region agreed to one flat rate for both BCI and DPS.

Interceptor Capital Expansion Fund. The Interceptor Capital Expansion Fund accounts for the capital costs of the Bear Creek Interceptor and Dunn Pump Station that are shared by the District and the City of Medford. The actual capital expansion projects are the responsibility of the District, and each entity is billed monthly for their share of the cost.

White City Storm Drain Fund. The White City Storm Drain Fund was established to upgrade and maintain certain portions of the industrial side of White City storm drain area not maintained by the County.

Storm Water Quality Fund. In order to protect and improve the quality of water in wells, creeks and rivers, the federal government has established a more stringent storm water program. This fund was created to account for the receipt of a new monthly fee and the expenditures regarding storm water quality.

Shady Cove Treatment. The Shady Cove Treatment Fund was initially established as the Shady Cove Operations and Maintenance Fund established in 2011 to manage both the collection system and the treatment plant.

Treatment Capital. The Treatment Capital Fund is a dedicated fund initially established in 2011 to pay for capital improvements within the Shady Cove collection system and treatment plant for 5 years. In November 2018, the City of Shady Cove voters approved the annexation measure to join RVS. As of July 1, 2019 the City of Shady Cove was annexed into RVS.

With the annexation the purpose of this fund will be expanded to cover capital improvements to both the Shady Cove Treatment Plant and the White City Lagoons, as both are now treatment facilities owned and operated by RVS.

Gold Hill Treatment. The Gold Hill Treatment Fund was newly established in FY2018 to track expenses related to the wastewater treatment plant for the City of Gold Hill. The current agreement with Gold Hill expires in 2022.

Gold Hill Collection System. The Gold Hill Collection System Fund was newly established for FY2018 and is intended to allow the expenses related to operating the sewer collection system for the City of Gold Hill. The current agreement with Gold Hill expires June 30, 2023, with no extensions.

Lagoons. The Lagoons Fund was newly established in FY2020 to track the expenses related to operating the Lagoons.

The District annually prepares a budget, by fund, to control its fiscal operations. A proposed detailed budget is prepared by District management and is submitted to the Budget Committee. The Budget Committee consists of the Board of Directors and five appointed members. The Committee may revise or approve the proposed budget. After the Budget Committee approves the proposed budget, it is submitted to the Board of Directors, and a public hearing is held. The Board adopts the budget and makes appropriations by major functional classifications for all funds, allowing the District to expend funds for the year. Appropriations adopted by the Board lapse at the end of the fiscal year.

The District may adopt supplemental budgets as a result of unexpected additional resources. Adoption of supplemental budget requires hearings before the public, publication in newspapers, approval by the Board of Directors, and adoption of appropriations. Original and supplemental budgets may be modified by the Board of Directors through the use of appropriation transfers. While the General Fund is organized by departments, the budget for this and all funds are appropriated by categories of personal services, materials and supplies, capital outlay, debt and transfers to other funds. These amounts can be seen in the supplementary schedules of expenditures – original and final budget compared to actual.

Independent Audit

The provisions of Oregon Revised Statutes Section 297.405 through 297.555, known as "Municipal Audit Law", require that an independent audit of the District's records be made within six months following the close of the fiscal year. The auditors, Isler CPA, LLC have completed their audit and have included their opinion in the financial section of this report.

Fiduciary Operations

Both a pension plan and a deferred compensation program are provided to all District employees. In FY 2023 the District contributed 8.6% of the base salary of eligible employees to the International City Manager's Association (ICMA) retirement system. This plan is a defined contribution plan in which the participating employees are required to contribute 6% of their base salary. Employees are vested immediately.

The deferred compensation program falls within the guidelines of the Internal Revenue Code section 457. The plan permits the employees to defer a portion of their salary until future years as a retirement program and are taxed only upon receipt. The total amount of deferred compensation and earnings thereon at June 30, 2023 is \$1,761,653.87.

The District also has a Retirement Health Savings plan with ICMA. The District contributes 3% of eligible salary for management employees and allows contributions from both management and union employees.

Long Term Financial Planning

Rogue Valley Sewer Services is focused on ways to conserve the existing assets while reducing operating expenses. Efforts to preserve the existing assets include a tight maintenance program. The O&M department cleans 1/3 of our service lines annually and 1/5, or 75 miles, of those lines are tv'd to identify any faulty lines to avoid increased costs resulting from deferred maintenance or major repairs.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive Annual Financial Reports for the fiscal years ended June 30, 1990 through 2022. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. The reports satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

We wish to express our appreciation to the staff of our Administrative/Finance Department for their efforts and contributions in the preparation of the comprehensive annual report. We also thank and extend our appreciation to the members of our Board of Directors for their support and dedication to the financial operation of the District.

Please see the Management Discussion and Analysis on pages 4-7, for a further analysis of the District's operations.

Respectfully submitted,



Carl Tappert, Manager

Brenda Baldovino, Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Rogue Valley Sewer Services
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



- 1 Network Administrator is also designated as Deputy Manager
- 2 The Operations Manager is designated as Building Official and Operator of Record for the collection system
- 3 Treatment Superintendent is designated as Operator of Record for Shady Cove WWTP and the White City Lagoon
- 4 TJ Weber designated as backup Operator of Record for the collection system
- 5 Chris Link designated as backup Operator of Record for Shady Cove WWTP and the White City Lagoon

ROGUE VALLEY SEWER SERVICES

For the Year Ended June 30, 2023

Board of Directors and Registered Agent

As of June 30, 2023

Board of Directors	<u>Term Expires</u>
Kay Harrison, Chair 138 West Vilas Road, Central Point, OR 97502	June 2023
Michael Parker, Vice Chair 138 West Vilas Road, Central Point, OR 97502	June 2023
Jim Snyder, Director 138 West Vilas Road, Central Point, OR 97502	June 2023
Michael Parsons, Director 138 West Vilas Road, Central Point, OR 97502	June 2023
Roger Thom, Director 138 West Vilas Road, Central Point, OR 97502	June 2025
Administrative Staff -Carl Tappert, Manager and Registered Agent Legal Counsel -Hornecker, Cowling, Hassen & Haysell, LLP	

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rogue Valley Sewer Services
Jackson County, Oregon

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

Opinion

We have audited the accompanying financial statements of the Rogue Valley Sewer Services ("RVS"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise RVS' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RVS as of June 30, 2023 and 2022 and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RVS, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RVS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RVS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RVS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A"), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RVS' basic financial statements. The combining schedules, and budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 combining schedules and budget and actual schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated January 24, 2024 on our consideration of RVS' 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.

Paul R. Nielson

By Paul Nielson, a member of the firm
for Isler CPA
January 24, 2024

Rogue Valley Sewer Services Management's Discussion and Analysis

As management of the Rogue Valley Sewer Services (RVS), we offer readers of RVS' financial statements this narrative overview and analysis of the financial activities of RVS for the fiscal years ended June 30, 2023 and June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

All amounts in this MD&A are presented in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of RVS exceeded its liabilities at the close of June 30, 2023 by \$519,020, an increase of \$3,103. Net Position consists of \$10,000 unrestricted net position which may be used to meet ongoing obligations, \$2,728 of restricted net position related to system development and \$102,918 is invested in capital assets net of accumulated depreciation and related debt.
- Total operating revenues were \$14,508, an increase of \$939 from the prior year. Operating expenses totaled \$13,091, an increase of \$732 from the prior year. The difference between operating revenues and operating expenses resulted in operating income of \$1,417.
- RVS has \$102,918 in capital assets, net of accumulated depreciation. This is an increase of \$1,218 from the prior year. RVS also recognized \$2,395 in depreciation expense in the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to RVS' Basic Financial Statements. The Basic Financial Statements include the notes to the financial statements. In addition to these statements, this report also contains supplementary information.

RVS is a self-supporting entity and follows enterprise fund reporting, accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. RVS' annual report consists of the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Positions and the Statements of Cash Flows. The Balance Sheets provide information about the financial position of RVS, including all of its capital assets and long-term liabilities, on the full accrual basis, similar to that used by corporations. The Statements of Revenues, Expenses and Changes in Net Positions present information showing how RVS' net position has changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that do not affect the cash flow until future fiscal periods. The Statements of Cash Flows present information showing how RVS' cash balance changed as a result of current year operations. This statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method).

