

**WEST SLOPE  
WATER DISTRICT  
WASHINGTON COUNTY, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**



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WATER DISTRICT  
WASHINGTON COUNTY, OREGON**

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**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**



**PREPARED BY  
LUCY DAWES**

**WEST SLOPE WATER DISTRICT**  
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*For the Years Ended June 30, 2015 and 2014*

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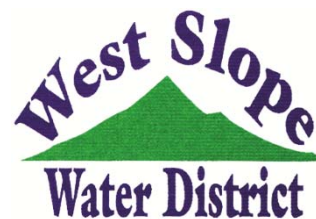
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December 4, 2015



Board of Commissioners  
Citizens of West Slope Water District  
Portland, Oregon

To: The Board of Commissioners and Citizens

In accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of the West Slope Water District (District) for the fiscal year ended June 30, 2015 is hereby submitted. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The report is designed in a manner to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

Grove, Mueller & Swank PC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the West Slope Water District's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report. Immediately following, the reader will find management's discussion and analysis (MD&A) that provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Description of the Reporting Entity**

The West Slope Water District provides domestic water service to residential and commercial customers as well as water for fire protection. The District is located in eastern Washington County, Oregon with a current service area of approximately three-and-one-half square miles and over 10,000 residents. Washington County is located in northwestern Oregon, and one of the counties that comprise the Portland Metropolitan Statistical Area. The District was formed in 1922, operating as authorized by Oregon Revised Statutes Chapter 264. The District is not a component of any other entity, nor does the District have potential component units, as defined by the Governmental Accounting Standards Board. A five-member Board of Commissioners, elected to overlapping four-year terms of office governs the district. The Board of Commissioners set policy and appoint a General Manager, who is charged with management of the District.

The District is organized into two units reporting to the General Manager. Three Water Works Operators report directly to the Foreman. The Customer Service and Accounting Specialist reports directly to the Finance and Customer Service Manager. All staff report to the General Manager.

An adopted final budget is required of the District no later than the close of the preceding fiscal year. The annual budget is intended to serve as a financial plan, operational plan, and operations guide for the District's activities. The District maintains accounting records by fund. The budget is prepared and adopted by fund. Most budget changes after adoption require a resolution by the Board of Commissioners.

## **Water System and Supply**

West Slope Water District is a wholesale water customer of the City of Portland. The District Board of Commissioners signed a 20-year purchase agreement with the City of Portland effective July 1, 2006, securing water resources from the Bull Run Watershed and Columbia South Shore well fields through June 30, 2026.

The District is fortunate to have a backup intertie with the Tualatin Valley Water District (TVWD). The intertie supplies the District with on-demand water supply for emergencies and scheduled maintenance. District staff monitors the intertie with Supervisory Control and Data Acquisition (SCADA) controls.

The District's transmission and distribution system totals 30 miles of water main ranging in size from 2 to 18 inches in diameter. The District's distribution system contains one 2.25 million gallon concrete reservoir, one 3 million gallon concrete reservoir and one 0.8 million gallon steel tank. All reservoirs are covered and secured. The District maintains over 450 hydrants, 800 valves, and 3,200 water meters.

The City of Beaverton withdrew approximately 5% of the District's service territory in May 2009. The District and the City of Beaverton finalized an Intergovernmental Agreement (IGA) on May 18, 2011 for debt service and unclaimed water reimbursement. Additional information about the IGA with the City of Beaverton can be found in the Notes to the Financial Statement on page 32.

## **Local Economy**

Because of the unique focus of a special district, the information presented in the financial statements may be best understood when considered from the perspective of the specific environment within which the District operates. Almost all the District's operating revenues are from the sale of water to residential and commercial customers. Water sales are dependent on weather conditions as it affects the need for landscape irrigation for both residential and commercial customers. We also anticipate that future water sales will continue to be influenced by weather conditions and the District has financial reserves to mitigate adverse impacts from these normal variations. In addition, the District closely monitors water sales and water usage.

The District serves an area fully developed with minimal vacant land. The development experienced is generally in-fill. The expected growth for the District's service territory is minimal, at 0.3 percent. The majority of the District's service territory is residential.

The District receives revenues from the assessment of System Development Charges (SDC). This revenue source is statutorily restricted to be used for purchase or construction of new or expansion of existing facilities, improvements, and land within the District. The SDC ordinance requires annual indexing of the charges to avoid large increases. Annually, the board updates the SDC fee based on the Seattle Construction Index as published in the Engineering New Record. Effective February 1, 2015 the SDC for a standard residential meter (5/8 x 3/4) is \$3,127. Additional SDC fee historical data is located in the Statistical Section on page 48.

In fiscal year 2015 the District used SDC funds to pay one bond debt payment of \$69,928. The District has budgeted to make a similar payment in fiscal year 2016. This does not change how the District calculates debt coverage and related debt covenants. Information about debt covenants is located in the Management Discussion and Analysis on page 11, the Notes to the Financial Statement on pages 21 - 23, and the Statistical Section on page 50. Management regularly monitors water sales, expenses, and debt coverage.

The District's current bond rating by Moody's Global Rating Scale is Aa3. The District has no intentions for future borrowing. The District historically and presently only borrows money to build reservoirs.

## Financial Information

*Long-term financial planning* – The District maintains a Ten Year Water System Master Plan which serves as its planning document to ensure that facilities, equipment, and infrastructure are well maintained and operating in peak condition. The Water System Master Plan was updated and approved by the Board of Commissioners on February 19, 2014. The Master Plan is developed with a team comprised of District staff, and professionals in engineering and finance. Replacement of infrastructure is identified and rated by importance related to critical District operations. A few of the factors in the decision making process are the fire flow capabilities; age and repair history of infrastructure.

*Controls* – The District board and staff have a responsibility to protect the District assets from fraud. With a small finance staff we have addressed the limited separation of duties; a leading fraud prevention measure. The District maintains a system of internal accounting controls that is reviewed annually by management. The controls are designed to safeguard District assets and ensure accurate recording of transactions. District controls include oversight by the District’s board and management of bank reconciliations, issued checks, investments, financial reports, and other District business as necessary. New controls are evaluated to assure their value exceeds their cost to implement.

*Financial Policies* – District staff closely monitors revenues, expenses and debt coverage ratios. The State of Oregon Local Budget Law requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). The debt coverage ratio for FY 2015 is 3.06 with System Development Charges (SDC); this is the best coverage ratio the District has recorded since the bond issuance in FY 2009.

## 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 West Slope Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the ninth year the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Finally, we would like to express our gratitude to Heidi Starks, Manager, Finance and Customer Service, and Lucy Dawes Interim Manager, Finance and Customer Service who contributed to the preparation of this report. Without the efficient and dedicated services of the entire staff, completion of this report, on a timely basis, could not have been accomplished.

In closing, the dedication, commitment, and professional contribution to the financial stability of the District made by the Board of Commissioners must be acknowledged. Their guidance and leadership are of invaluable service to the financial management of the District.

Respectfully Submitted,



Michael Grimm  
General Manager



Government Finance Officers Association

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

Presented to

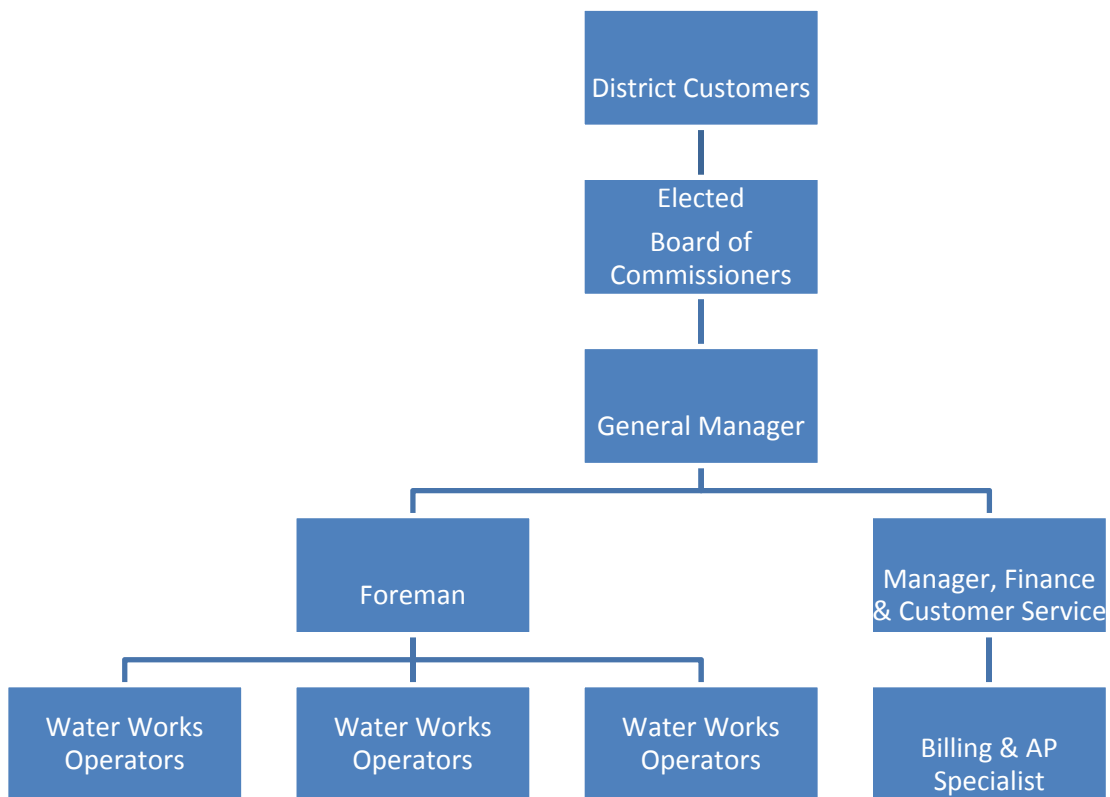
**West Slope Water District  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

## West Slope Water District Organization Structure





**WEST SLOPE WATER DISTRICT**  
**BOARD OF COMMISSIONERS**  
*June 30, 2015*

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<u>Board of Commissioners</u>	<u>Term Expires</u>
Donna Davis, Chair	June 30, 2015
Bruce Hellebuyck, Treasurer	June 30, 2015
Noel Reiersen, Secretary	June 30, 2015
Charlie Conrad	June 30, 2017
Robert W. Rieck	June 30, 2015

Registered Agent  
Michael W. Grimm, P.E.

3105 SW 89<sup>th</sup> Avenue  
P.O. Box 25140  
Portland, Oregon 97298



## **GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT***

Board of Commissioners  
West Slope Water District  
Portland, Oregon

#### ***Report on the Financial Statements***

We have audited the accompanying statements of net position of West Slope Water District (the District), as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of West Slope Water District as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in the notes to the financial statements, the District adopted the accounting requirements of Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which resulted in the restatement of beginning balances for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the District's basic financial statements. The other supplementary information, introductory section and statistical section, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

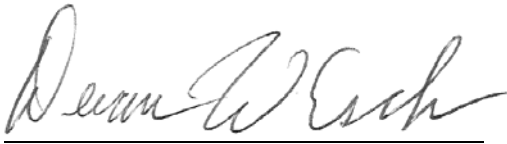
The other supplementary information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Report on Other Legal and Regulatory Requirements***

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 4, 2015, on our consideration of the District's 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.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By: 

Devan W. Esch, A Shareholder

December 4, 2015

**West Slope Water District  
Management's Discussion and Analysis  
June 30, 2015**

As management of the West Slope Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and financial statements.

**Financial Highlights**

- The District's total net position exceeded its liabilities at the close of the most recent fiscal year by \$9,186,697 (*net position*). Of this amount, \$3,331,642 (unrestricted assets) may be used to meet the District's obligations to its creditors.
- The District's net position after an accumulative adjustment for change in accounting principle increased by \$589,030 or 6.9%. Unrestricted assets increased \$725,130 or 27.8%.
- The District's long term-debt decreased by \$217,385 during the current fiscal year.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the West Slope Water District's basic financial statements. The District is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and accrual basis of accounting. The District's basic financial statements are comprised of four components; 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Basic Financial Statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position presents information, showing how the District's assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Statement of Cash Flows shows the sources and uses of cash. It details cash flows from the operating activities, capital and related financing activities and investing activities. The Notes to the Financial Statements beginning on page 16 provide additional information essential to a full understanding of the data provided in the financial statements.

## Financial Analysis

### Net Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As shown below in Table 1, the District's net position exceeded liabilities by \$9.2 million this current fiscal year, \$8.6 million at the close of the prior fiscal year, and \$8.1 million at the close of fiscal year 2013.

By far the largest portion of the District's net position reflects the investment in capital assets (e.g. land, buildings, equipment, reservoirs, and pipelines), less any related outstanding debt that was used to acquire those assets. The District uses these assets to provide water services to ratepayers; consequently, these assets are not available for future spending.

**Table 1**  
**Net Position**  
**FY 2015 – FY 2013**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Difference 2014-2015</b>	<b>Percent Change</b>
Current and other assets	\$ 3,940,868	\$ 3,028,225	\$ 2,503,177	\$ 912,643	30.1%
Capital assets	9,458,152	9,776,310	10,052,770	(318,158)	-3.3%
Total Assets	13,399,020	12,804,535	12,555,947	594,485	
Deferred outflows of resources	116,101	-	-	116,101	100.0%
Total Assets & Deferred Outflows of Resources	13,515,121	12,804,535	12,555,947	710,586	5.5%
Current Liabilities	461,806	455,786	491,535	6,020	1.3%
Noncurrent Liabilities	3,542,119	3,751,082	3,956,404	(208,963)	-5.6%
Total Liabilities	4,003,925	4,206,868	4,447,939	(202,943)	
Deferred Inflows of Resources	324,499	-	-	324,499	100.0%
Total Liabilities & Deferred Inflows of Resources	4,328,424	4,206,868	4,447,939	121,556	2.9%
Net Investment in Capital Assets	5,762,949	5,863,722	5,932,798	(100,773)	-1.7%
Restricted for Capital Projects	92,106	127,433	162,634	(35,327)	-27.7%
Unrestricted	3,331,642	2,606,512	2,012,576	725,130	27.8%
Total Net Position	\$ 9,186,697	\$ 8,597,667	\$ 8,108,008	\$ 589,030	6.9%

*Change in Net Position*

As shown below in Table 2, the District's change in net position for FY 2015 was an increase of \$879,792, which is an increase of 79.7% from prior year. The change in net position for FY 2014 was an increase of \$489,659 or 6.0% from FY 2013. The increases in each year were generated primarily by operating income from water sales that exceeded the related operating expenses.

**Operating Income.** The District generated \$973,434 of operating income for FY 2015, which is an increase of \$394,270 or a 68.1% increase over FY 2014. The FY 2015 water revenue increased proportionally more, \$229,319 or 8.2%, than the decrease in operating expenses, \$164,951 or 7.4%, which results in substantial growth in operating income over the prior fiscal year.

Operating income for FY 2014 was \$579,165 or 3.3% decrease from FY 2013. The water sales decreased \$175,076 or 5.9% in FY 2014 compared to FY 2013. Operating expenses decreased for 2014 in the amount of \$155,526 or 6.5%. The primary driver of the change in operating expenses was decreased water purchases.

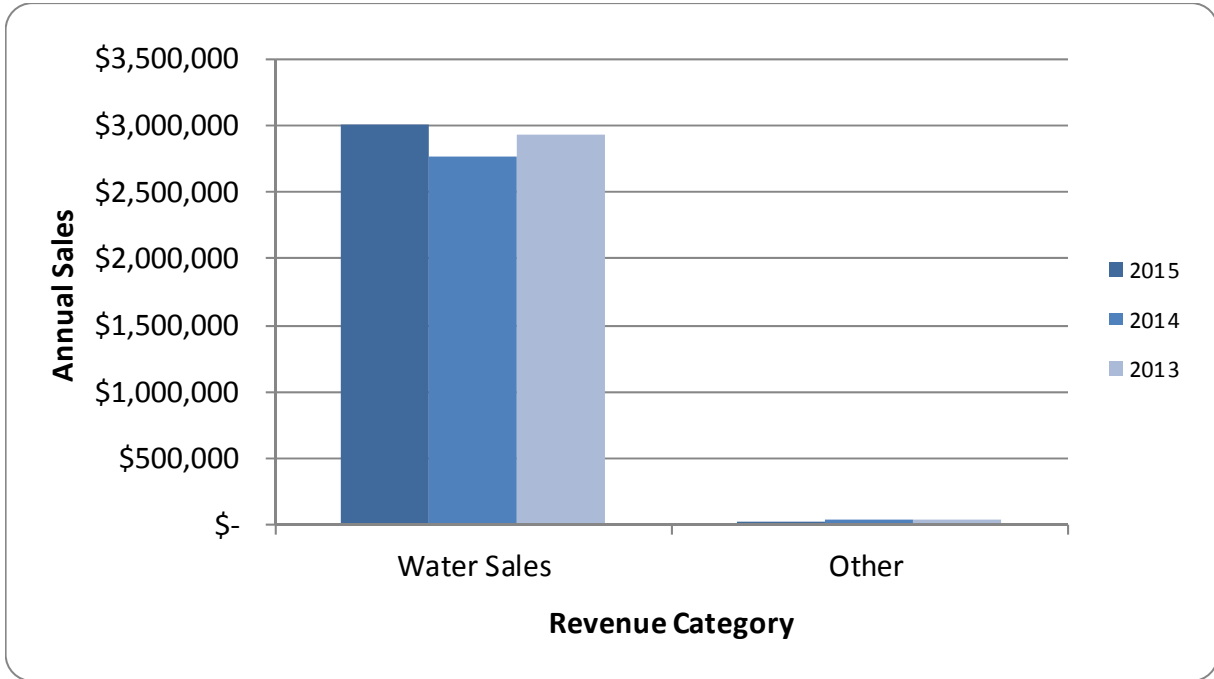
**Table 2  
Change in Net Position  
FY 2015 – FY 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Difference 2014-2015</u>	<u>Percent Change</u>
<b>OPERATING REVENUES:</b>					
Water and other services	\$ 3,030,741	\$ 2,801,422	\$ 2,976,499	\$ 229,319	8.2%
<b>OPERATING EXPENSES:</b>					
Personnel services	552,034	739,154	729,020	(187,120)	-25.3%
Water purchases	877,072	824,241	1,009,564	52,831	6.4%
Materials and services	283,460	319,139	308,325	(35,679)	-11.2%
Depreciation and Amortization	344,741	339,724	330,875	5,017	1.5%
Total operating expenses	<u>2,057,307</u>	<u>2,222,258</u>	<u>2,377,784</u>	<u>(164,951)</u>	-7.4%
Operating income	973,434	579,164	598,715	394,270	68.1%
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	11,582	9,473	7,974	2,109	22.3%
Interest expense	(139,354)	(146,790)	(153,923)	7,436	-5.1%
Gain on trade-in of assets	-	10,000	10,200	(10,000)	
Net Non-operating Revenue (Expenses)	<u>(127,772)</u>	<u>(127,317)</u>	<u>(135,749)</u>	<u>(455)</u>	-0.4%
<b>CAPITAL CONTRIBUTIONS:</b>	<u>34,130</u>	<u>37,812</u>	<u>38,859</u>	<u>(3,682)</u>	0.0%
<b>CHANGE IN NET POSITION:</b>	879,792	489,659	501,825	390,133	79.7%
<b>NET POSITION, Beginning of year, as originally stated</b>	8,597,667	8,108,008	7,720,719	489,659	6.0%
<b>Accumulative adjustment for change in accounting principal</b>	<u>(290,762)</u>	-	<u>(114,536)</u>	<u>(290,762)</u>	
<b>NET POSITION, Beginning of year, as restated</b>	<u>8,306,905</u>	<u>8,108,008</u>	<u>7,606,183</u>	<u>198,897</u>	2.5%
<b>NET POSITION, ENDING</b>	<u>\$ 9,186,697</u>	<u>\$ 8,597,667</u>	<u>\$ 8,108,008</u>	<u>\$ 589,030</u>	6.9%

The net position at July 1, 2014 was restated for the implementation of GASB #68 and GASB #71 relating to the accounting and reporting of pension plans.

The net position at July 1, 2012 was restated for the implementation of GASB #65, relating to bond issuance costs.

**Figure 1  
Operating Revenue Comparison  
FY 2015 – FY 2013**

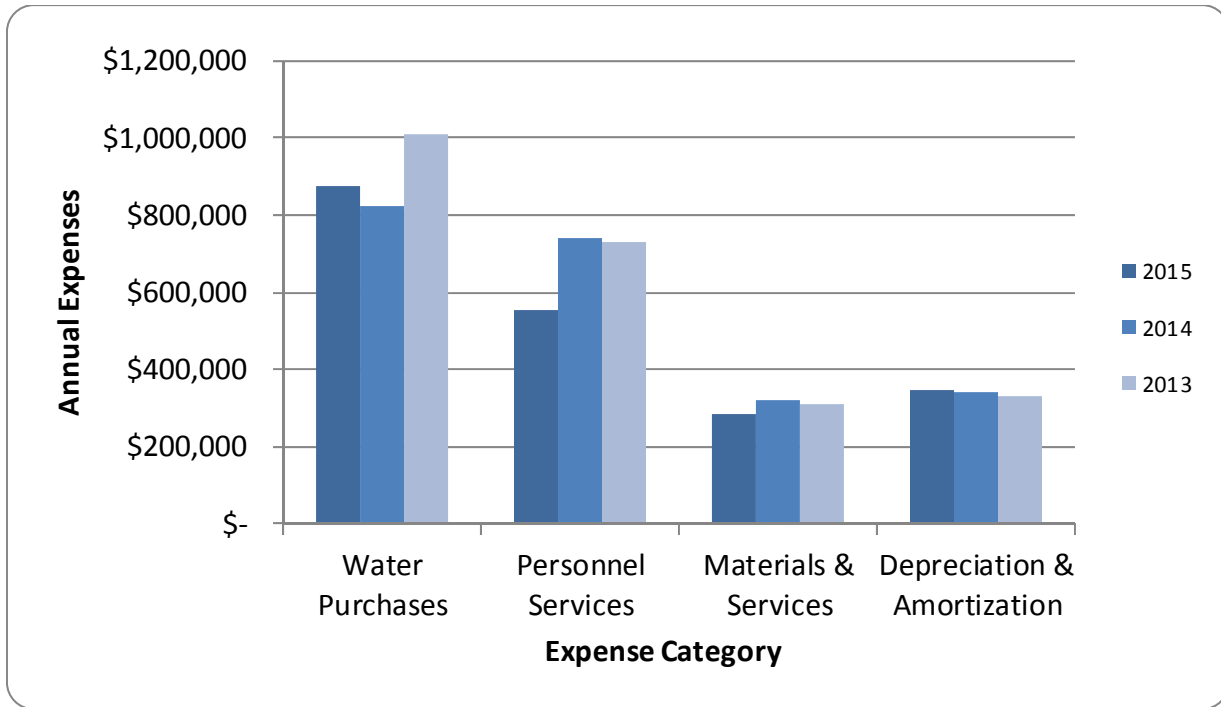


**Operating Revenues.** The District’s FY 2015 operating revenue increased by \$229,319 or 8.2% due to an increase in water sales revenue of \$233,904 or 8.45% compared to FY 2014. Operating revenues for FY 2014 decreased by \$175,076 or 5.9% due to decreased water sales revenue of \$169,242 or 5.76% compared to FY 2013. The District revenue increase was due to a dry and warm summer in FY 2015, which typically influences outdoor watering for irrigation. Furthermore, the District increased monthly service charges 7.8% under Board Resolution 06-2014, which was effective November 1, 2014.

The *Other Revenue* category in Figure 1 above is \$29,381 in FY 2015 a decrease of \$4,585 or 13.5% compared to \$33,966 in FY 2014, which was primarily due to reduced penalties charged in FY 2015. FY 2014 declined \$5,834 or 14.66% from FY 2013, which was \$39,801 and included proceeds related to scrap meter sales.