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

FINANCIAL ANALYSIS

Total assets, liabilities, deferred inflows/outflows of resources, and net position were as follows:

	2023	2022	2021	Change 2022 - 2023	
				Amount	Percent %
Assets:					
Current assets	\$ 14,545	\$ 13,844	\$ 13,867	\$ 701	5.1
Noncurrent receivables	92	106	153	(14)	(13.2)
Right to use asset	166	-	-	166	
Capital assets (net)	<u>102,918</u>	<u>101,700</u>	<u>98,756</u>	<u>1,218</u>	<u>1.2</u>
Total assets	<u>117,721</u>	<u>115,650</u>	<u>112,776</u>	<u>2,071</u>	<u>1.8</u>
Liabilities:					
Current liabilities	1,645	2,728	1,005	(1,083)	(39.7)
Long-term liabilities	<u>430</u>	<u>379</u>	<u>2,687</u>	<u>51</u>	<u>13.5</u>
Total liabilities	<u>2,075</u>	<u>3,107</u>	<u>3,692</u>	<u>(1,032)</u>	<u>(33.2)</u>
Net position:					
Net investment in capital assets	102,918	99,815	96,606	3,103	3.1
Restricted	2,728	2,501	2,296	227	9.1
Unrestricted	<u>10,000</u>	<u>10,227</u>	<u>10,183</u>	<u>(227)</u>	<u>(2.2)</u>
Total net position	<u>\$ 115,646</u>	<u>\$ 112,543</u>	<u>\$ 109,085</u>	<u>\$ 3,103</u>	<u>2.8</u>

Total assets increased for this fiscal year by \$2,071. The asset increase is due primarily to the additions of capital asset during the year in the amount of \$1,218. Current assets increased by \$701 as a result of an increase in prepaid expenses, cash and cash equivalents, and accounts receivable.

Total liabilities decreased by \$1,032 from last year. The decrease in long-term liabilities is related to paying off the outstanding long-term debt and a decrease in accounts payable.

Net position may serve as a useful indicator of RVS' financial position. As of June 30, 2023, assets exceeded liabilities by \$115,646, a 2.8 percent increase over the prior period. Investment in capital assets are considered unavailable for current expenditures and account for 89.0 percent of the total net position (88.7 percent of total net position at June 30, 2022). Unrestricted net position accounts for 8.6 percent of the total net position (9.1 percent of the total net position at June 30, 2022). Unrestricted net position is normally the part of net position used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Restricted net position represents assets set aside for debt service and future system development.

FINANCIAL ANALYSIS, continued

The following schedule presents a summary of revenues, expenses and changes in net position for RVS and the amount and percentage change from 2022 to 2023.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change 2022 - 2023</u>	
				<u>Amount</u>	<u>Percent %</u>
Program revenues:					
Operating revenues	\$ 14,508	\$ 13,569	\$ 13,009	\$ 939	6.9
System development charges and contributions	1,376	2,244	2,526	(868)	(38.7)
General revenues:					
Interest income	<u>335</u>	<u>68</u>	<u>89</u>	<u>267</u>	392.6
Total revenues	<u>16,219</u>	<u>15,881</u>	<u>15,624</u>	<u>338</u>	2.1
Expenses:					
Sewer operations	13,091	12,359	11,325	732	5.9
Interest expense	<u>20</u>	<u>64</u>	<u>69</u>	<u>(44)</u>	(68.8)
Total expenses	<u>13,111</u>	<u>12,423</u>	<u>11,394</u>	<u>688</u>	5.5
Change in net position	<u>3,108</u>	<u>3,458</u>	<u>4,230</u>	<u>(350)</u>	(10.1)
Net position-beginning*	<u>112,538</u>	<u>109,085</u>	<u>104,855</u>	<u>3,453</u>	3.2
Net position-ending	<u>\$ 115,646</u>	<u>\$ 112,543</u>	<u>\$ 109,085</u>	<u>\$ 3,103</u>	2.8

*Opening net position for the year ended June 30, 2023 was adjusted due to the implementation of GASB 96, see footnote 11.

Total operating revenues in 2023 increased 6.9% over 2022 due to a 7% rate increase compared to a 4.3% increase in 2022. Although rates were increased, the increase was offset by the fires in southern Oregon. Investment earnings increased due to changes in interest rates. Operating expenses increased by 5.9% as compared to the prior period. Operating expenses increased by 9.1 percent in 2022 compared to 2021.

CAPITAL ASSETS

At June 30, 2023, RVS had \$102,918 invested in a broad range of capital assets, including land, utility plant, buildings, furniture and equipment, and construction in progress.

RVS' Capital Assets (net of depreciation)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 486	\$ 486	\$ 486
Site Improvements	269	211	211
Intangible Asset-System Buy-In-Costs	1,450	1,450	1,450
Construction in progress	1,817	3,287	1,094
Utility plant	135,981	131,038	128,563
Buildings	1,675	1,675	1,675
Furniture, Fixture and Equipment	<u>6,772</u>	<u>7,005</u>	<u>6,556</u>
Total	148,450	145,152	140,035
Less accumulated depreciation	<u>(45,532)</u>	<u>(43,452)</u>	<u>(41,279)</u>
Total	<u>\$ 102,918</u>	<u>\$ 101,700</u>	<u>\$ 98,756</u>

Major capital assets placed into service during FY 2023 included the following:

- Utility plant \$2,475
- Mounted generator \$50
- Vehicles \$497

Additional information on RVS' capital assets can be found in the notes to the financial statements in the Note 5 titled capital assets.

DEBT ADMINISTRATION

RVS had the following outstanding debt:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Series 2013 bond obligation	<u>\$ -</u>	<u>\$ 1,885</u>	<u>\$ 2,150</u>

Additional information on RVS' debt can be found in the notes to the financial statements in the Note 6 titled Long-term debt.

ECONOMIC FACTORS

The Alameda Fire on September 8, 2020 devastated the cities of Talent and Phoenix. Over 2,000 homes and close to 100 businesses were destroyed. RVS lost nearly 5% of its customer base. As of June 30, 2023, a little over half of the customer base has been rebuilt and started billing again.

REQUEST FOR INFORMATION

Our financial report is designed to provide our ratepayers and creditors with an overview of RVS' finances. If you have any questions about this report or need any clarification of information please contact the Finance Department at the Rogue Valley Sewer Services. Our address is: 138 W. Vilas Road (PO Box 3130), Central Point, Oregon, 97502.

BASIC FINANCIAL STATEMENTS

ROGUE VALLEY SEWER SERVICES

Balance Sheets

June 30, 2023 and 2022

	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,844,127	\$ 12,312,451
Accounts receivable	1,479,520	1,436,855
Current portion of assessments receivable	2,751	3,315
Prepaid expenses	218,470	90,893
Total current assets	14,544,868	13,843,514
Noncurrent assets:		
Assessments receivable	92,620	105,574
Right to use subscription asset - net	165,723	-
Capital assets - net	102,917,943	101,700,095
Total noncurrent assets	103,176,286	101,805,669
Total assets	\$ 117,721,154	\$ 115,649,183
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,174,656	\$ 519,408
Accrued payroll and related liabilities	63,374	39,698
Unearned revenue	159,935	131,167
Accrued interest payable	-	12,317
Current portion of compensated absences	140,000	140,000
Current portion of long-term debt	-	1,885,000
Current portion of SBITA	106,764	-
Total current liabilities	1,644,729	2,727,590
Noncurrent liabilities:		
Compensated absences net of current portion	362,612	379,020
SBITA, net of current portion	67,496	-
Total noncurrent liabilities	430,108	379,020
Total liabilities	2,074,837	3,106,610
NET POSITION:		
Net investment in capital assets	102,917,943	99,815,095
Restricted for system development	2,727,922	2,500,809
Unrestricted	10,000,452	10,226,669
Total net position	115,646,317	112,542,573
Total liabilities and net position	\$ 117,721,154	\$ 115,649,183

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Sewer service charges	\$ 12,766,564	\$ 11,972,093
Reimbursements	875,618	823,929
Maintenance and other fees	651,326	651,609
Other revenues	214,296	121,450
Total operating revenues	14,507,804	13,569,081
Operating expenses:		
Labor and fringe benefits	4,760,763	4,405,512
Treatment charges	3,987,057	3,821,771
Administrative	1,948,100	1,848,600
Depreciation	2,394,892	2,283,511
Total operating expenses	13,090,812	12,359,394
Operating income (loss)	1,416,992	1,209,687
Nonoperating revenues and expenses:		
Interest income	335,097	67,596
Interest expense	(20,048)	(63,830)
Total nonoperating revenue and expenses	315,049	3,766
Income (loss) before contributions	1,732,041	1,213,453
System development charges	729,661	1,056,005
Capital assets contributed	646,434	1,188,445
Total capital contributions	1,376,095	2,244,450
Change in net position	3,108,136	3,457,903
Net position - beginning of year	112,542,573	109,084,670
Opening balance adjustment (see note 11)	(4,392)	-
Net position - end of year	\$ 115,646,317	\$ 112,542,573

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Cash Flows Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts from customers and users	\$ 14,493,907	\$ 13,758,624
Payments to suppliers	(5,403,341)	(6,062,180)
Payments to employees	(4,753,495)	(4,411,973)
Net cash provided by operating activities	4,337,071	3,284,471
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,075,554)	(4,038,921)
System development charges	729,661	1,056,005
Principal paid on long-term debt	(1,885,000)	(265,000)
Interest paid on notes payable	(32,365)	(65,562)
Proceeds from notes payable	109,248	-
Net cash used by capital and related financing activities	(4,154,010)	(3,313,478)
Cash flows from investing activities:		
Principal received on special assessments	13,518	51,255
Interest received on investments	335,097	67,596
Net cash provided by investing activities	348,615	118,851
Net increase (decrease) in cash and cash equivalents	531,676	89,844
Cash and cash equivalents, July 1	12,312,451	12,222,607
Cash and cash equivalents, June 30	\$ 12,844,127	\$ 12,312,451
Supplemental schedule of noncash capital and related financing activities:		
Contribution of capital from developers	\$ 646,434	\$ 1,188,445
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,416,992	\$ 1,209,687
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,394,892	2,283,511
Changes in operating assets and liabilities:		
Accounts receivable	(42,665)	200,494
Unearned income	28,768	(10,951)
SBITA	4,145	-
Prepaid expenses	(127,577)	(90,893)
Accounts payable	655,244	(300,916)
Payroll and related accruals	23,680	11,766
Compensated absences	(16,408)	(18,227)
Net cash provided by operating activities	\$ 4,337,071	\$ 3,284,471

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of significant accounting policies

A. Reporting entity

RVS is a Municipal Corporation formed in September 21, 1966, under the provisions of Oregon Revised Statutes, Chapter 450, with a favorable public election held on August 30, 1966, to own and operate an interceptor sewer system. The system consists of the Upper Bear Creek Interceptor, Lower Bear Creek Interceptor, Dunn Pump Station and Pressure Main. The system includes a 20-million gallon per day raw sewage pumping station and a 17.5-acre 3-cell treatment lagoon. RVS also owns and operates many trunk projects covering approximately 190 square miles within the Rogue Valley, and provides sewer services to the cities of Central Point, Eagle Point, Jacksonville, Talent, Shady Cove and Phoenix, Oregon and portions of the City of Medford, Oregon. RVS has no potential or actual component units.

Administrative functions of RVS are directed by the Manager of RVS who reports to the Board of Directors.

B. Basis of accounting

RVS' financial statements are prepared on the accrual basis of accounting using the "economic resources" measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the statement of net position with the equity section representing "total net position."

Operating Revenues and Expenses

Proprietary funds (enterprise) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of RVS are sewer service charges. Sewer service revenue is recorded when the service is rendered. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, RVS considers all highly liquid investments with an original maturity of three months or less when purchased and all amounts in pooled accounts to be cash equivalents.

Assessments Revenue and Receivables

RVS offers financing for Local Improvement District (LID) assessments to customers who are unable to pay assessment fees up front. Assessment revenues and the associated receivables are recorded at the time the associated project is completed.

Subscription Based IT arrangements (SBITA)

RVS recognizes a subscription asset and liability at the inception of the agreement. Future payments are discounted to present value terms using an appropriate interest rate determined by RVS management. The subscription asset is amortized over the life of the contract using a systematic and rational manner. The subscription liability is reduced by payments made with a portion being allocated to principal and interest.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of significant accounting policies (continued)

B. Basis of accounting (continued)

Capital Assets

Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Major additions, improvements and replacements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are stated at their acquisition value at the date of donation. Gains or losses realized from the disposition of capital assets are reflected in the statement of operations. RVS capitalizes all individual items over \$3,000, except for rehabilitation projects which use a \$5,000 capitalization threshold.

Property, plant and equipment are depreciated using the straight-line method over their estimated lives as follows:

Utility plant	20 - 75 years
Buildings	25 years
Furniture, fixtures and equipment	5- 12 years

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, and ending net position during the reporting period. Actual results could differ from those estimates.

Long-Term Debt

In the financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed as incurred.

Compensated Absences

Vested or accumulated PTO leave is recorded as an expense and liability as the benefits accrue to employees. A liability is recorded for PTO benefits. Upon termination, employees are paid up to 120 hours of accrued PTO.

Risk Management

RVS is exposed to various risks of loss during its ordinary course of business. To mitigate the risk of loss, various commercial insurance policies have been purchased and are reviewed for adequacy by management annually. There have been no significant changes in coverage nor have any settlements exceeded insurance coverage in the past three years. RVS has several programs to protect against the risk of loss of life or assets. The insurance program includes the "normal" coverage subject to nominal deductibles for commercial, auto, property, liability, etc., as well as treasurer's bonding, director and officer liability, expense for effluent spills from collection system infrastructure and pump stations and computer systems. RVS is self-insured for purposes of unemployment compensation claims.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of significant accounting policies (continued)

B. Basis of accounting (continued)

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

A. Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

B. Restricted net position – net position is considered restricted if asset use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of RVS' bonds. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

C. Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by RVS.

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. RVS' policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expense.

2. Stewardship, compliance, and accountability

Budget information

For financial reporting and operating purposes, RVS considers its activities as those of a unitary enterprise operation (proprietary fund). Therefore, these activities are reported in a single enterprise fund. However, for legal requirements as set forth in the Oregon Local Budget Law, RVS prepares and adopts a budget on the modified accrual basis for its individual fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. For all funds, RVS has established the level of control by expenditure category. These categories include: personnel services, materials and services, capital outlay, contingency, debt service and transfers to other funds.

Unexpected additional resources and related expenditures may be added to the budget through the use of a supplemental budget and appropriate resolution. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Transfers require the approval of the Board of Directors. All annual appropriations lapse at fiscal year end. RVS does not use encumbrance accounting.

3. Cash and cash equivalents

Cash and cash equivalents at June 30 are comprised of:

	<u>2023</u>	<u>2022</u>
Cash on Hand	\$ 650	\$ 650
Deposits with Financial Institutions	142,139	370,630
Local Government Investment Pool	<u>12,701,338</u>	<u>11,941,171</u>
Total cash and cash equivalents	<u>\$ 12,844,127</u>	<u>\$ 12,312,451</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

State statutes govern RVS' fund cash management policies, because RVS does not have an official investment policy. State statutes authorize RVS to invest in the Oregon State Treasurer's Local Government Investment Pool, time certificates of deposit, U.S. Government Treasury Obligations, and obligations of the United States and its agencies and instrumentalities.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The OSTF financial statements are available at <http://www.ost.state.or.us/>.

Credit risk: The LGIP is not rated by any national rating service.

Interest rate risk: The weighted-average maturity of LGIP is less than one year.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, RVS' deposits may not be returned to it. Deposits with financial institutions include bank demand deposits. Cash, except for the cash held at RVS, is covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool called the Public Funds Collateralization Program (PFCP) administered by the Office of the State Treasurer for the State of Oregon. As of June 30, 2023 and 2022, none of RVS' bank balances were exposed to credit risk.

4. **Assessments receivable**

Assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Because the assessments are liens against the benefited property, an allowance for uncollectible amounts is deemed unnecessary. Assessments are payable over a period of 5 to 20 years and bear a rate of interest between 4.0% and 5.5%.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

5. Capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 486,385	\$ -	\$ -	\$ 486,385
Site Improvements	210,615	-	58,064	268,679
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>3,286,743</u>	<u>3,639,866</u>	<u>(5,109,982)</u>	<u>1,816,627</u>
Total capital assets not being depreciated	<u>5,434,224</u>	<u>3,639,866</u>	<u>(5,051,918)</u>	<u>4,022,172</u>
Capital assets being depreciated:				
Utility Plant	131,037,939	-	4,942,670	135,980,609
Buildings	1,674,468	-	-	1,674,468
Furniture, Fixture and Equipment	<u>7,005,324</u>	<u>82,122</u>	<u>(315,104)</u>	<u>6,772,342</u>
Total capital assets being depreciated	<u>139,717,731</u>	<u>82,122</u>	<u>4,627,566</u>	<u>144,427,419</u>
Less accumulated depreciation for:				
Utility Plant	(36,881,126)	(1,764,073)	-	(38,645,199)
Buildings	(1,233,949)	(66,979)	-	(1,300,928)
Furniture, Fixture and Equipment	<u>(5,336,785)</u>	<u>(563,840)</u>	<u>315,104</u>	<u>(5,585,521)</u>
Total accumulated depreciation	<u>(43,451,860)</u>	<u>(2,394,892)</u>	<u>315,104</u>	<u>(45,531,648)</u>
Total capital assets, being depreciated, net	<u>96,265,871</u>	<u>(2,312,770)</u>	<u>4,942,670</u>	<u>98,895,771</u>
Total capital assets, net	<u>\$101,700,095</u>	<u>\$ 1,327,096</u>	<u>\$ (109,248)</u>	<u>\$102,917,943</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