**Figure 2  
Operating Expense Comparison  
FY 2015 – FY 2013**



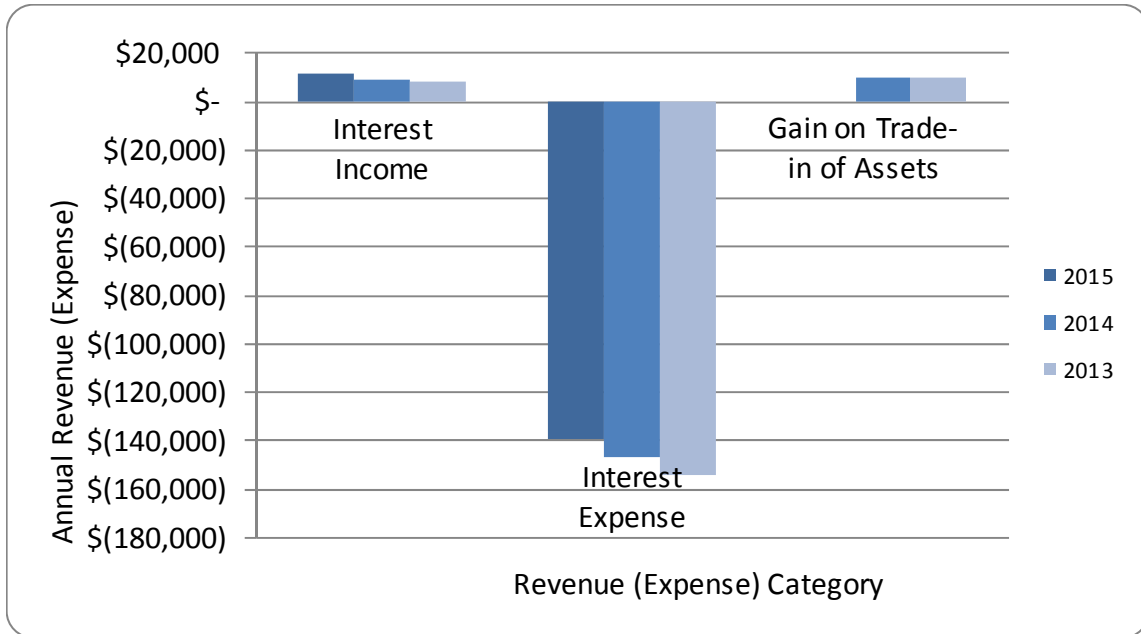
Operating Expenses. Total operating expenses for FY 2015 decreased \$164,951 or 7.4% from FY 2014. Total operating expenses for FY 2014 decreased \$155,526 or 6.5% from FY 2013.

Water purchased by the District is the largest single expense and increased \$52,831 or 6.41% from the prior fiscal year. In FY 2014 water purchased decreased \$185,323 or 18.4% from FY 2013. As mentioned in the Letter of Transmittal, the District purchases water from the City of Portland and has a backup intertie with Tualatin Valley Water District. The District has a 20-year wholesale water contract with the City of Portland which includes a minimum purchase requirement and cost variables based on water demand characteristics, capital projects, and borrowing costs. The wholesale contract began the first day of FY 2007 (July 1, 2006).

Personnel services for FY 2015 decreased in the amount of \$187,120 or 25.3% from FY 2014. The District's personnel services expense for FY 2014 increased \$10,134 or 1.4% over FY 2013. The decrease of personnel expense for FY 2015 from FY 2014 is primarily related to the application of the provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions* from the Governmental Accounting Standards Board. This pronouncement included a restatement of the beginning net position for the fiscal year and an adjustment to the current year pension expense based on the results of the actuarial study. Additional information about the District pension can be found in the Notes to the Financial Statements on page 27.

The operating expense category materials and services decreased \$35,679 or 11.2% compared to a FY 2014 increase of 3.5% or \$10,814 over FY 2013. The FY2015 decrease is the result of a prior year water main break that required significant roadbed repair of nearly \$40,000, which did not occur in the FY 2015 .

**Figure 3  
Non-operating Revenue (Expense) Comparison  
FY 2015 – FY 2013**



Non-operating Revenues (Expenses). Total non-operating revenues (expenses) decreased \$455 or 0.36% in FY 2015 from the previous fiscal year. FY 2015 interest expense declined \$7,436, or 5.1% and interest income increased \$2,109, or 22.3% and were offset by the non-repeat of the FY 2014 \$10,200 gain on trade-in of assets.

FY 2014 total non-operating revenues (expenses) decreased \$8,432 or 6.21% from FY 2013. FY 2014 interest expense decreased \$7,133 or 4.6% and interest income increased \$1,499 or 18.8% compared to FY 2013. FY 2014 and FY 2013 both experienced gain on trade-in of assets at \$10,000 and \$10,200, respectively.

The minimal interest income increases described above for the District are due to a continued low return on slightly increasing investment balances year-over-year. The District invests available funds with the State of Oregon Local Government Investment Pool. Investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council.

Interest expense for the District continues to decline year-over-year as outlined above, due to the decline in the outstanding bond balance.

**Table 3**  
**Total Revenues and Total Expenses**  
**FY 2015 – FY 2013**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Difference 2014-2015</b>	<b>Percent Change</b>
Operating Revenues	\$ 3,030,741	\$ 2,801,422	\$ 2,976,499	\$ 229,319	8.2%
Non-operating Revenues	11,582	19,473	18,174	(7,891)	-40.5%
<b>Total Revenues</b>	<b>\$ 3,042,323</b>	<b>\$ 2,820,895</b>	<b>\$ 2,994,673</b>	<b>\$ 221,428</b>	<b>7.8%</b>
Operating Expenses	\$ 2,057,307	\$ 2,222,258	\$ 2,377,784	\$ (164,951)	-7.4%
Non-operating Expenses	139,354	146,790	153,923	(7,436)	-5.1%
<b>Total Expenses</b>	<b>\$ 2,196,661</b>	<b>\$ 2,369,048</b>	<b>\$ 2,531,707</b>	<b>\$ (172,387)</b>	<b>-7.3%</b>

*Total Revenues and Expenses*

Total FY 2015 revenues and expenses for the District are shown in Table 3. Total revenues increased \$221,428 or 7.8% over FY 2014. Total expenses decreased \$172,387 or 7.3% from the previous fiscal year. Total revenues decreased \$163,577 or 5.5% for FY 2014 compared to FY 2013. Total expenses decreased \$162,659 or 6.4% for FY 2014 compared to FY2013.

**Capital Assets and Debt Administration**

*Capital Assets Activity*

West Slope Water District's capital assets, net of depreciation as of June 30, 2015 are \$9,458,152. The District's capital assets included \$44,724 in land, \$6,105 of construction in progress and \$9,407,323 in buildings, reservoirs, pipelines, automotive and construction equipment, net of accumulated depreciation. The total decrease in the District's investment in capital assets (net of accumulated depreciation) for the FY 2015 was \$318,158 or 3.3% from FY 2014.

The District continued to invest in radio read meter technology in FY 2015 in the amount of \$12,584. The District began investing in radio read meters in FY 2006. The initial focus of installation was in the most hazardous conditions, such as Hwy 8 and Hwy 10 and other high traffic streets. In FY 2008 the focus of installation shifted to the residential roads that are difficult to navigate and those with other safety hazards.

**Figure 4**  
**Distribution of Capital Assets**  
**FY 2015**

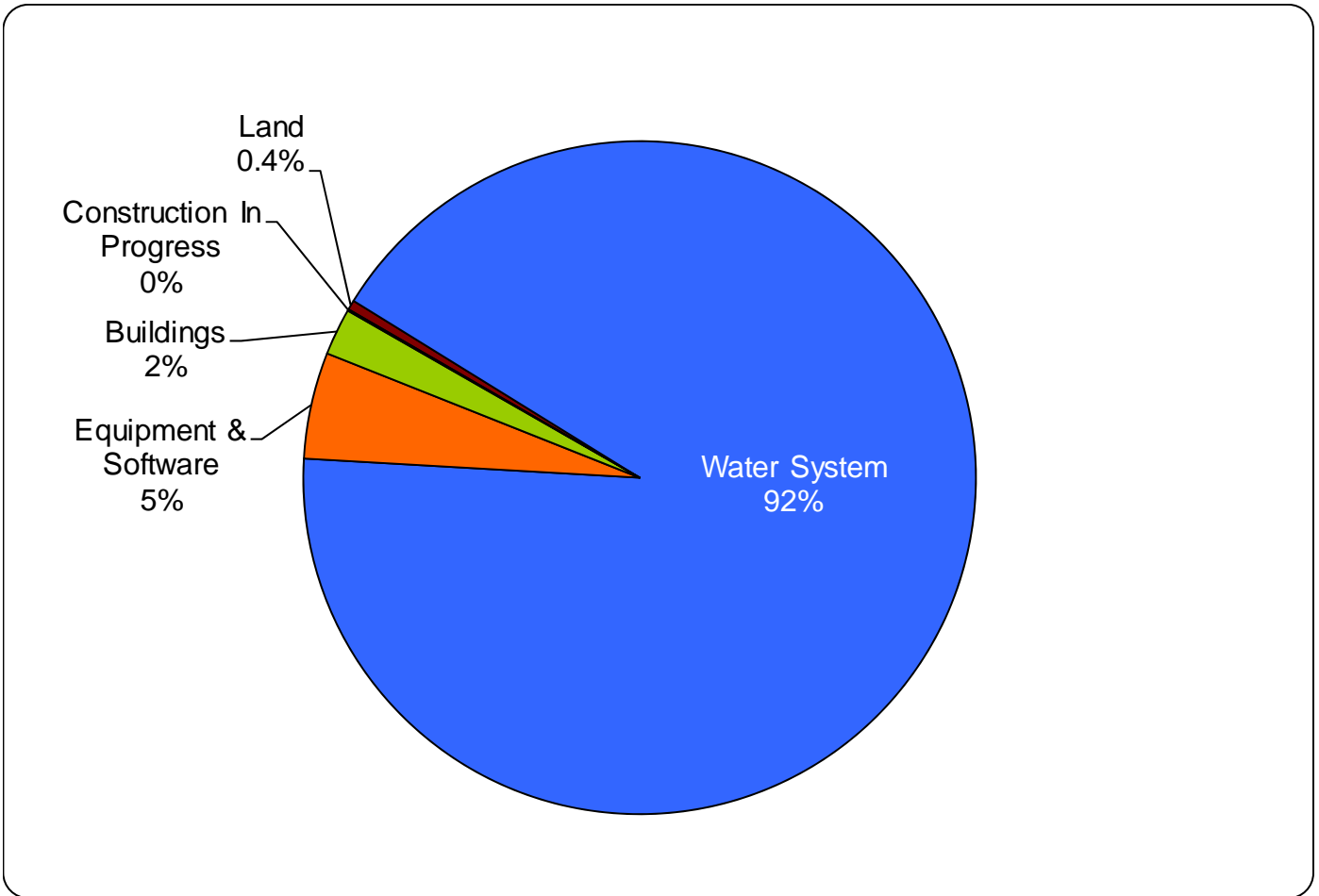


Figure 4 above shows the District’s capital asset categories and their portion (percentage) of the District’s total asset value in FY 2015. Additional information on the District’s capital assets can be found on pages 20 and 21 in the Notes to the Financial Statements.

*Long-Term Debt Activity*

On June 30, 2015 the West Slope Water District had a total outstanding bonded indebtedness of \$3.7 million as shown in Table 4 below. The District issued the water revenue bond to finance capital improvements, most importantly a new 3 million gallon water reservoir replacing the failing Reservoir 1. The bond matures during FY 2029 and is insured with Financial Security Assurance Inc. (FSA). The District has an underlying rating from Moody’s of Aa3.

On January 16, 2008 the Board of Commissioners adopted the master resolution including covenants to maintain annual net operating revenues that equal or exceed 1.25 times revenue bond debt service for the fiscal year and at least 1.15 times debt service less system development charges collected during the fiscal year. As of fiscal year-end 2015 the District maintained compliance with its water revenue bond coverage requirements as defined in the master resolution, net operating revenues plus SDC revenue totaled \$1,097,705 or 3.06 times debt service.

**Table 4**  
**Outstanding Revenue Bond Debt**  
**FY 2015 – FY 2013**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue Bond	\$ 3,695,203	\$ 3,912,588	\$ 4,119,972

The Notes to the Financial Statements of this report contain more detailed information regarding the status of bonded debt as of June 30, 2015, including schedules of future debt service requirements, beginning on page 21. In addition, further detailed information regarding debt activity is contained in the statistical section of this report beginning on page 53.

*Conditions Affecting Current Financial Position*

Management is unaware of any conditions that would have a significant impact on the District’s financial positions, net position, or operating results in terms of past, present and future.

**Requests for Information**

The financial report is designed to provide a general overview of West Slope Water District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, West Slope Water District, PO Box 25140, Portland, Oregon 97298.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include interrelated sets of financial statements as required by the GASB. In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**WEST SLOPE WATER DISTRICT**  
**WASHINGTON COUNTY, OREGON**  
**STATEMENTS OF NET POSITION**  
*June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and investments	\$ 3,169,549	\$ 2,466,030
Accounts receivable	452,470	370,867
Prepaid expenses	13,392	18,713
Inventories	45,182	45,182
<i>Total Current Assets</i>	<u>3,680,593</u>	<u>2,900,792</u>
<i>Noncurrent Assets</i>		
Restricted cash	92,106	127,433
Net pension asset	168,169	-
Non-depreciable capital assets	50,829	44,724
Depreciable capital assets, net of depreciation	9,407,323	9,731,586
<i>Total Noncurrent Assets</i>	<u>9,718,427</u>	<u>9,903,743</u>
<i>Total Assets</i>	13,399,020	12,804,535
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - contributions to PERS	116,101	-
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	136,885	116,130
Accrued payroll liabilities	44,269	43,556
Customer deposits	17,750	18,595
Current portion of compensated absences	2,937	25,660
Interest payable	34,965	36,845
Current portion of long-term debt	225,000	215,000
<i>Total Current Liabilities</i>	<u>461,806</u>	<u>455,786</u>
<i>Noncurrent Liabilities</i>		
OPEB liability	45,288	40,280
Noncurrent portion of compensated absences	26,628	13,214
Noncurrent portion of long-term debt	3,470,203	3,697,588
<i>Total Noncurrent Liabilities</i>	<u>3,542,119</u>	<u>3,751,082</u>
<i>Total Liabilities</i>	4,003,925	4,206,868
<b>DEFERRED INFLOWS</b>		
Net projected to actual earnings to PERS	324,499	-
<b>NET POSITION</b>		
Net investment in capital assets	5,762,949	5,863,722
Restricted for capital projects	92,106	127,433
Unrestricted	3,331,642	2,606,512
<i>Total Net Position</i>	<u>9,186,697</u>	<u>8,597,667</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 13,515,121</u>	<u>\$ 12,804,535</u>

*The accompanying notes are an integral part of the basic financial statements.*

**WEST SLOPE WATER DISTRICT**  
**WASHINGTON COUNTY, OREGON**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
*For the Fiscal Years Ended June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Water service	\$ 3,001,360	\$ 2,767,456
Service installations	4,072	4,676
Penalties	6,195	9,695
Materials and labor billed	446	340
Miscellaneous	3,019	3,722
Other	15,649	15,533
	<hr/>	<hr/>
<i>Total Operating Revenues</i>	3,030,741	2,801,422
<b>OPERATING EXPENSES</b>		
Salaries and wages	549,040	518,856
Payroll taxes and benefits	2,994	220,298
Water purchases	877,072	824,241
Repair and maintenance	79,226	128,416
Depreciation and amortization	344,741	339,724
Supplies	54,842	48,658
Utilities	18,678	21,817
Administration	57,104	65,407
Professional services	73,610	54,841
	<hr/>	<hr/>
<i>Total Operating Expenses</i>	2,057,307	2,222,258
	<hr/>	<hr/>
<i>Operating Income</i>	973,434	579,164
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	11,582	9,473
Interest expense	(139,354)	(146,790)
Gain on disposition of assets	-	10,000
	<hr/>	<hr/>
<i>Net Non-Operating Revenues (Expenses)</i>	(127,772)	(127,317)
<b>CAPITAL CONTRIBUTIONS</b>	34,130	37,812
	<hr/>	<hr/>
<b>CHANGE IN NET POSITION</b>	879,792	489,659
<b>NET POSITION, Beginning of Year, as originally stated</b>	8,597,667	8,108,008
<b>Accumulative adjustment for change in accounting principle</b>	(290,762)	-
	<hr/>	<hr/>
<b>NET POSITION, Beginning of Year, restated</b>	8,306,905	8,108,008
	<hr/>	<hr/>
<b>NET POSITION, End of Year</b>	<u>\$ 9,186,697</u>	<u>\$ 8,597,667</u>

The accompanying notes are an integral part of the basic financial statements.



**WEST SLOPE WATER DISTRICT**  
**WASHINGTON COUNTY, OREGON**  
**STATEMENTS OF CASH FLOWS**  
*For the Fiscal Years Ended June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 2,948,294	\$ 2,856,899
Payments to employees	(806,155)	(706,654)
Payments to suppliers for goods and services	(1,134,456)	(1,212,917)
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	1,007,683	937,328
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital asset purchases	(26,583)	(53,264)
Debt principal payments	(217,385)	(207,384)
Interest paid	(141,234)	(148,584)
Capital contributions	34,130	37,812
	<hr/>	<hr/>
<i>Net Cash Used by Capital and Related Financing Activities</i>	(351,072)	(371,420)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	11,582	9,473
	<hr/>	<hr/>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	668,193	575,381
 <b>CASH AND INVESTMENTS, Beginning of year</b>	2,593,462	2,018,081
	<hr/>	<hr/>
<b>CASH AND INVESTMENTS, End of year</b>	\$ 3,261,655	\$ 2,593,462
	<hr/> <hr/>	<hr/> <hr/>
 <i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 973,434	\$ 579,164
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation	344,741	339,724
Compensated absences	(9,309)	8,405
Net OPEB Obligation	5,008	6,465
<i>Changes in assets and liabilities</i>		
Accounts receivable	(81,603)	56,327
Prepaid expenses	5,321	(5,997)
Inventories	-	4
Deferred outflows	(28,256)	-
Accounts payable and accrued liabilities	20,755	(63,544)
Accrued payroll liabilities	713	17,630
Customer deposits	(844)	(850)
Net pension liability	(546,776)	-
Deferred inflows	324,499	-
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	\$ 1,007,683	\$ 937,328
	<hr/> <hr/>	<hr/> <hr/>
 <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Value of asset from trade-in	\$ -	\$ 10,000

*The accompanying notes are an integral part of the basic financial statements.*

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the district's accounting policies are described below.

*Description of Reporting Entity*

West Slope Water District is a municipal corporation governed by an elected five member board. The district was organized under provisions of Oregon Revised Statutes Chapter 264 for the purpose of operating a water district. All the District's activities are included in its financial statements. The District has no component units to consider for inclusion in its financial statements.

*Basic Financial Statements Measurement Focus and Basis of Accounting*

The District's accounting records are maintained on a fund accounting basis for budgetary and legal purposes; but, for financial reporting purposes, the financial statements are presented as a unitary enterprise operation, and as such, are reported as a single enterprise fund in the basic financial statements.

The District's 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 balance sheet with the equity section representing "total net position".

Proprietary funds distinguish operating revenues and expenses from non-operating 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 the District are charges to customers for water sales. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Cash and Investments*

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less meet this definition.

The District follows GASB 31, which requires investments to be valued at fair value. The difference between cost and fair value was not material.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accounts Receivable*

Water revenues are recorded when earned. Residential billings are rendered on a monthly cycle and some commercial billings on a monthly cycle. The District accrues estimated revenue for water used by customers, but not yet billed. An allowance for doubtful accounts is reviewed periodically for adequacy using an average of write-offs to water sales applied to the expected sales for the coming year.

*Inventories*

Inventory of materials is valued using the average-costing method of accounting.

*Prepaid Insurance*

Unexpired insurance premiums on policies in effect on June 30, 2015 are recorded as prepaid insurance and are recorded as expenditures when used.

*Restricted Assets and Liabilities*

Assets, the use of which is restricted to specific purposes by state statute, bond indenture, or other outside party, and related liabilities, are segregated on the Statement of Net Position.

*Capital Assets*

Capital assets, which include land and improvements, buildings and improvements, and equipment, are valued at cost. Water systems acquired before June 30, 1954, are valued at estimated cost as determined by a consulting engineer. All subsequent additions to the water systems are valued at cost. Any donated assets are recorded at their estimated fair market value on the date donated.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of capital assets has been recognized and reflected in the basic financial statements. Depreciation is not budgeted under the provisions of local budget law. Depreciation is calculated on the straight-line method based upon the estimated useful lives of the assets.

Asset	Years
Water Systems	50
Buildings & Improvements	39
Equipment & Software	5 - 20

Monthly depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Vacation and Sick Pay*

Vacation pay is vested when earned. Employees earn annual leave based on length of service to the District. Unpaid vested vacation is shown as vested compensated absences on the statement of net position and recorded as an expense when earned. Sick pay does not vest and is recorded as expense when paid.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The District reports deferred outflow of resources related to pensions for contributions made after the June 30, 2014 measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement, *deferred inflows*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The District reports deferred inflows related to pension for changes in projected earnings versus actual earnings and contribution versus proportionate share of contributions.

*Long-term Obligations*

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

*Retirement Plans*

District employees participate in the Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expense as funded.

*Use of Estimates*

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

*Net Position*

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories.

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Net Position (Continued)*

Restricted consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted consists of the remaining net position that is not included in the other categories previously mentioned.

**CASH AND CASH EQUIVALENTS**

At June 30, 2015, investments included in cash and cash equivalents consisted of:

	<u>Weighted Average Maturity (Years)</u>	<u>Cost/ Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	<u>0.00</u>	<u>\$2,480,488</u>

At June 30, 2014, investments included in cash and cash equivalents consisted of:

	<u>Weighted Average Maturity (Years)</u>	<u>Cost/ Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	<u>0.00</u>	<u>\$1,993,875</u>

*Interest Rate Risk*

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

*Credit Risk*

State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The District has no investment policy that would further limit its investment choices.

*Concentration Of Credit Risk*

The District does not currently have an investment policy for concentration of credit risk. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company and is unrated.

**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015 and 2014**

**CASH AND CASH EQUIVALENTS (Continued)**

*Custodial Credit Risk – Deposits*

This is the risk that in the event of a bank failure, the District’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District’s deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2015, all of the District’s bank balances were covered by FDIC insurance.

**ACCOUNTS RECEIVABLE – WATER SERVICE**

The District bills water users monthly. The water service receivable at June 30, 2015 and 2014 was \$417,099 and \$337,176 respectively. At June 30, 2015 and 2014 the District had no recorded allowance for uncollectible accounts.

**CAPITAL ASSETS**

The changes in Capital Assets for the year ended June 30, 2015 are summarized below:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 44,724	\$ -	\$ -	\$ 44,724
Construction in progress	-	6,105	-	6,105
Total capital assets, non-depreciable	44,724	6,105	-	50,829
<b>Capital assets, depreciable:</b>				
Buildings	335,888	7,894	-	343,782
Water Systems	13,375,399	-	-	13,375,399
Equipment	826,048	12,585	(9,400)	829,233
Total capital assets, depreciable	14,537,335	20,479	(9,400)	14,548,414
<b>Less: accumulated depreciation</b>				
Buildings	(121,341)	(9,624)	-	(130,965)
Water Systems	(4,394,548)	(270,011)	-	(4,664,559)
Equipment	(289,860)	(65,106)	9,400	(345,566)
Total accumulated depreciation	(4,805,749)	(344,741)	9,400	(5,141,091)
Net depreciable capital assets	9,731,586	(324,262)	-	9,407,323
<b>Net capital assets</b>	<b>\$ 9,776,310</b>	<b>\$ (318,157)</b>	<b>\$ -</b>	<b>\$ 9,458,152</b>

**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

**CAPITAL ASSETS (Continued)**

The changes in Capital Assets for the year ended June 30, 2014 are summarized below:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 44,724	\$ -	\$ -	\$ 44,724
Construction in progress	2,245	-	(2,245)	-
Total capital assets, non-depreciable	46,969	-	(2,245)	44,724
<b>Capital assets, depreciable:</b>				
Buildings	335,888	-	-	335,888
Water Systems	13,368,649	6,750	-	13,375,399
Equipment	787,039	58,759	(19,750)	826,048
Total capital assets, depreciable	14,491,576	65,509	(19,750)	14,537,335
<b>Less: accumulated depreciation</b>				
Buildings	(112,375)	(8,966)	-	(121,341.00)
Water Systems	(4,125,212)	(269,336)	-	(4,394,548.00)
Equipment	(248,188)	(61,422)	19,750	(289,860.00)
Total accumulated depreciation	(4,485,775)	(339,724)	19,750	(4,805,749)
Net depreciable capital assets	10,005,801	(274,215)	-	9,731,586
<b>Net capital assets</b>	<b>\$ 10,052,770</b>	<b>\$ (274,215)</b>	<b>\$ (2,245)</b>	<b>\$ 9,776,310</b>

The cost of certain water mains and service installations since July 1, 1973 has been financed by contributions from persons requesting the extensions. Records are not adequate to determine amounts prior to July 1, 1973.