5. Capital assets (continued)

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>June 30, 2022</u>
Capital assets not being depreciated:				
Land	\$ 486,385	\$ -	\$ -	\$ 486,385
Site Improvements	210,615	-	-	210,615
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>1,094,057</u>	<u>4,675,134</u>	<u>(2,482,448)</u>	<u>3,286,743</u>
Total capital assets not being depreciated	<u>3,241,538</u>	<u>4,675,134</u>	<u>(2,482,448)</u>	<u>5,434,224</u>
Capital assets being depreciated:				
Utility Plant	128,563,193	-	2,474,746	131,037,939
Buildings	1,674,468	-	-	1,674,468
Furniture, Fixture and Equipment	<u>6,555,756</u>	<u>559,934</u>	<u>(110,366)</u>	<u>7,005,324</u>
Total capital assets being depreciated	<u>136,793,417</u>	<u>559,934</u>	<u>2,364,380</u>	<u>139,717,731</u>
Less accumulated depreciation for:				
Utility Plant	(35,151,393)	(1,729,733)	-	(36,881,126)
Buildings	(1,165,853)	(68,096)	-	(1,233,949)
Furniture, Fixture and Equipment	<u>(4,961,469)</u>	<u>(485,682)</u>	<u>110,366</u>	<u>(5,336,785)</u>
Total accumulated depreciation	<u>(41,278,715)</u>	<u>(2,283,511)</u>	<u>110,366</u>	<u>(43,451,860)</u>
Total capital assets, being depreciated, net	<u>95,514,702</u>	<u>(1,723,577)</u>	<u>2,474,746</u>	<u>96,265,871</u>
Total capital assets, net	<u>\$ 98,756,240</u>	<u>\$ 2,951,557</u>	<u>\$ (7,702)</u>	<u>\$ 101,700,095</u>

6. Long-term debt

On April 23, 2013, RVS entered into an Escrow Agreement and Financing Agreement with U.S. Bank National Association (Escrow Agent). RVS entered into the Escrow Agreement to provide for the issuance of \$4,455,000 Full Faith and Credit Obligations (the Series 2013 Obligations) which will be paid from financing payments RVS makes under the Financing Agreement. Under the Financing Agreement, the Series 2013 Obligations are secured by and payable from RVS' general non-restricted revenues and other funds that may be available. The obligation to pay the financing payments is a full faith credit obligation of RVS and is not subject to appropriation. However, the obligation to pay the financing payments is not a general obligation.

The Series 2013 Obligations were issued at a premium of \$237,672. The premium represents interest paid in advance to RVS by Obligation holders who then receive a return of this premium in the form of larger periodic interest payments. The bond premium will be amortized using the effective interest method over the life of the obligations.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

6. Long-term debt (continued)

The Series 2013 Obligations were issued to refund the Oregon Department of Environmental Quality State Loan R78495, R14001, R14002, and state Loan R14003. In addition, the Series 2013 Obligations were issued to pay the cost of issuance.

The Series 2013 Obligations stated interest rate ranges between 2% and 4% based upon maturity date of each obligation. Interest is payable semiannually on April 1 and October 1 each year. Principal payments are due annually on October 1 of each year.

The obligations that mature after October 1, 2023 are not subject to optional redemption. The obligations that mature after October 1, 2023 are referred to as Term Obligations. The principal components of the Term Obligations are subject to prepayment prior to their respective payment dates in whole or in part on any date on or after October 1, 2022, upon the exercise by RVS of its option to prepay the principal components of the financing payments.

A summary of the changes in long-term debt for the year ended June 30, 2023 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
Series 2013 Obligation	\$ 1,885,000	\$ (1,885,000)	\$ -	\$ -	\$ -

A summary of the changes in long-term debt for the year ended June 30, 2022 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
Series 2013 Obligation	\$ 2,150,000	\$ (265,000)	\$ -	\$ 1,885,000	\$ 1,885,000

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

7. Compensated Absences

Compensated absences balances were \$502,612 and \$519,020 for the years ended June 30, 2023 and 2022 respectively. The change in accrued PTO for the year ended June 30, 2023 and 2022 consists of decreases of \$16,408 and decreases of \$18,227. The current portion of compensated absences was \$140,000 for the years ended June 30, 2023 and 2022 respectively.

8. Retirement Plan

RVS contributes to the ICMA Retirement Corporation 401(a) Retirement Plan, a defined contribution pension plan administered by RVS for substantially all employees who have met the requirement of six months of service. Through resolution, RVS contributes 8.6% of eligible employee compensation, and employees contribute a mandatory 6% of compensation to a retirement plan created in accordance with the Internal Revenue Code (IRC) Section 401(a). Employees are eligible to receive benefits under this plan upon termination from employment or retirement and reaching age 55. The board of directors established the retirement plan by a board resolution, and can amend the plan through a board resolution.

The manager receives an additional contribution from RVS to an IRC Section 457 deferred compensation account of approximately \$1,700 per month.

Contributions to the 401(a) plan made by RVS for fiscal year ended June 30, 2023 were \$247,625 on compensation of \$3,061,871. Compensation data for fiscal year ended June 30, 2022 showed contributions of \$248,735 on compensation of \$2,940,684.

9. Contingencies

From time to time, RVS is subject to legal proceedings and claims which arise in the ordinary course of its operations. In the opinion of management, the total amount of liability, if any, which may arise from such legal proceedings or claims beyond which is recovered by insurance would not materially affect RVS' financial condition.

10. Commitments

As part of the July 1, 2019 annexation of the City of Shady Cove sewer facilities, RVS is required to make debt service payments to the City of Shady Cove covering outside debt on the annexed facilities. RVS is not directly liable for these debts, which remain under the City of Shady Cove. Future scheduled payments to the City of Shady Cove are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 70,000	\$ 56,294	\$ 126,294
2025	70,000	53,494	123,494
2026	75,000	50,594	125,594
2027	80,000	47,494	127,494
2028	80,000	44,294	124,294
2029-2033	445,000	271,551	716,551
2034-2038	530,000	100,419	630,419
2039-2041	275,000	10,018	285,018
Total	<u>\$ 1,625,000</u>	<u>\$ 634,158</u>	<u>\$ 2,259,158</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2023 and 2022

11. Subscription Based IT Arrangements (SBITA)

RVS implemented GASB 96 during the year related to subscription based IT arrangements. As a result, opening net position was reduced by \$4,392.

RVS subscribes to various software that are considered subscription based IT arrangements (SBITA). The majority of SBITAs relate to the organizations geographic information system (GIS). Both SBITAs related to GIS software are on three year terms, with fixed payments being made annually. RVS's other SBITA includes access to use multiple software including: Microsoft 365, data backup, cybersecurity, records/document management, and website hosting. Payments are made on a monthly basis. RVS has identified multiple components in SBITAs, but have determined it is not practical to break out various components. RVS did not identify interest rates, implicit or explicit, in any of their SBITA contracts. RVS also does not regularly issue debt and therefore does not have an incremental borrowing rate readily available to use for implementing GASB 96. RVS has used interest rates obtained from the US Department of Treasury and increase these rates by an estimated risk percentage. RVS has estimated their risk to be 2%.

At June 30, 2023 RVS reported \$165,723 in right to use subscription assets, consisting of \$430,523 in asset value net of \$264,799 accumulated amortization. There were no variable or other payments related to any of the SBITA contracts.