**LONG-TERM DEBT**

During the year ended June 30, 2015, long-term liability activity was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>	<i>Due within one year</i>
Bonds	\$ 3,880,000	\$ -	\$ (215,000)	\$ 3,665,000	\$ 225,000
Bond premiums	32,588	-	(2,385)	30,203	-
Total bonds payable	3,912,588	-	(217,385)	3,695,203	225,000
Compensated absences	38,874	-	(9,309)	29,565	2,937
Total long-term liabilities	\$ 3,951,462	\$ -	\$ (226,694)	\$ 3,724,768	\$ 227,937

**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

**LONG-TERM DEBT (Continued)**

During the year ended June 30, 2014, long-term liability activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds	\$ 4,085,000	\$ -	\$ (205,000)	\$ 3,880,000	\$ 215,000
Bond premiums	34,972	-	(2,384)	32,588	-
Total bonds payable	4,119,972	-	(207,384)	3,912,588	215,000
Compensated absences	30,469	31,257	(22,852)	38,874	25,660
Total long-term liabilities	<u>\$ 4,150,441</u>	<u>\$ 31,257</u>	<u>\$ (230,236)</u>	<u>\$ 3,951,462</u>	<u>\$ 240,660</u>

*Water Revenue Bonds*

In February 2008, the District issued \$5,000,000 of revenue bonds to finance the costs of additions, replacements, expansions and/or improvements to the District's water system. The District pledges income derived from the constructed assets to pay for the debt. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Reservoir 3	3.5% - 4%	\$5,000,000

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Revenue Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 225,000	\$ 135,356	\$ 360,356
2017	230,000	126,256	356,256
2018	240,000	116,856	356,856
2019	250,000	107,681	357,681
2020	260,000	98,756	358,756
2021-2025	1,450,000	340,845	1,790,845
Thereafter	1,010,000	61,397	1,071,397
	3,665,000	\$ 987,147	\$ 4,652,147
Bond premium	30,203		
	<u>\$ 3,695,203</u>		



**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

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**LONG-TERM DEBT (Continued)**

The interest rate for the revenue bond debt service is as follows:

<u>Periods Ending</u>	<u>Interest Rate</u>
2009-2015	3.500%
2016-2018	4.000%
2019-2020	3.500%
2021-2022	3.650%
2023-2024	3.750%
2025-2026	3.875%
2027-2028	4.000%

*Covenants*

The bonds are subject to certain operational and financial requirements which include financial reporting, maintaining insurance, complying with all safety and environmental regulations, restrictions on the sale or transfer of property, and restrictions on the minimum rates charged for water. In addition, the District has three primary financial covenants. The District must establish and maintain rates and fees in connection with the operation of the water system which when combined with other gross revenues, are adequate to generate net revenues at least equal to 125% of the annual debt service, net revenue (excluding SDC revenues) at least equal to 115% of the annual debt service and net revenue of 100% of the annual debt service after subtracting annual debt service from net revenues due in the fiscal year. The District met these financial requirements for the years ended June 30, 2015 and 2014.

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The District does not have a formal post-employment benefits plan for its employees; however, the District allows retirees to continue health insurance coverage for themselves and their qualified dependents at the same rates as active employees, until they become eligible for Medicare, as required by ORS 243.303. Retirees' electing to remain on the District's sponsored health care plan pay the entire premium to maintain coverage. Although the District does not pay any portion of the retiree premium there is an implicit subsidy with respect to the retired employee as the medical premium rates charged are less than if the retiree were in a separately rated health care plan. Actual medical premium rates are determined by blending both active employee and retiree experience. At June 30, 2015, the District has 6 active participants and no retired employees.

*Funding Policy*

Retirees pay the entire cost of the premium at blended rates. The District's only contribution is the implicit rate subsidy which continues to be financed on a pay-as-you-go basis. The current monthly health care premium for plan members at June 30, 2015 is:

Single	\$484.63
Couple	\$969.73
Family	\$1,381.21

**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) determined by the actuary. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost and net OPEB obligation at June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 9,382	\$ 9,065
Interest on Net OPEB Obligation	1,611	1,353
Adjustment to ARC	(1,534)	(1,246)
Annual OPEB Cost	<u>9,459</u>	<u>9,172</u>
Contributions made	<u>(4,451)</u>	<u>(2,707)</u>
Increase in Net OPEB Obligation	5,008	6,465
Net OPEB Obligation – beginning of year	<u>40,280</u>	<u>33,815</u>
Net OPEB Obligation – end of year	<u><u>\$ 45,288</u></u>	<u><u>\$ 40,280</u></u>

For fiscal year 2015, the District's annual OPEB cost was \$9,459. Contributions made of \$4,451 were equal to the pay-as-you-go amount and represent 47% of the annual OPEB cost. The required contribution was based on a July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method with accrued benefits allocated in equal proportion over the participant's year of service from hire to expected retirement. The actuarial assumptions include an inflation assumption rate of 4.0%, projected salary increases of 3.5%, and a healthcare cost trend rate of 8% for 2012 grading down over ten years to 5%. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized over an open period of 30 years as a level percentage of payroll.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 9,459	47%	\$ 45,288
6/30/2014	9,172	30%	40,280
6/30/2013	8,870	12%	33,815

As of July 1, 2012, the plan was zero percent funded as the plan is operated on a pay-as-you-go basis. The estimated actuarial accrued liability for benefits was \$76,452, and the actuarial value of assets was \$0, resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$76,452. The annual payroll of active employees covered by the plan during fiscal year 2015 was \$553,341 and the ratio of the UAAL to the covered payroll was 13.82%.

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on types of benefits provided at the time of valuation and the pattern of cost-sharing between the employer and plan members to that point. Actuarial calculations reflect a long-term prospective, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

*Retirement Health Insurance Account (RHIA)*

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

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represent a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2015 and June 30, 2014 equaled the required contributions.

**DEFERRED COMPENSATION**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all district employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, are held in trust by the plan administrator for the sole benefit of the participants.

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

*Plan Description*

Substantially all District employees are members in the Oregon Public Employees Retirement System (OPERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS produce an independently audited CAFR which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

*Benefits Provided*

*Tier One/Tier Two Retirement Benefit*

*Pension Benefits.* The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981), or a money match computation, if a greater benefit results.

A member is considered vested and will be eligible at a minimum retirement age for a service retirement allowance if he or she has had contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

*Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

*Tier One/Tier Two Retirement Benefit*

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

*Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefit regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

*Benefits Provided (Continued)*

*Tier One/Tier Two Retirement Benefit (Continued)*

*Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

*OPSRP Pension Program*

*Pension Benefits.* The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by formula for members who attain normal retirement age. For general service members, 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

*Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives, for life, 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

*Benefit Changes After Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

*Contributions*

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The District's contribution rates for the period were 19.75% for Tier One/Tier Two members, and 16.62% for OPSRP General Service members. The District's total contribution, exclusive of the 6% "pick-up," was \$102,394.

Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The District has elected not to contribute the 6% "pick-up" of the employees' contribution.

**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

*Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the District reported an asset of \$168,169 for its proportionate share of the OPERS net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was 0.742%, which is unchanged from its proportion measured as of June 30, 2013.

The Oregon Supreme Court (Court) ruled on April 30, 2015 that certain provisions of Senate Bill (SB) 861, signed into law in October 2013, were unconstitutional. SB 861 included provisions that limited post-retirement COLA on benefits accrued prior to the signing of the law. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension asset/liability proportionate shares calculated by OPERS.

For the year ended June 30, 2015, the District recognized pension income of \$148,139. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Net difference between projected and actual earnings on investments	\$ -	\$ 324,499
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,707	-
Contributions subsequent to measurement date	102,394	-
Total	<u>\$ 116,101</u>	<u>\$ 324,499</u>

Deferred outflows of resources related to pensions of \$116,101 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

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**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

*Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

<i>Fiscal Year Ending June 30,</i>		
2016	\$	78,145
2017		78,145
2018		78,145
2019		78,145
2020		(1,788)
Total	\$	310,792

*Actuarial Methods and Assumptions*

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75%
Investment Rate of Return	7.75%
Projected Salary Increases	3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service

**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

*Actuarial Methods and Assumptions (Continued)*

Mortality

Healthy retirees and beneficiaries:

RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.

Active members:

Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.

Disabled retirees:

Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 experience study which reviewed experience for the four-year period ending on December 31, 2012.

*Long-Term Expected Rate of Return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.



**WEST SLOPE WATER DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
*June 30, 2015 and 2014*

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**PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

*Long-Term Expected Rate of Return (Continued)*

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation - Mean		2.75

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate*

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 356,122	\$ (168,169)	\$ (611,597)

***PENSION PLAN – OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)***

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

***LAND USE AGREEMENT***

In June 1994, the District transferred property to the Tualatin Hills Park and Recreation District for the purpose of a neighborhood park. If the property is used for any purpose other than a park, the land will be reverted back to the possession of West Slope Water District, and cause a sale thereof with all proceeds going directly to the District.

***RISK MANAGEMENT***

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

***RECLASSIFICATION***

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to presentation in the current-year financial statements.

***INTERGOVERNMENTAL AGREEMENT***

The District and the City of Beaverton have an intergovernmental agreement (IGA) related to the withdrawal of service territory from the District into the City of Beaverton. The City of Beaverton withdrew approximately 5% of the District's service territory in May 2009. The IGA states the City of Beaverton will provide debt service reimbursement to the District of approximately \$15,000 annually until year 2028 when the last bond payment is due or a mutually agreed upon lump sum payment.

In addition, the IGA states the City of Beaverton has agreed to pay the District for a portion of unclaimed water the District would have sold to the withdrawn territory. This is to help offset the expense incurred by the District from the minimum purchase agreement in the District's 20 year Regional Water Sales Agreement with City of Portland. For the year ended June 30, 2015, the amount of debt service reimbursement totaled \$15,649 and water reimbursement was \$34,345. For the year ended June 30, 2014, the amount of debt service reimbursement totaled \$15,533 and water reimbursement was \$32,360.

**BEGINNING BALANCE ADJUSTMENTS**

Beginning balance adjustments have been recorded on GAAP basis to recognize the District’s proportionate share of the Net Pension Liability and deferred outflow of resources related to the implementation of GASB Statement No. 68, “Accounting and Reporting for Pension Plans” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date.” See below.

**NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014. The statement was implemented in the current year.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013. The statement was implemented in the current year with no effect.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014. The statement was implemented in the current year.

The implementation of GASB Statements No. 68 and No. 71, resulted in a restatement of \$290,762.

The restatement is as follows:

Net position July 1, 2014, as originally reported	\$ 8,597,667
Deferred outflows	87,845
Net pension liability	<u>( 378,607)</u>
 Total restatement	 <u>290,762</u>
 Net position July 1, 2014, as restated	 <u>\$ 8,306,905</u>

The District will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 72, “Fair Value Measurement and Application” addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. The statement is effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” completes the suite of pension standards. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The statement is generally effective for fiscal years beginning after June 15, 2015.

***NEW ACCOUNTING PRONOUNCEMENTS (Continued)***

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement replaces Statement No. 46, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," as amended, and Statement No. 50, "Pension Disclosures." This statement is effective for financial statement periods beginning after June 15, 2016.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

***SUBSEQUENT EVENTS***

Management has evaluated subsequent events through December 4, 2015, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

***REQUIRED SUPPLEMENTAL INFORMATION***

**WEST SLOPE WATER DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
*June 30, 2015 and 2014*

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Other Post-employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ -	\$ 85,139	\$ 85,139	0.00%	\$ 425,213	20.00%
7/1/2012	-	76,452	76,452	0.00%	493,027	15.51%

**WEST SLOPE WATER DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS<sup>1</sup>**

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	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00742%	0.00742%
District's proportionate share of the net pension liability (asset)	\$ (168,169)	\$ 378,607
Districts's covered-employee payroll	553,341	503,986
Districts's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-30%	75%

<sup>1</sup> 10-year trend information required by GASB Statement 68 will be presented prospectively

**WEST SLOPE WATER DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST TWO FISCAL YEARS<sup>1</sup>**

---

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 102,394	\$ 87,845
Contributions in relation to contractually required contribution	<u>(102,394)</u>	<u>(87,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	553,341	503,986
Contributions as a percentage of covered-employee payroll	19%	17%

<sup>1</sup> 10-year trend information required by GASB Statement 68 will be presented prospectively



## **OTHER SUPPLEMENTARY INFORMATION**

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

Budgetary Comparison schedules of Water Operations include the following funds:

### **General Fund**

This fund accounts for all financial resources and expenses of the district, except those required to be accounted for in another fund. The funds principal source of revenue is water sales.

### **Equipment Reserve Fund**

Accounts for monies accumulated for future work truck acquisitions or replacements. The principal source of revenue is operating transfers from the General Fund.

### **Capital Improvement Fund**

This fund accounts for monies accumulated for future capital improvements. The principal source of revenue is operating transfers from the General Fund.

### **System Development Charge Fund**

This fund accounts for system improvement charges. The principal source of revenue is system development charges.

For Generally Accepted Accounting Principles purposes, these aforementioned funds are consolidated and reported as one Enterprise fund.

**WEST SLOPE WATER DISTRICT**  
**RECONCILIATION OF BUDGETARY BASIS CHANGE IN FUND BALANCE**  
**TO GAAP BASIS CHANGE IN NET POSITION**  
*For the Fiscal Year Ended June 30, 2015*

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	<u><i>Total</i></u> <u><i>Revenues</i></u>	<u><i>Total</i></u> <u><i>Expenditures</i></u>	<u><i>Net</i></u>
<b><i>BUDGETARY BASIS</i></b>			
General Fund	\$ 3,035,125	\$ 2,255,849	\$ 779,276
Equipment Replacement Fund	721	12,706	(11,985)
Capital Improvement Fund	6,006	14,119	(8,113)
System Development Charges Fund	34,722	70,049	(35,327)
	<u>\$ 3,076,574</u>	<u>\$ 2,352,723</u>	<u>723,851</u>
<b><i>ADD (DEDUCT) ITEMS TO RECONCILE TO NET</i></b>			
<b><i>INCOME ON A FINANCIAL REPORTING BASIS</i></b>			
Payment of long-term debt			215,000
Capital outlay			26,583
Depreciation			(344,741)
Change in accrued bond interest payable			1,880
Bond premium amortization			2,385
Change in compensated absences			9,309
Change in net OPEB obligation			(5,008)
Change in net pension liability/asset			250,533
			<u>879,792</u>
<b><i>CHANGE IN NET POSITION</i></b>			<u><u>\$ 879,792</u></u>

**WEST SLOPE WATER DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,834,500	\$ 2,834,500	\$ 3,005,878	\$ 171,378
Fines and forfeitures	-	-	6,195	6,195
Miscellaneous	31,000	31,000	23,052	(7,948)
<i>Total Revenues</i>	<u>2,865,500</u>	<u>2,865,500</u>	<u>3,035,125</u>	<u>169,625</u>
<b>EXPENDITURES</b>				
Current				
Personal services	977,000	977,000	818,361	158,639
Materials and services	1,345,500	1,345,500	1,148,797	196,703
Debt service				
Principal	215,000	215,000	211,413	3,587
Interest	145,000	145,000	77,278	67,722
Contingency	833,000	833,000	-	833,000
<i>Total Expenditures</i>	<u>3,515,500</u>	<u>3,515,500</u>	<u>2,255,849</u>	<u>1,259,651</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(650,000)	(650,000)	779,276	1,429,276
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(530,000)	(530,000)	(530,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(530,000)</u>	<u>(530,000)</u>	<u>(530,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,180,000)	(1,180,000)	249,276	1,429,276
<b>FUND BALANCE, Beginning of year</b>	<u>1,180,000</u>	<u>1,180,000</u>	<u>1,447,012</u>	<u>267,012</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,696,288</u>	<u>\$ 1,696,288</u>

**WEST SLOPE WATER DISTRICT**  
**EQUIPMENT RESERVE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2015**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 300	\$ 300	\$ 721	\$ 421
<b>EXPENDITURES</b>				
Materials and services	150	150	121	29
Capital outlay	176,150	176,150	12,585	163,565
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(176,000)	(176,000)	(11,985)	164,015
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	30,000	30,000	30,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(146,000)	(146,000)	18,015	164,015
<b>FUND BALANCE, Beginning of year</b>	146,000	146,000	132,807	(13,193)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 150,822	\$ 150,822

**WEST SLOPE WATER DISTRICT**  
**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
*For the Fiscal Year Ended June 30, 2015*

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 6,006	\$ 6
<b>EXPENDITURES</b>				
Materials and services	150	150	120	30
Capital outlay	1,654,850	1,654,850	13,999	1,640,851
<i>Total Expenditures</i>	<u>1,655,000</u>	<u>1,655,000</u>	<u>14,119</u>	<u>1,640,881</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(1,649,000)	(1,649,000)	(8,113)	1,640,887
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,149,000)	(1,149,000)	491,887	1,640,887
<b>FUND BALANCE, Beginning of year</b>	<u>1,149,000</u>	<u>1,149,000</u>	<u>1,142,696</u>	<u>(6,304)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,634,583</u>	<u>\$ 1,634,583</u>

**WEST SLOPE WATER DISTRICT**  
**SYSTEM DEVELOPMENT CHARGE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
*For the Fiscal Year Ended June 30, 2015*

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
System development charges	\$ 6,000	\$ 6,000	\$ 34,130	\$ 28,130
Miscellaneous	600	600	592	(8)
<i>Total Revenues</i>	6,600	6,600	34,722	28,122
<b>EXPENDITURES</b>				
Materials and services	150	150	121	29
Capital outlay	46,450	46,450	-	46,450
Debt service				
Interest	70,000	70,000	69,928	72
<i>Total Expenditures</i>	116,600	116,600	70,049	46,551
<b>NET CHANGE IN FUND BALANCE</b>	(110,000)	(110,000)	(35,327)	74,673
<b>FUND BALANCE, Beginning of year</b>	110,000	110,000	127,433	17,433
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 92,106	\$ 92,106

***Budgetary Information***

On or before June 30 of each year, the District enacts a resolution approving the budget and appropriating the expenditures. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the District Board of Commissioners and a like number of interested citizens. The budget committee presents the budget to the District Board of Commissioners for budget hearings prior to enactment of the resolution. The District budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. The district adopts its budget at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Contingency, and Transfers to Other Funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the District Board of Commissioners. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Management may not amend the budget without seeking the approval of the Board of Commissioners. There were no supplemental budgets for the year ended June 30, 2015.

## STATISTICAL SECTION

This part of the West Slope Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand the District's financial performance and well-being have changed over time.</i>	44
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue source, water rates revenue.</i>	47
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	51
Demographic Information <i>These schedules offer demographic information to help the reader understand the environment within which the District's financial activities take place.</i>	53
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to services provided and activities performed.</i>	56



**WEST SLOPE WATER DISTRICT**  
**NET POSITION BY COMPONENT**  
*Last Ten Fiscal years*  
*(accrual basis of accounting)*

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<b>Fiscal Year</b>	<b>Net Invested in Capital Assets</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total Net Position</b>
2015	\$ 5,762,949	\$ 3,331,642	\$ 92,106	\$ 9,186,697
2014	5,863,722	2,606,512	127,433	8,597,667
2013	5,967,770	2,092,140	162,634	8,222,544
2012	5,697,259	1,823,376	200,084	7,720,719
2011	5,696,388	1,441,235	261,375	7,398,998
2010	5,348,034	1,523,095	233,736	7,104,865
2009	4,180,583	2,745,057	215,078	7,140,718
2008	4,234,971	2,375,064	197,785	6,807,820
2007	4,550,136	1,900,918	168,917	6,619,971
2006	4,497,487	1,547,441	155,237	6,200,165

**WEST SLOPE WATER DISTRICT**  
**CHANGES IN NET POSITION**  
*Last Ten Fiscal years*  
*(accrual basis of accounting)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>OPERATING REVENUES:</b>				
Water service	\$ 1,999,592	\$ 2,122,073	\$ 1,982,623	\$ 2,239,438
Service installations	16,260	10,310	16,701	2,954
Penalties	5,315	5,785	6,360	7,050
Materials and labor billed	5,214	610	7,670	4,566
Beaverton Reimbursement	-	-	-	-
Miscellaneous	3,912	2,438	8,797	7,952
Other	-	-	-	-
Total operating revenues	<u>2,030,293</u>	<u>2,141,216</u>	<u>2,022,151</u>	<u>2,261,960</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	312,983	331,466	357,652	403,185
Payroll taxes and benefits	205,672	200,615	220,686	241,782
Water purchases	818,974	740,556	780,968	863,740
Repair and maintenance	49,374	142,708	92,241	149,624
Depreciation	162,089	168,860	166,112	168,931
Cost of services	11,805	17,113	27,947	15,566
Supplies	9,231	10,688	1,423	2,662
Utilities	5,368	5,045	11,041	13,506
Administrative	93,488	101,743	85,818	98,161
Professional services	28,106	97,515	39,418	74,153
Total operating expenses	<u>1,697,090</u>	<u>1,816,309</u>	<u>1,783,306</u>	<u>2,031,310</u>
Operating income (loss)	333,203	324,907	238,845	230,650
<b>NON-OPERATING INCOME (EXPENSE):</b>				
Grants				
Interest income	50,205	83,538	131,319	92,187
Interest expense	-	-	-	(3,184)
Gain (Loss) on disposal of asset	-	-	(233,034)	-
Total non-operating income (expenses)	<u>50,205</u>	<u>83,538</u>	<u>(101,715)</u>	<u>89,003</u>
<b>CAPITAL CONTRIBUTIONS:</b>				
SDC	81,657	11,361	24,759	13,245
Capital contributions	-	-	25,960	-
Change in net position	<u>465,065</u>	<u>419,806</u>	<u>187,849</u>	<u>332,898</u>
<b>NET POSITION, BEGINNING</b>	5,735,100	6,200,165	6,619,971	6,807,820
Accumulative adjustment for change in accounting principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION, ENDING</b>	<u>\$ 6,200,165</u>	<u>\$ 6,619,971</u>	<u>\$ 6,807,820</u>	<u>\$ 7,140,718</u>