Future payments related to SBITAs as of June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 106,764	\$ 6,014	\$ 112,778
2025	67,495	1,783	69,278
Total	<u>\$ 174,259</u>	<u>\$ 7,797</u>	<u>\$ 182,056</u>

SUPPLEMENTARY INFORMATION

ROGUE VALLEY SEWER SERVICES

Combining Balance Sheet - All Funds Used for Budgetary Reporting
June 30, 2023

	General Fund	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Capital Expansion	White City Storm Drains
ASSETS					
Cash and cash equivalents	\$ 4,403,172	\$ 551,036	\$ 830,572	\$ 3,265,821	\$ 987,521
Accounts receivable	904,428	3,768	-	32,971	-
Prepaid Expenses	218,470	-	-	-	-
Total assets	<u>\$ 5,526,070</u>	<u>\$ 554,804</u>	<u>\$ 830,572</u>	<u>\$ 3,298,792</u>	<u>\$ 987,521</u>
LIABILITIES					
Accounts payable	\$ 1,054,647	\$ 18,865	\$ 2,955	\$ 37,640	\$ -
Payroll and Related Accruals	63,376	-	-	-	-
Unearned revenue	159,935	-	-	-	-
Total liabilities	1,277,958	18,865	2,955	37,640	-
FUND BALANCES					
Unappropriated	4,248,112	535,939	827,617	3,261,152	987,521
Total fund balances	<u>4,248,112</u>	<u>535,939</u>	<u>827,617</u>	<u>3,261,152</u>	<u>987,521</u>
Total liabilities and fund balances	<u>\$ 5,526,070</u>	<u>\$ 554,804</u>	<u>\$ 830,572</u>	<u>\$ 3,298,792</u>	<u>\$ 987,521</u>

<u>Stormwater Quality</u>	<u>Shady Cove Treatment</u>	<u>Treatment Capital</u>	<u>Gold Hill Treatment</u>	<u>Gold Hill Collection</u>	<u>Lagoon Fund</u>	<u>Total</u>
\$ 1,235,748	\$ 272,463	\$ 972,795	\$ 302,894	\$ 504	\$ 21,602	\$ 12,844,128
-	-	-	30,000	-	60,369	1,031,536
-	-	-	-	-	-	218,470
<u>\$ 1,235,748</u>	<u>\$ 272,463</u>	<u>\$ 972,795</u>	<u>\$ 332,894</u>	<u>\$ 504</u>	<u>\$ 81,971</u>	<u>\$ 14,094,134</u>
\$ 12,333	\$ 5,061	\$ 34,049	\$ 7,846	\$ -	\$ 1,253	\$ 1,174,649
-	-	-	-	-	-	63,376
-	-	-	-	-	-	159,935
12,333	5,061	34,049	7,846	-	1,253	1,397,960
<u>1,223,415</u>	<u>267,402</u>	<u>938,746</u>	<u>325,048</u>	<u>504</u>	<u>80,718</u>	<u>12,696,174</u>
<u>1,223,415</u>	<u>267,402</u>	<u>938,746</u>	<u>325,048</u>	<u>504</u>	<u>80,718</u>	<u>12,696,174</u>
<u>\$ 1,235,748</u>	<u>\$ 272,463</u>	<u>\$ 972,795</u>	<u>\$ 332,894</u>	<u>\$ 504</u>	<u>\$ 81,971</u>	<u>\$ 14,094,134</u>

Reconciliation to GAAP basis balance sheet:

Ending fund balance - budgetary basis	\$ 12,696,174
Opening balance adjustment	(4,392)
Accounts receivable for full accrual	447,978
Assessment receivable	95,371
SBITA, net	(4,145)
Capital assets, net	102,917,943
Compensated absences	<u>(502,612)</u>
Ending net position	<u>\$ 115,646,317</u>

ROGUE VALLEY SEWER SERVICES

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Funds Used for Budgetary Reporting
For the Year Ended June 30, 2023

	General	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Capital Expansion	White City Storm Drains
Revenues:					
Charges for services	\$ 10,710,386	\$ -	\$ -	\$ -	\$ 80,733
System development charges	708,977	-	-	-	-
Reimbursements	875,618	-	-	-	-
Maintenance and Other Fees	149,118	45,147	-	395,038	-
Other revenues	211,216	-	-	-	-
Licenses and Permits	750	-	-	-	-
Assessment Loan Repayments	14,692	-	-	-	-
Interest income	98,188	13,377	21,225	98,198	24,949
Total revenues	12,768,945	58,524	21,225	493,236	105,682
Expenditures:					
Personnel Services	4,777,171	-	-	-	-
Materials and Services	5,356,496	17,164	46,795	-	344
Debt Service	613,557	-	-	1,303,808	-
Capital Outlay	1,522,227	-	-	57,401	-
Payments to the City of Shady Cove	-	-	-	-	-
Total Expenditures	12,269,451	17,164	46,795	1,361,209	344
Excess (deficiency) of Revenues Over (under) Expenditures	499,494	41,360	(25,570)	(867,973)	105,338
Other Financing Sources (Uses)					
Transfers in	944,365	213,109	150,000	430,317	-
Transfers out	(643,426)	(180,592)	(45,057)	-	(1,920)
Total Other Financing Sources (Uses)	300,939	32,517	104,943	430,317	(1,920)
Change in Fund Balance	800,433	73,877	79,373	(437,656)	103,418
Beginning Fund Balance	3,447,679	462,062	748,244	3,698,808	884,103
Ending Fund Balance	\$ 4,248,112	\$ 535,939	\$ 827,617	\$ 3,261,152	\$ 987,521

Stormwater Quality	Shady Cove Treatment	Treatment Capital	Gold Hill Treatment	Gold Hill Collection	Lagoon Fund	Total
\$ 371,685	\$ 600,944	\$ -	\$ 390,060	\$ -	\$ 589,102	\$ 12,742,910
-	-	20,685	-	-	-	729,662
-	-	-	-	-	-	875,618
60,848	-	-	-	-	-	650,151
2,330	-	-	-	-	-	213,546
-	-	-	-	-	-	750
-	-	-	-	-	-	14,692
<u>36,152</u>	<u>4,601</u>	<u>34,757</u>	<u>-</u>	<u>-</u>	<u>3,651</u>	<u>335,098</u>
<u>471,015</u>	<u>605,545</u>	<u>55,442</u>	<u>390,060</u>	<u>-</u>	<u>592,753</u>	<u>15,562,427</u>
-	-	-	-	-	-	4,777,171
26,999	131,927	-	80,507	-	25,519	5,685,751
-	-	-	-	-	-	1,917,365
214,498	-	1,281,416	10,933	1,099	-	3,087,574
-	<u>123,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,993</u>
<u>241,497</u>	<u>255,920</u>	<u>1,281,416</u>	<u>91,440</u>	<u>1,099</u>	<u>25,519</u>	<u>15,591,854</u>
<u>229,518</u>	<u>349,625</u>	<u>(1,225,974)</u>	<u>298,620</u>	<u>(1,099)</u>	<u>567,234</u>	<u>(29,427)</u>
-	1,500	509,000	-	27,500	-	2,275,791
<u>(313,641)</u>	<u>(218,392)</u>	<u>-</u>	<u>(242,665)</u>	<u>(26,199)</u>	<u>(603,899)</u>	<u>(2,275,791)</u>
<u>(313,641)</u>	<u>(216,892)</u>	<u>509,000</u>	<u>(242,665)</u>	<u>1,301</u>	<u>(603,899)</u>	<u>-</u>
(84,123)	132,733	(716,974)	55,955	202	(36,665)	(29,427)
<u>1,307,538</u>	<u>134,669</u>	<u>1,655,720</u>	<u>269,093</u>	<u>302</u>	<u>117,383</u>	<u>12,725,601</u>
<u>\$ 1,223,415</u>	<u>\$ 267,402</u>	<u>\$ 938,746</u>	<u>\$ 325,048</u>	<u>\$ 504</u>	<u>\$ 80,718</u>	<u>\$ 12,696,174</u>

Reconciliation to Statement of Revenues, Expenses, and Changes in Net Position

Change in fund balance - budgetary basis	\$ (29,427)
Change in recording full accrual receivables	23,654
Change in assessments receivable	(13,517)
Expenditures for capital assets	2,966,306
Contributed capital assets	646,434
Amortization	(143,508)
Debt payment and premium amortization	1,885,000
Change in accrued interest	12,317
Change in compensated absences	16,408
Depreciation	(2,394,892)
Expenditures for subscription based IT arrangements	<u>139,361</u>
Change in net position	<u>\$ 3,108,136</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Sewer service charges	\$ 10,950,000	\$ 10,950,000	\$ 10,710,386	\$ (239,614)
System development charges	604,947	604,947	708,977	104,030
Reimbursements	625,000	625,000	875,618	250,618
Maintenance Fees	141,900	141,900	149,118	7,218
Assessment loan repayments	41,280	41,280	14,692	(26,588)
Interest income	40,000	40,000	98,188	58,188
Other revenues	61,000	61,000	211,216	150,216
Licenses and Permits	-	-	750	750
Transfers in	1,242,322	1,242,322	944,365	(297,957)
Beginning fund balance	2,534,429	2,534,429	3,447,679	913,250
Total resources	\$ 16,240,878	\$ 16,240,878	\$ 17,160,989	\$ 920,111
REQUIREMENTS				
Expenditures:				
Personnel Services	\$ 5,255,851	\$ 5,255,851	\$ 4,777,171	\$ 478,680
Materials and Services	5,656,494	5,656,494	5,356,496	299,998
Debt Service	603,200	613,557	613,557	-
Capital Outlay	3,785,880	3,785,880	1,522,227	2,263,653
Total expenditures	15,301,425	15,311,782	12,269,451	3,042,331
Transfers out	550,000	643,434	643,426	8
Operating contingency	300,000	196,209	-	196,209
Ending fund balance	89,453	89,453	4,248,112	(4,158,659)
Total requirements	\$ 16,240,878	\$ 16,240,878	\$ 17,160,989	\$ (920,111)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Bear Creek Interceptor Operations and Maintenance Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Maintenance Fees	\$ 50,000	\$ 50,000	\$ 45,147	\$ (4,853)
Interest income	4,000	4,000	13,377	9,377
Transfers in	200,000	200,000	213,109	13,109
Beginning fund balance	454,141	454,141	462,062	7,921
Total resources	\$ 708,141	\$ 708,141	\$ 733,695	\$ 25,554
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 25,900	\$ 25,900	\$ 17,164	\$ 8,736
Transfers out	192,000	192,000	180,592	11,408
Operating contingency	150,000	150,000	-	150,000
Ending fund balance	340,241	340,241	535,939	(195,698)
Total requirements	\$ 708,141	\$ 708,141	\$ 733,695	\$ (25,554)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Dunn Pump Station Operations and Maintenance Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Interest income	\$ 7,600	\$ 7,600	\$ 21,225	\$ 13,625
Transfers in	150,000	150,000	150,000	-
Beginning fund balance	755,584	755,584	748,244	(7,340)
Total resources	\$ 913,184	\$ 913,184	\$ 919,469	\$ 6,285
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 73,750	\$ 73,750	\$ 46,795	\$ 26,955
Transfers out	38,000	45,061	45,057	4
Operating contingency	150,000	142,939	-	142,939
Ending fund balance	651,434	651,434	827,617	(176,183)
Total requirements	\$ 913,184	\$ 913,184	\$ 919,469	\$ (6,285)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Interceptor Capital Expansion Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Maintenance Fees	\$ 400,000	\$ 400,000	\$ 395,038	\$ (4,962)
Interest income	43,000	43,000	98,198	55,198
Transfers in	350,000	350,000	430,317	80,317
Beginning fund balance	2,484,465	2,484,465	3,698,808	1,214,343
Total resources	\$ 3,277,465	\$ 3,277,465	\$ 4,622,361	\$ 1,344,896
REQUIREMENTS				
Expenditures:				
Debt service	\$ 1,281,800	\$ 1,303,808	\$ 1,303,808	\$ -
Capital outlay	210,000	210,000	57,401	152,599
Total Expenditures	1,491,800	1,513,808	1,361,209	152,599
Operating contingency	350,000	327,992	-	327,992
Ending fund balance	1,435,665	1,435,665	3,261,152	(1,825,487)
Total requirements	\$ 3,277,465	\$ 3,277,465	\$ 4,622,361	\$ (1,344,896)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

White City Storm Drains Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Storm drain fees	\$ 70,000	\$ 70,000	\$ 80,733	\$ 10,733
Interest income	8,710	8,710	24,949	16,239
Beginning fund balance	763,883	763,883	884,103	120,220
Total resources	\$ 842,593	\$ 842,593	\$ 989,785	\$ 147,192
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 24,000	\$ 24,000	\$ 344	\$ 23,656
Capital outlay	450,000	450,000	-	450,000
Total Expenditures	474,000	474,000	344	473,656
Transfers out	50,000	50,000	1,920	48,080
Operating contingency	50,000	50,000	-	50,000
Ending fund balance	268,593	268,593	987,521	(718,928)
Total requirements	\$ 842,593	\$ 842,593	\$ 989,785	\$ (147,192)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Stormwater Quality Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Stormwater fees	\$ 349,900	\$ 349,900	\$ 371,685	\$ 21,785
Storm Water Maintenance Fees	17,000	17,000	-	(17,000)
Contruction Site Erosion Permits	19,440	19,440	40,348	20,908
Plan Review and Inspection Fees	11,500	11,500	20,500	9,000
Other revenues	2,600	2,600	2,330	(270)
Interest income	13,404	13,404	36,152	22,748
Beginning fund balance	1,089,180	1,089,180	1,307,538	218,358
Total resources	\$ 1,503,024	\$ 1,503,024	\$ 1,778,553	\$ 275,529
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 71,051	\$ 71,051	\$ 26,999	\$ 44,052
Capital outlay	795,000	795,000	214,498	580,502
Total Expenditures	866,051	866,051	241,497	624,554
Transfers out	347,500	347,500	313,641	33,859
Operating contingency	100,000	100,000	-	100,000
Ending fund balance	189,473	189,473	1,223,415	(1,033,942)
Total requirements	\$ 1,503,024	\$ 1,503,024	\$ 1,778,553	\$ (275,529)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Treatment Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Shady Cove fees	620,000	620,000	600,944	(19,056)
Lab Rental fees	1,500	1,500	-	(1,500)
Interest income	500	500	4,601	4,101
Transfers in	-	-	1,500	1,500
Beginning fund balance	60,148	60,148	134,669	74,521
Total resources	\$ 682,148	\$ 682,148	\$ 741,714	\$ 59,566
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 111,725	\$ 126,326	\$ 131,927	\$ (5,601)
Transfers to the City of Shady Cove	123,994	123,994	123,993	1
Total expenditures	235,719	250,320	255,920	(5,600)
Transfers out	385,000	385,000	218,392	166,608
Operating contingency	50,000	35,399	-	35,399
Ending fund balance	11,429	11,429	267,402	(255,973)
Total requirements	\$ 682,148	\$ 682,148	\$ 741,714	\$ (59,566)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Treatment Capital Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Interest income	3,616	3,616	34,757	31,141
SDC Fees - Shady Cove	8,044	8,044	20,685	12,641
Transfers in	450,000	450,000	509,000	59,000
Beginning fund balance	862,342	862,342	1,655,720	793,378
Total resources	\$ 1,324,002	\$ 1,324,002	\$ 2,220,162	\$ 896,160
REQUIREMENTS				
Expenditures:				
Capital Outlay	\$ 1,305,000	\$ 1,305,000	\$ 1,281,416	\$ 23,584
Ending fund balance	19,002	19,002	938,746	(919,744)
Total requirements	\$ 1,324,002	\$ 1,324,002	\$ 2,220,162	\$ (896,160)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Treatment Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Gold Hill treatment fees	\$ 360,000	\$ 360,000	\$ 390,060	\$ 30,060
Connection Permits	500	500	-	(500)
Beginning fund balance	202,078	202,078	269,093	67,015
Total resources	\$ 562,578	\$ 562,578	\$ 659,153	\$ 96,575
REQUIREMENTS				
Expenditures:				
Materials and services	\$ 50,398	\$ 83,039	\$ 80,507	\$ 2,532
Capital Outlay	50,000	50,000	10,933	39,067
Total Expenditures	100,398	133,039	91,440	41,599
Transfers out	316,322	316,322	242,665	73,657
Operating contingency	50,000	17,359	-	17,359
Ending fund balance	95,858	95,858	325,048	(229,190)
Total requirements	\$ 562,578	\$ 562,578	\$ 659,153	\$ (96,575)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Collection Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Transfers in	\$ 75,000	\$ 75,000	\$ 27,500	\$ (47,500)
Beginning fund balance	28,326	28,326	302	(28,024)
Total resources	<u>\$ 103,326</u>	<u>\$ 103,326</u>	<u>\$ 27,802</u>	<u>\$ (75,524)</u>
REQUIREMENTS				
Expenditures:				
Materials and Services	\$ 5,000	\$ 5,000	-	\$ 5,000
Capital Outlay	50,000	50,000	1,099	48,901
Transfers out	30,000	30,000	26,199	3,801
Ending fund balance	18,326	18,326	504	17,822
Total requirements	<u>\$ 103,326</u>	<u>\$ 103,326</u>	<u>\$ 27,802</u>	<u>\$ 75,524</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Lagoons Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
RESOURCES				
Revenues:				
Sewer service charges	\$ 450,000	\$ 450,000	\$ 589,102	\$ 139,102
Interest income	1,512	1,512	3,651	2,139
Beginning fund balance	214,636	214,636	117,383	(97,253)
Total resources	\$ 666,148	\$ 666,148	\$ 710,136	\$ 43,988
REQUIREMENTS				
Expenditures:				
Materials and Services	\$ 32,192	\$ 32,192	\$ 25,519	\$ 6,673
Transfers out	560,000	603,900	603,899	1
Operating Contingency	50,000	6,100	-	6,100
Ending fund balance	23,956	23,956	80,718	(56,762)
Total requirements	\$ 666,148	\$ 666,148	\$ 710,136	\$ (43,988)

STATISTICAL SECTION

This part of Rogue Valley Sewer Services' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditors.