<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
\$ 2,157,584	\$ 2,448,556	\$ 2,594,387	\$ 2,936,698	\$ 2,767,456	\$ 3,001,360
4,376	794	2,655	2,050	4,676	4,072
6,760	7,370	9,045	9,880	9,695	6,195
1,247	4,586	89	269	340	446
-	15,548	15,708	15,624	15,533	15,649
17,783	26,433	5,255	11,978	3,722	3,019
-	-	33,000	-	-	-
<u>2,187,750</u>	<u>2,503,287</u>	<u>2,660,139</u>	<u>2,976,499</u>	<u>2,801,422</u>	<u>3,030,741</u>
392,625	460,949	451,128	499,973	518,856	549,040
234,024	235,724	284,411	229,047	220,298	2,994
952,460	836,075	896,502	1,009,564	824,241	877,072
61,860	53,036	48,036	84,264	128,322	79,226
247,802	307,362	321,879	330,875	339,724	344,741
13,552	12,016	10,920	10,914	94	-
2,018	2,594	1,966	3,626	48,658	54,842
14,136	15,023	16,414	15,452	21,817	18,678
102,827	102,838	131,101	125,913	65,407	57,104
121,088	47,961	40,101	68,156	54,841	73,610
<u>2,142,392</u>	<u>2,073,578</u>	<u>2,202,458</u>	<u>2,377,784</u>	<u>2,222,258</u>	<u>2,057,307</u>
45,358	429,709	457,681	598,715	579,164	973,434
13,950	5,523	6,571	7,974	9,473	11,582
(112,466)	(167,615)	(160,878)	(153,923)	(146,790)	(139,354)
-	-	-	10,200	10,000	-
<u>(98,516)</u>	<u>(162,092)</u>	<u>(154,307)</u>	<u>(135,749)</u>	<u>(127,317)</u>	<u>(127,772)</u>
17,305	26,516	18,347	38,859	37,812	34,130
-	-	-	-	-	-
<u>(35,853)</u>	<u>294,133</u>	<u>321,721</u>	<u>501,825</u>	<u>489,659</u>	<u>879,792</u>
7,140,718	7,104,865	7,398,998	7,720,719	8,108,008	8,597,667
-	-	-	(114,536)	-	(290,762)
<u>\$ 7,104,865</u>	<u>\$ 7,398,998</u>	<u>\$ 7,720,719</u>	<u>\$ 8,108,008</u>	<u>\$ 8,597,667</u>	<u>\$ 9,186,697</u>

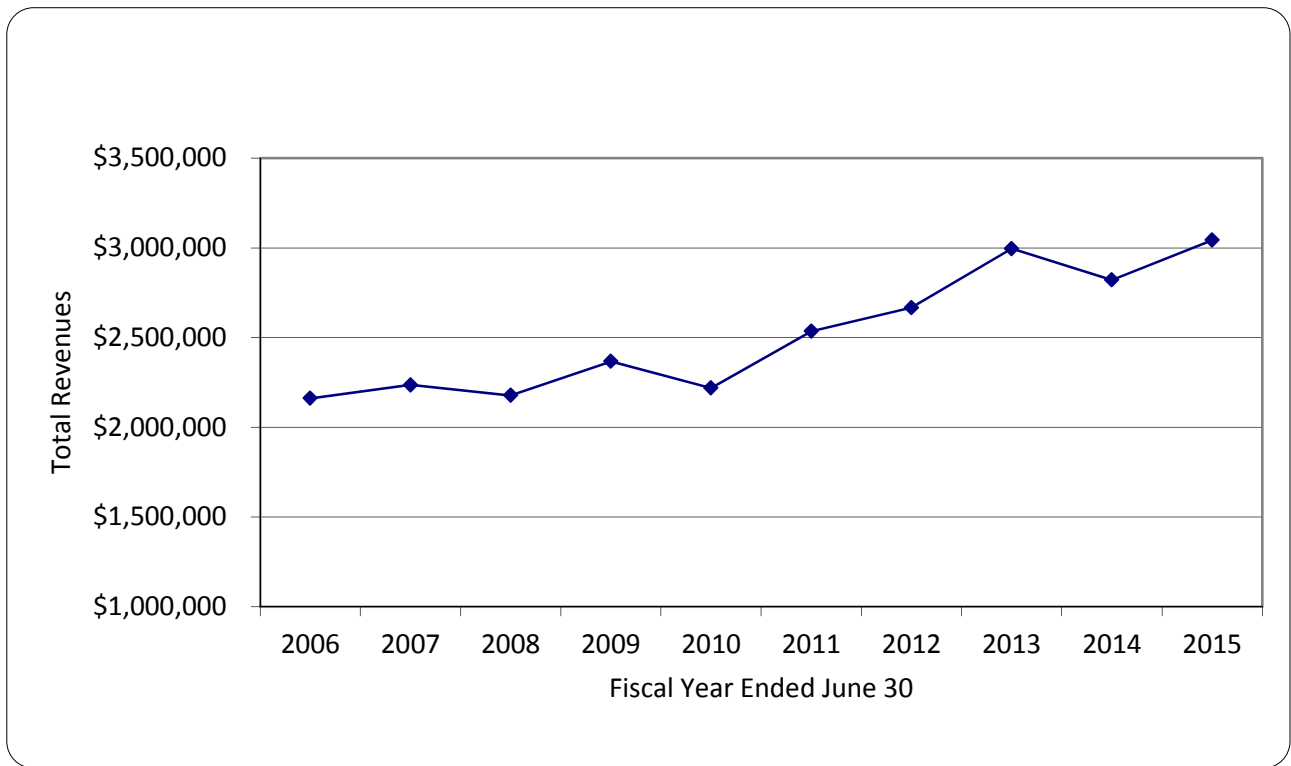
**WEST SLOPE WATER DISTRICT**

**REVENUES BY SOURCE**

*Last Ten Fiscal years*

*(accrual basis of accounting)*

<i>Fiscal Year</i>	<i>Water Services</i>	<i>ODOT Payments</i>	<i>Services Billed</i>	<i>Interest Income</i>	<i>Other</i>	<i>Total</i>
2015	\$ 3,001,360		\$ 4,518	\$ 11,582	\$ 24,863	\$ 3,042,323
2014	2,767,456	-	5,016	9,473	38,950	2,820,895
2013	2,936,698	-	2,319	7,974	47,682	2,994,673
2012	2,594,387	-	2,744	6,571	63,008	2,666,710
2011	2,448,556	-	5,380	5,523	75,867	2,535,326
2010	2,157,584	-	5,623	13,950	41,848	2,219,005
2009	2,239,438	-	7,520	92,187	28,247	2,367,392
2008	1,982,623	-	24,371	131,319	39,916	2,178,229
2007	2,122,073	-	10,920	83,538	19,584	2,236,115
2006	1,999,592	-	21,474	50,205	90,884	2,162,155



Source: West Slope Water District Financial Statements

**WEST SLOPE WATER DISTRICT**  
**MONTHLY RATE SCHEDULE**  
*Last Ten Fiscal years*

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**Historical Water Rates**

	<u>11/1/2014</u>	<u>11/1/2012</u>	<u>11/1/2011</u>	<u>7/1/2010</u>	<u>2/1/2010</u>
Commodity Charge Per 100 Cubic Feet (CCF)	\$ 4.31	\$ 4.31	\$ 4.25	\$ 4.10	\$ 3.64
Monthly Service Charge					
3/4"	14.07	13.05	11.86	7.22	7.22
1"	23.92	22.19	20.17	14.37	14.37
1-1/2"	39.27	36.43	33.12	26.30	26.30
2"	60.15	55.80	50.73	40.62	40.62
3"	130.82	121.35	110.32	78.79	78.79
4"	197.79	183.48	166.80	121.74	121.74
6"	363.24	336.96	306.33	241.03	241.03

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	<u>7/1/2009</u>	<u>2/1/2009</u>	<u>7/1/2008</u>	<u>2/1/2008</u>	<u>2/1/2006</u>
Commodity Charge Per 100 Cubic Feet (CCF)	\$ 3.48	\$ 3.36	\$ 3.08	\$ 2.95	\$ 2.70
Monthly Service Charge					
3/4"	6.87	6.87	6.28	6.28	6.28
1"	13.69	13.69	12.50	12.50	10.10
1-1/2"	25.05	25.05	22.88	22.88	18.00
2"	38.69	38.69	35.33	35.33	28.95
3"	75.04	75.04	68.53	68.53	51.83
4"	115.94	115.94	105.88	105.88	76.70
6"	229.55	229.55	209.64	209.64	152.83

No Rate Increase 11/1/2013  
 conversions: 748 gallons equals one CCF  
 Source: West Slope Water District Utility Billing Records

**WEST SLOPE WATER DISTRICT**  
**SYSTEM DEVELOPMENT CHARGES SCHEDULE**  
*Last Ten Fiscal years*

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<u>Meter Size</u>	<u>2/1/2015</u>	<u>2/1/2014</u>	<u>2/1/2013</u>	<u>2/1/2012</u>	<u>2/1/2011</u>
3/4"	\$ 3,127	\$ 3,054	\$ 2,833	\$ 2,779	\$ 2,672
1"	7,812	7,629	7,077	6,943	6,676
1-1/2"	15,633	15,266	14,161	13,890	13,356
2"	25,011	24,425	22,658	22,224	21,369
3"	49,932	48,763	45,235	44,370	42,663
4"	78,469	76,630	71,085	69,736	67,054
6"	156,325	152,661	141,615	138,906	133,563

<u>Meter Size</u>	<u>2/1/2010</u>	<u>2/1/2009</u>	<u>2/1/2008</u>	<u>2/21/2007</u>	<u>2/15/2006</u>
3/4"	\$ 2,652	\$ 2,679	\$ 2,642	\$ 1,106	\$ 1,082
1"	6,627	6,697	6,604	2,765	2,705
1-1/2"	13,258	13,392	13,208	5,528	5,409
2"	21,212	21,427	21,133	8,845	8,655
3"	42,427	42,855	42,267	17,692	17,311
4"	66,291	66,960	66,042	27,641	27,046
6"	132,582	133,921	132,084	55,285	54,095

Source: West Slope Water District

**WEST SLOPE WATER DISTRICT**  
**UNCOLLECTABLE DEBT**  
*Last Ten Fiscal years*

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<b><i>Fiscal Year Ended June 30</i></b>	<b><i>Write Off</i></b>	<b><i>Water Revenues</i></b>	<b><i>% of Revenue</i></b>
2015	\$ -	\$ 3,001,360	0.000%
2014	1,194	2,767,456	0.043%
2013	-	2,936,698	0.000%
2012	492	2,594,387	0.019%
2011	-	2,448,556	0.000%
2010	336	2,157,584	0.016%
2009	1,188	2,239,438	0.053%
2008	137	1,982,623	0.007%
2007	219	2,122,073	0.010%
2006	631	1,999,592	0.032%

Source: West Slope Water District Utility Billing Records

**WEST SLOPE WATER DISTRICT**  
**REVENUE BOND DEBT COVERAGE**  
*Last Ten Fiscal years*

<i>Fiscal Year</i>	<i>Income &amp; Revenue*</i>	<i>Operating Expense**</i>	<i>Net Available Revenue</i>	<i>SDC Revenue</i>	<i>Debt Service</i>			<i>Coverage Ratios</i>	
					<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>With SDC</i>	<i>Without SDC</i>
2015	\$ 3,026,674	1,963,099	1,063,575	34,130	\$ 215,000	\$ 143,618	358,618	3.061	2.966
2014	2,810,896	1,882,534	928,362	37,812	205,000	150,969	355,969	2.714	2.608
2013	2,968,849	2,046,909	921,940	38,859	200,000	158,056	358,056	2.683	2.575
2012	2,618,002	1,880,579	737,423	18,347	195,000	164,969	359,969	2.100	2.049
2011	2,493,262	1,766,216	727,046	26,516	185,000	171,619	356,619	2.113	2.039
2010	2,201,700	1,894,590	307,110	17,305	180,000	178,006	358,006	0.906	0.858
2009	2,354,147	1,862,379	491,768	13,245	155,000	202,009	357,009	1.415	1.377
2008	2,153,470	1,617,194	536,276	24,759	-	-	-	N/A	N/A
2007	2,224,754	1,647,449	577,305	11,361	-	-	-	N/A	N/A
2006	2,080,498	1,535,001	545,497	81,657	-	-	-	N/A	N/A

\* Excludes Beaverton reimbursement & insurance proceeds

\*\* Operating expense exclude depreciation expense

Additional information on Long-Term Debt is located in the Notes to Basic Financial Statements

Source: West Slope Water District Financial Statements



**WEST SLOPE WATER DISTRICT**  
**DEBT PER SERVICE CONNECTION**  
*Last Ten Fiscal years*

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<i>As of June 30</i>	<i>Debt</i>	<i>Service Connections</i>	<i>Debt Per Service Connection</i>
2015	\$ 3,695,203	3,218	\$ 1,148
2014	3,912,588	3,308	1,183
2013	4,119,972	3,329	1,238
2012	4,322,355	3,326	1,300
2011	4,519,740	3,320	1,361
2010	4,707,125	3,318	1,419
2009	4,889,510	3,312	1,476
2008	5,046,895	3,356	1,504
2007	-	3,351	NA
2006	-	3,344	NA
2005	-	3,317	NA