Contents	Page
Financial Trends	
These schedules contain trend information that may assist the reader in assessing RVS' financial performance and placing it in historical perspective	35 -36
Revenue Capacity	
These schedules contain information that may assist the reader in assessing RVS' most significant local revenue source, RVS water rate.	37
Economic and Demographic Information	
These schedules offer economic and demographic indicators that may assist the reader in understanding the environment within which RVS' financial activities take place	38 - 39
Debt Capacity	
These schedules present information that may assist the reader in analyzing the affordability of RVS' current levels of outstanding debt and RVS' ability to issue additional debt in the future.	40 - 41
Operating Information	
This schedule contains service data that may assist the reader in understanding how the information in RVS' financial report relates to the services RVS provides and the activities it performs.	42 - 43

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Rogue Valley Sewer Services
Net Position by Component

for the last ten fiscal years - Unaudited

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Position Components				
Net investment in capital assets	\$ 102,917,943	\$ 99,815,095	\$ 96,606,240	\$ 93,056,409
Restricted	2,727,922	2,500,809	2,295,884	2,119,113
Unrestricted	10,008,992	10,226,669	10,182,546	9,679,253
Total Net Position	<u>\$ 115,654,857</u>	<u>\$ 112,542,573</u>	<u>\$ 109,084,670</u>	<u>\$ 104,854,775</u>

Source: Rogue Valley Sewer Services accounting records

Table 1

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 86,600,391	\$ 82,974,802	\$ 80,122,932	\$ 79,058,152	\$ 78,859,446	\$ 76,699,741
1,736,001	1,736,001	1,509,961	1,439,263	1,309,302	1,060,137
8,027,219	7,366,108	7,716,162	5,839,491	3,833,966	5,144,550
<u>\$ 96,363,611</u>	<u>\$ 92,076,911</u>	<u>\$ 89,349,055</u>	<u>\$ 86,336,906</u>	<u>\$ 84,002,714</u>	<u>\$ 82,904,428</u>

Rogue Valley Sewer Services Operating Results

for the last ten fiscal years - Unaudited

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenue				
Sewer service charges	\$ 12,766,564	\$ 11,972,093	\$ 11,122,816	\$ 11,244,665
Other operating revenues	1,741,240	1,596,988	1,886,097	2,184,815
	<u>14,507,804</u>	<u>13,569,081</u>	<u>13,008,913</u>	<u>13,429,480</u>
Operating expenses:				
Labor and fringe benefits	4,760,763	4,405,512	4,402,676	3,928,944
Treatment charges	3,987,057	3,821,771	3,671,496	3,728,850
Materials and services	1,948,100	1,848,600	1,141,917	1,414,810
Depreciation	2,394,892	2,283,511	2,109,102	2,111,800
	<u>13,090,812</u>	<u>12,359,394</u>	<u>11,325,191</u>	<u>11,184,404</u>
Operating income (loss)	1,416,992	1,209,687	1,683,722	2,245,076
Other nonoperating income (loss), net				
Gain(Loss) on disposition of asset	-	-	-	-
Interest income	335,097	67,596	89,305	53,731
Interest expense	(20,048)	(63,830)	(68,946)	(57,479)
	<u>315,049</u>	<u>3,766</u>	<u>20,359</u>	<u>(3,748)</u>
Developer contribution of plant	646,434	1,188,445	1,728,840	825,194
System development charges	729,661	1,056,005	796,974	719,182
Special assessments	-	-	-	-
Change in net position	<u>\$ 3,108,136</u>	<u>\$ 3,457,903</u>	<u>\$ 4,229,895</u>	<u>\$ 3,785,704</u>

Source: Rogue Valley Sewer Services accounting records

Table 2

2019	2018	2017	2016	2015	2014
\$ 10,176,542	\$ 9,782,350	\$ 8,767,177	\$ 8,041,172	\$ 6,994,396	\$ 6,840,381
1,674,065	1,634,133	1,736,385	1,428,711	1,439,449	1,155,144
<u>11,850,607</u>	<u>11,416,483</u>	<u>10,503,562</u>	<u>9,469,883</u>	<u>8,433,845</u>	<u>7,995,525</u>
3,770,295	3,768,556	2,905,850	2,728,191	2,703,183	2,361,332
3,519,408	3,226,022	3,001,448	2,748,900	2,497,440	2,482,151
1,550,696	1,470,837	1,400,725	1,199,064	1,300,210	1,206,070
1,950,561	1,837,885	1,829,777	1,862,091	1,741,477	1,725,641
<u>10,790,960</u>	<u>10,303,300</u>	<u>9,137,800</u>	<u>8,538,246</u>	<u>8,242,310</u>	<u>7,775,194</u>
1,059,647	1,113,183	1,365,762	931,637	191,535	220,331
-	-	(14,664)	46,611	4,515	46,770
221,500	154,869	90,764	38,101	39,989	43,150
(67,312)	(69,569)	(82,003)	(95,754)	(104,765)	(93,650)
<u>154,188</u>	<u>85,300</u>	<u>(5,903)</u>	<u>(11,042)</u>	<u>(60,261)</u>	<u>(3,730)</u>
2,372,538	1,235,769	915,549	649,186	635,831	407,570
700,327	494,263	639,308	606,851	328,157	319,463
-	-	26,735	27,599	3,024	-
<u>\$ 4,286,700</u>	<u>\$ 2,928,515</u>	<u>\$ 2,941,451</u>	<u>\$ 2,204,231</u>	<u>\$ 1,098,286</u>	<u>\$ 943,634</u>

Table 2

2019	2018	2017	2016	2015	2014
\$ 10,176,542	\$ 9,782,350	\$ 8,767,177	\$ 8,041,172	\$ 6,994,396	\$ 6,840,381
1,674,065	1,634,133	1,736,385	1,428,711	1,439,449	1,155,144
<u>11,850,607</u>	<u>11,416,483</u>	<u>10,503,562</u>	<u>9,469,883</u>	<u>8,433,845</u>	<u>7,995,525</u>
3,770,295	3,768,556	2,905,850	2,728,191	2,703,183	2,361,332
3,519,408	3,226,022	3,001,448	2,748,900	2,497,440	2,482,151
1,550,696	1,470,837	1,400,725	1,199,064	1,300,210	1,206,070
1,950,561	1,837,885	1,829,777	1,862,091	1,741,477	1,725,641
<u>10,790,960</u>	<u>10,303,300</u>	<u>9,137,800</u>	<u>8,538,246</u>	<u>8,242,310</u>	<u>7,775,194</u>
1,059,647	1,113,183	1,365,762	931,637	191,535	220,331
-	-	(14,664)	46,611	4,515	46,770
221,500	154,869	90,764	38,101	39,989	43,150
(67,312)	(69,569)	(82,003)	(95,754)	(104,765)	(93,650)
<u>154,188</u>	<u>85,300</u>	<u>(5,903)</u>	<u>(11,042)</u>	<u>(60,261)</u>	<u>(3,730)</u>
2,372,538	1,235,769	915,549	649,186	635,831	407,570
700,327	494,263	639,308	606,851	328,157	319,463
-	-	26,735	27,599	3,024	-
<u>\$ 4,286,700</u>	<u>\$ 2,928,515</u>	<u>\$ 2,941,451</u>	<u>\$ 2,204,231</u>	<u>\$ 1,098,286</u>	<u>\$ 943,634</u>

Rogue Valley Sewer Services
Permits Issued, Customers, Gallons Transmitted, Rates

Table 3

for the last ten fiscal years - Unaudited

<u>Fiscal Year Ended June 30th</u>	<u>Number Permits Issued</u>	<u>Residential Units</u>	<u>Commercial Industrial Customers</u>	<u>Total Units/ Customers</u>	<u>Million Gallons Transmitted</u>	<u>Sewer Rates</u>
2023	333	31,226	1,907	33,133	5,509	\$ 24.00
2022	579	31,785	1,875	33,660	5,663	23.00
2021	**1284	32,306	1,857	34,163	5,852	21.50
2020	377	32,866	1,924	34,790	5,820	21.50
2019	413	32,497	1,910	34,407	6,405	20.50
2018	384	32,489	1,886	34,375	5,709	19.60
2017	362	31,844	1,862	33,706	7,424	19.00
2016	353	31,346	1,843	33,189	6,868	18.30
2015	360	30,985	1,838	32,823	6,378	15.90
2014	377	31,388	1,835	33,223	6,020	15.90

Source: Rogue Valley Sewer Services accounting and engineering records

Note: Gallons transmitted includes all flows through interceptor pipe operated by RVS
 Amounts include the City of Medford and all other members of the Region

** Of the 1,284 permits written,
 609 were to cap the lines after the Alameda fire
 320 were for reconnecting after the fire
 355 were from normal operation connections

**Rogue Valley Sewer Services
Demographic Statistics**

for the last ten fiscal years - Unaudited

Table 4

<u>Fiscal Year Ended June 30th</u>	<u>RVS Population (Estimated) (1)</u>	<u>Population Jackson County (1)</u>	<u>RVS Personal Income (amounts expressed in thousands)</u>	<u>RVS Per Capita Income (2)</u>	<u>Unemployment Rate (3)</u>	<u>County Population Growth</u>
2023	73,875	224,013	\$ 5,286,643	\$ 71,562	4.0%	0.0%
2022	89,737	224,013	5,527,440	61,596	3.6%	0.1%
2021	89,241	223,827	5,025,339	56,312	5.6%	0.3%
2020	87,058	223,240	3,760,100	43,191	11.2%	1.8%
2019	81,168	219,200	4,050,933	49,908	4.0%	1.1%
2018	80,305	216,900	3,865,642	48,137	3.8%	1.5%
2017	79,410	213,765	3,577,341	45,049	4.2%	1.3%
2016	78,743	210,975	3,383,902	42,974	5.4%	1.2%
2015	77,985	208,375	3,250,493	41,681	6.2%	1.0%
2014	74,590	206,310	3,000,979	40,233	7.1%	0.8%

Sources:

- (1) County population estimates are from data developed by Portland State University Population Research Center.
- (2) Qualityinfo.org website. Oregon personal income article.
- (3) State of Oregon Employment Dept/Economic Data

Rogue Valley Sewer Services
Largest Consumption Customers

Table 5

for the last ten fiscal years - Unaudited

Customer name	June 30, 2023		June 30, 2013		
	Monthly Gallons	Percent Total	Monthly Gallons	Percent Total	
Amy's Kitchen	8,379,145	4.8%	1,584,271	0.9%	(6)
Boise Cascade Corp	6,552,384	3.8%	3,021,799	1.7%	(1)
Carestream Health Inc	4,423,204	2.5%	2,085,139	1.2%	(3)
V A Domiciliary #692	3,268,000	1.9%	1,959,375	1.1%	(4)
Bear Creek Operations	2,002,204	1.2%	1,859,128	1.1%	(5)
Roseburg Forest Products PO#C1994	1,156,404	0.7%	-	0.0%	
Dry Creek Landfill Inc	1,085,000	0.6%	1,141,052	0.7%	(7)
Linde Gas & Equipment Inc.	941,000	0.5%	-	0.0%	
Southern Oregon Linen	934,000	0.5%	-	0.0%	
JaCo Sports Park	911,463	0.5%	926,897	0.5%	(9)
	29,652,804	14.1%	12,577,661	7.2%	
All other commercial customers	181,271,698	85.9%	161,120,176	92.8%	
	210,924,502	100.0%	173,697,837	100.0%	

The above gallons of sewer effluent are the monthly average for respective fiscal years.

Rogue Valley Sewer Services
Ratio of Outstanding Debt by Type

Table 6

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Series 2013 Obligations	Unamortized Premium	Notes	Total		
				Amount	Per Capita	Percent of Personal Income
2023	\$ -	-	-	-	\$0.00	0.000%
2022	1,885,000	-	-	1,885,000	\$21.01	0.034%
2021	2,150,000	(6,091)	-	2,150,000	24.09	0.043%
2020	2,460,000	(29,900)	-	2,460,000	28.26	0.065%
2019	2,765,000	(29,900)	-	2,765,000	34.07	0.068%
2018	3,060,000	(29,900)	-	3,060,000	38.10	0.079%
2017	3,350,000	(29,900)	42,183	3,392,183	42.72	0.095%
2016	3,635,000	-	150,654	3,785,654	48.08	0.112%
2015	3,915,000	-	316,562	4,231,562	54.26	0.130%
2014	4,372,358	-	477,160	4,849,518	65.02	0.162%

Notes:

**Rogue Valley Sewer Services
Debt Coverage Ratio**

Table 7

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Operating Revenues	Less Operating Expenses	Net Available Revenues	Debt Payments			Coverage Ratio
				Principal	Interest	Total	
2023	\$ 14,307,750	\$ 13,086,689	\$ 1,221,061	\$ 1,885,000	\$ 32,342	\$ 1,917,342	0.64
2022	13,569,081	12,359,394	1,209,687	265,000	65,563	330,563	3.66
2021	13,008,913	9,216,089	3,792,824	310,000	77,062	387,062	9.80
2020	13,429,480	9,072,604	4,356,876	305,000	89,363	394,363	11.05
2019	11,850,607	8,840,399	3,010,208	295,000	99,150	394,150	7.64
2018	11,416,483	8,465,415	2,951,068	332,183	107,889	440,072	6.71
2017	10,530,297	7,308,023	3,222,274	393,472	117,098	510,570	6.31
2016	10,104,333	6,676,155	3,428,178	445,908	130,435	576,343	5.95
2015	8,765,026	6,500,833	2,264,193	425,598	143,329	568,927	3.98
2014	8,314,988	6,049,553	2,265,435	430,496	147,001	577,497	3.92

Notes:

Operating expenses exclude depreciation and amortization

**Rogue Valley Sewer Services
Number of Employees**

Table 8

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Administration	Information Technology	Engineering	Maintenance	Storm Water Quality	Treatment	Total
2023	6.00	1.00	9.00	18.0	2.0	5.0	41.0
2022	7.85	1.65	4.00	17.0	2.5	5.0	38.0
2021	7.85	1.65	4.50	17.0	2.0	5.0	38.0
2020	7.85	1.65	4.50	17.0	2.0	4.0	37.0
2019	7.85	1.65	5.50	18.0	0.0	3.0	36.0
2018	7.85	1.65	5.50	18.0	0.0	3.0	36.0
2017	7.85	1.65	4.50	19.0	0.0	0.0	33.0
2016	6.00	2.00	5.00	17.0	0.0	0.0	30.0
2015	6.0	2.0	5.0	16.0	0.0	0.0	29.0
2014	6.0	1.0	4.6	17.4	0.0	0.0	29.0

Source: Rogue Valley Sewer Services accounting records

**Rogue Valley Sewer Services
Operating and Capital Indicators**

Table 9

for the last ten fiscal years - Unaudited

<u>Fiscal Year Ended June 30th</u>	<u>Miles of Sewer</u>	<u>Annual Line Capacity Million Gal</u>	<u>Annual Transported Million Gal</u>	<u>Unused Capacity Total</u>	<u>Percentage Capacity Utilized</u>
2023	442	42,340	5,509	36,831	13%
2022	441	42,340	5,663	36,677	13%
2021	416	42,340	5,852	36,488	14%
2020	414	42,340	5,820	36,520	14%
2019	409	42,340	6,405	35,935	15%
2018	406	42,340	5,709	36,631	13%
2017	404	42,340	7,424	34,916	18%
2016	398	42,340	6,868	35,472	16%
2015	398	42,340	6,378	35,962	15%
2014	397	42,340	6,020	36,320	14%

Notes:

Annual line capacity is measured at the entrance to the City of Medford Wastewater Treatment Plant. All flows into the treatment plant come through the District's interceptor system.

Annual transported in millions of gallons is also measured at the entrance of the Wastewater Treatment Plant on a calendar year basis. Data is provided at:

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COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR

REQUIRED BY STATE REGULATIONS



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE REGULATIONS

To the Board of Directors
Rogue Valley Sewer Services
Jackson County, Oregon

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We have audited the basic financial statements of Rogue Valley Sewer Services ("RVS"), as of and for the year ended June 30, 2023, and have issued our report thereon dated January 24, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance

Compliance with laws, regulations, contracts and grants applicable to RVS is the responsibility of RVS' management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of RVS' compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe RVS 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 RVS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RVS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RVS' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and do not provide an opinion on the effectiveness of RVS' internal control or compliance. This report is intended for the information of RVS' board of directors and the Secretary of State, Division of Audits, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.



By Paul Nielson, a member of the firm
for Isler CPA
January 24, 2024