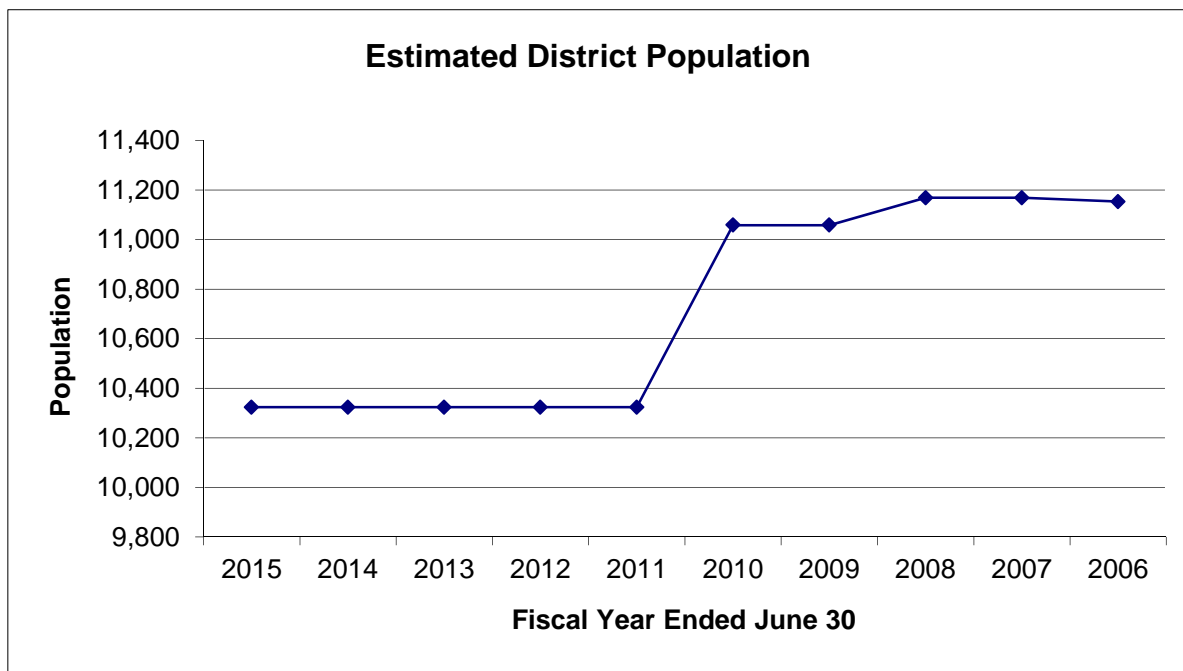
Source: West Slope Water District Financial Statements  
West Slope Water District Utility Billing Records

Additional information on Long-Term Debt is located in the Notes to Basic Financial Statements

**WEST SLOPE WATER DISTRICT**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
*Last Ten Fiscal years*

<i>As of June 30</i>	<i>Administration</i>	<i>Field Operations</i>	<i>Total</i>	<i>Service Connections</i>	<i>District Population (Estimated)</i>	<i>Employees Per 1,000 population</i>
2015	3.00	4.00	7.00	3,218	10,324	0.68
2014	3.00	4.00	7.00	3,308	10,324	0.68
2013	3.00	4.00	7.00	3,329	10,324	0.68
2012	3.00	4.00	7.00	3,326	10,324	0.68
2011	3.00	4.00	7.00	3,320	10,324	0.68
2010	2.80	3.00	5.80	3,318	11,059	0.52
2009	2.80	3.00	5.80	3,312	11,059	0.52
2008	2.80	3.00	5.80	3,356	11,169	0.52
2007	2.75	3.00	5.75	3,351	11,169	0.51
2006	2.75	3.00	5.75	3,344	11,154	0.52

Source: West Slope Water District Payroll Records  
 Portland State University Center for Population Research and Census



**WEST SLOPE WATER DISTRICT**

**TOP TEN RATE PAYERS**

*Last Ten Fiscal years*

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<i>Rate Payer</i>	<i>Fiscal Year 2015</i>			<i>Fiscal Year 2006</i>		
	<i>Usage (CCF*)</i>	<i>Rank</i>	<i>Percentage of District Total</i>	<i>Usage (CCF*)</i>	<i>Rank</i>	<i>Percentage</i>
Canyon Park Apartments	14,748	1	2.60%	16,490	1	2.43%
Shilo Inn	9,453	2	1.67%	9,282	4	1.37%
Crescent Hill Apartments	8,730	3	1.54%	10,439	3	1.54%
Kaady Car Wash	7,397	4	1.31%	5,291	6	0.78%
Jesuit High School	6,210	5	1.10%	13,540	2	1.99%
Vista Hills Apartments	6,186	6	1.09%	1,099	n.a.	0.16%
Gardenbrook Apartments	6,113	7	1.08%	6,227	5	0.92%
Canyon Court Condo	5,658	8	1.00%	n.a.	n.a.	n.a.
Lexus of Portland	4,918	9	0.87%	3,102	14	0.46%
West Slope Terrace Apartm	4,749	10	0.84%	4,519	7	0.67%
<b>TOTALS</b>	<b>74,162</b>		<b>15.30%</b>	<b>69,989</b>		<b>11.31%</b>

Source: West Slope Water District Utility Billing Records

\*1 CCF (Hundred Cubic Feet) = 748 Gallons

**WEST SLOPE WATER DISTRICT**  
**SCHEDULE OF WATER SALES AND PURCHASES**  
*Last Ten Fiscal years*

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<b><i>Fiscal Year Ended June 30</i></b>	<b><i>Water Sales</i></b>	<b><i>Water Purchases</i></b>	<b><i>Net Amount</i></b>	<b><i>Percent of Sales</i></b>
2015	\$ 3,001,360	\$ 877,072	\$ 2,124,288	70.8%
2014	2,767,456	824,241	1,943,215	70.2%
2013	2,936,698	1,009,564	1,927,134	65.6%
2012	2,594,387	896,502	1,697,885	65.4%
2011	2,448,556	836,075	1,612,481	65.9%
2010	2,157,584	952,460	1,205,124	55.9%
2009	2,239,438	863,740	1,375,698	61.4%
2008	1,982,623	780,968	1,201,655	60.6%
2007	2,122,073	740,556	1,381,517	65.1%
2006	1,999,592	818,974	1,180,618	59.0%

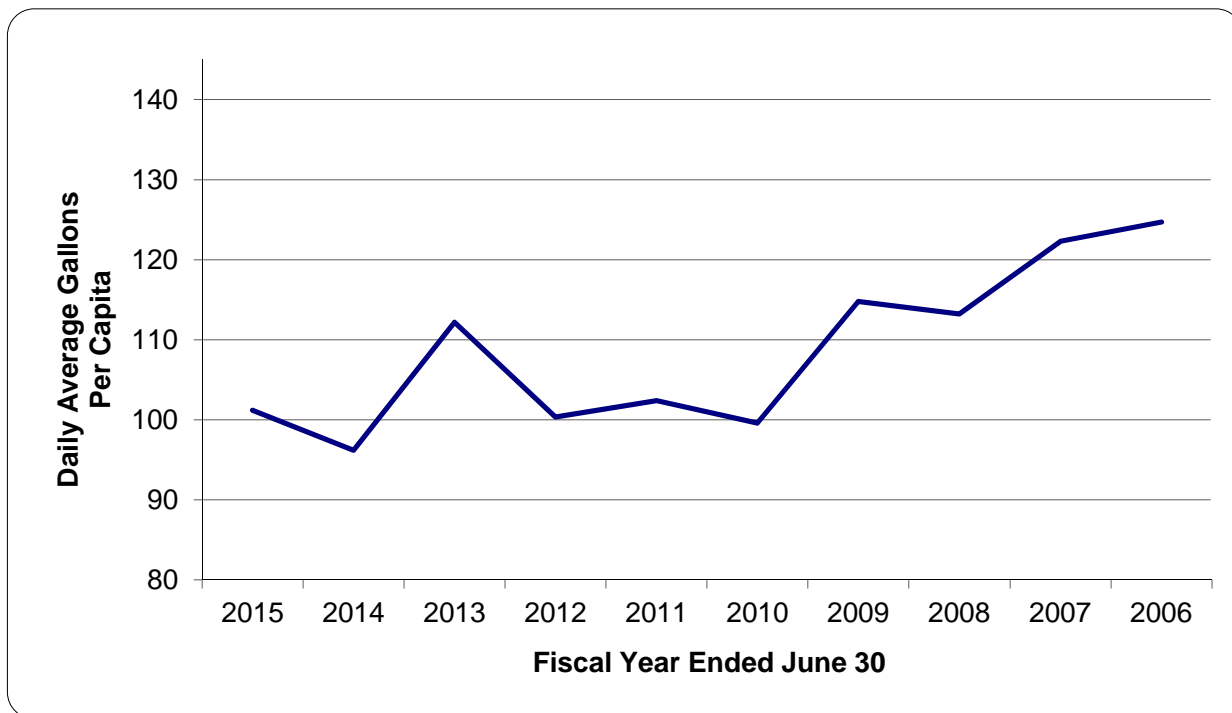
Source: West Slope Water District Financial Statements

**WEST SLOPE WATER DISTRICT**  
**GALLONS OF WATER USED BY CUSTOMERS**  
*Last Ten Fiscal years*

<i>Fiscal Year Ended June 30</i>	<i>Annual Gallons Consumed</i>	<i>Average Daily Consumption</i>	<i>Average Daily Per Capita Consumption</i>	<i>District Population (Estimated)</i>
2015	381,308,708	1,044,681	101	10,324
2014	362,586,268	993,387	96	10,324
2013	422,744,168	1,158,203	112	10,324
2012	378,137,936	1,035,994	100	10,324
2011	385,852,808	1,057,131	102	10,324
2010	402,075,432	1,101,577	100	11,059
2009	463,300,728	1,269,317	115	11,059
2008	461,575,840	1,264,591	113	11,169
2007	498,592,116	1,366,006	122	11,169
2006	507,752,124	1,391,102	125	11,154

Source: West Slope Water District

Portland State University Center for Population Research and Census

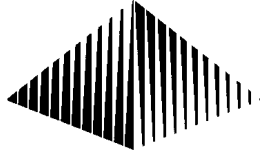


**WEST SLOPE WATER DISTRICT**  
**WATER PURCHASED AND CONSUMED**  
*Last Ten Fiscal years*

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<i>Fiscal Year Ended June 30</i>	<i>Annual Gallons Purchased</i>	<i>Annual Gallons Consumed</i>	<i>Annual Gallons Unbilled</i>	<i>Annual Percent Unbilled</i>
2015	423,943,960	381,308,708	42,635,252	10.06%
2014	388,252,392	362,586,268	25,666,124	6.61%
2013	422,744,168	388,833,588	33,910,580	8.02%
2012	378,900,148	378,137,936	762,212	0.20%
2011	385,852,808	360,260,736	25,592,072	6.63%
2010	402,075,432	396,095,920	5,979,512	1.49%
2009	463,300,728	429,260,744	34,039,984	7.35%
2008	461,575,840	447,415,452	14,160,388	3.07%
2007	498,592,116	487,662,340	10,929,776	2.19%
2006	507,752,124	459,094,724	48,657,400	9.58%
2005	475,356,992	462,702,328	12,654,664	2.66%

Source: West Slope Water District



**GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

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

Board of Commissioners  
West Slope Water District  
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of West Slope Water District as of and for the year ended June 30, 2015, and have issued our report thereon dated December 4, 2015.

***Compliance***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its 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 the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

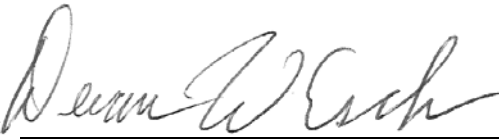
***OAR 162-10-0230 - Internal Control***

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

***Restriction on Use***

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

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By: 

Devan W. Esch, A Shareholder  
December 4, 2015