

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013**



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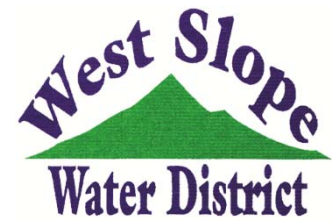


**PREPARED BY
HEIDI STARKS**

WEST SLOPE WATER DISTRICT
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December 12, 2014



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, 2014 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 P.C., Certified Public Accountants, have issued an unmodified ("clean") opinion on the West Slope Water District's financial statements for the year ended June 30, 2014. 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 is 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 and 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 funds are described in the Notes to the Basic Financial Statements. 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 30.

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 have 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, 2014 the SDC for a standard residential meter (5/8 x 3/4) is \$3,054. Additional SDC fee historical data is located in the Statistical Section on page 45.

In fiscal year 2014 the District used SDC funds to pay one bond payment of \$73,691. The District has budgeted to make a similar payment in fiscal year 2015. 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 12, the Notes to the Financial Statement on page 24, and the Statistical Section on page 47. 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 2014 is 2.7 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

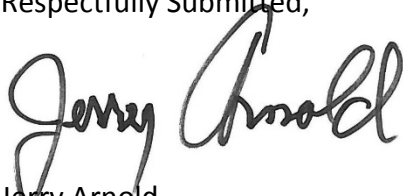
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to West Slope Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the eighth year the 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 who contributed in 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,

A handwritten signature in black ink, appearing to read "Jerry Arnold". The signature is written in a cursive, flowing style.

Jerry Arnold
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

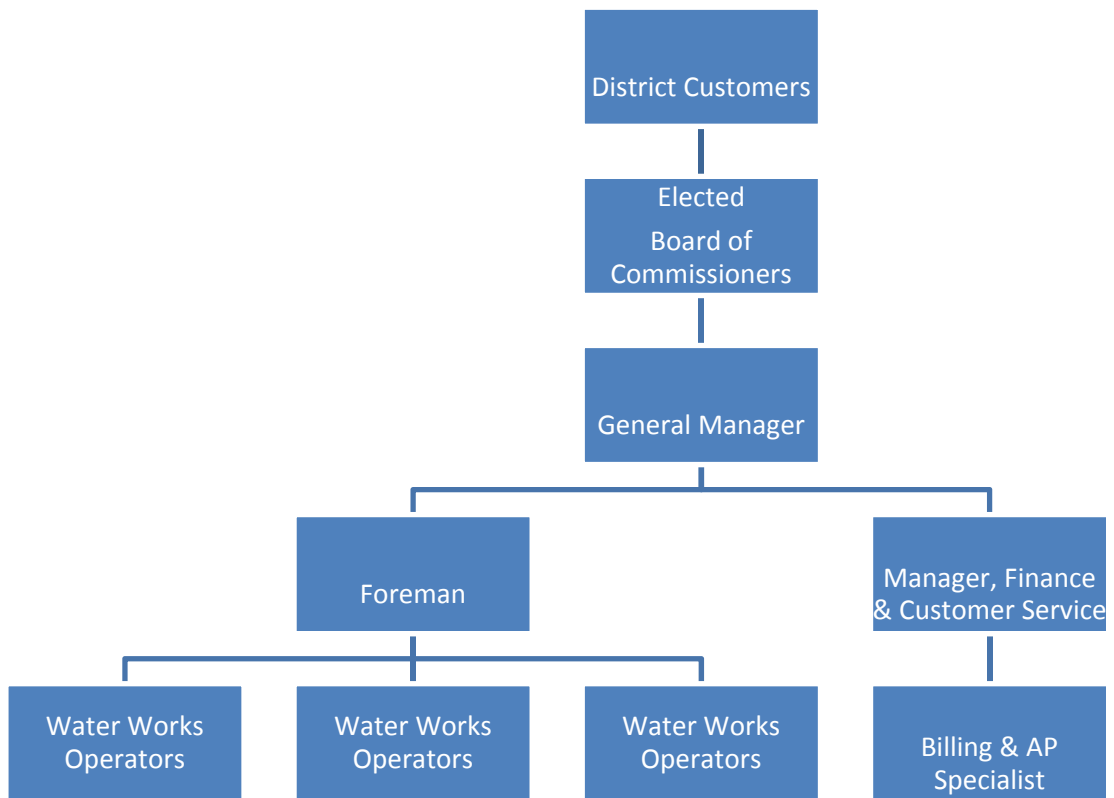
**West Slope Water District
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

West Slope Water District
Organization Structure



**WEST SLOPE WATER DISTRICT
BOARD OF COMMISSIONERS
June 30, 2014**

<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, 2017
Charles Conrad	June 30, 2017
Robert W. Rieck	June 30, 2015

Registered Agent

Jerry Arnold

3105 SW 89th 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 statement of net position of West Slope Water District (the District), as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of West Slope Water District as of June 30, 2013, were audited by other auditors, whose report dated January 8, 2014, expressed an unmodified opinion on those statements.

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.

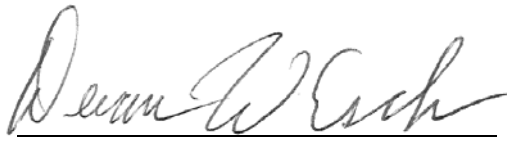
The other supplementary information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures 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 12, 2014, 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 12, 2014

West Slope Water District
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 net position exceeded its liabilities at the close of the most recent fiscal year by \$8,597,668 (*net position*). Of this amount, \$2,606,513 (unrestricted assets) may be used to meet the District's obligations to its creditors.
- The District's net position increased by \$489,660 or 6.0%. Unrestricted assets increased \$628,909 or 31.8%.
- The District's long term-debt decreased by \$207,384 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 17 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 liability by \$8.6 million this current fiscal year, \$8.2 million at the close of the prior fiscal year, and \$7.7 million at the close of fiscal year 2012.

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 2014 – FY 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Difference 2013-2014</u>	<u>Percent Change</u>
Current and Other Assets	\$ 3,028,225	\$ 2,503,177	\$ 2,330,195	\$ 525,048	21.0%
Capital Assets	9,776,310	10,052,770	9,980,247	(276,460)	-2.8%
Total Assets	<u>12,804,535</u>	<u>12,555,947</u>	<u>12,310,442</u>	<u>248,588</u>	2.0%
Current Liabilities	455,784	491,535	433,504	(35,751)	-7.3%
Noncurrent Liabilities	<u>3,751,082</u>	<u>3,956,404</u>	<u>4,156,219</u>	<u>(205,322)</u>	-5.2%
Total Liabilities	<u>4,206,866</u>	<u>4,447,939</u>	<u>4,589,723</u>	<u>(241,073)</u>	-5.4%
Net Investment in Capital					
Assets	5,863,722	5,932,798	5,697,259	(69,076)	-1.2%
Restricted for capital projects	127,433	162,634	200,084	(35,201)	-21.6%
Unrestricted	<u>2,606,513</u>	<u>2,012,576</u>	<u>1,823,376</u>	<u>593,937</u>	29.5%
Total Net Position	<u>\$ 8,597,668</u>	<u>\$ 8,108,008</u>	<u>\$ 7,720,719</u>	<u>\$ 489,660</u>	6.0%

Change in Net Position

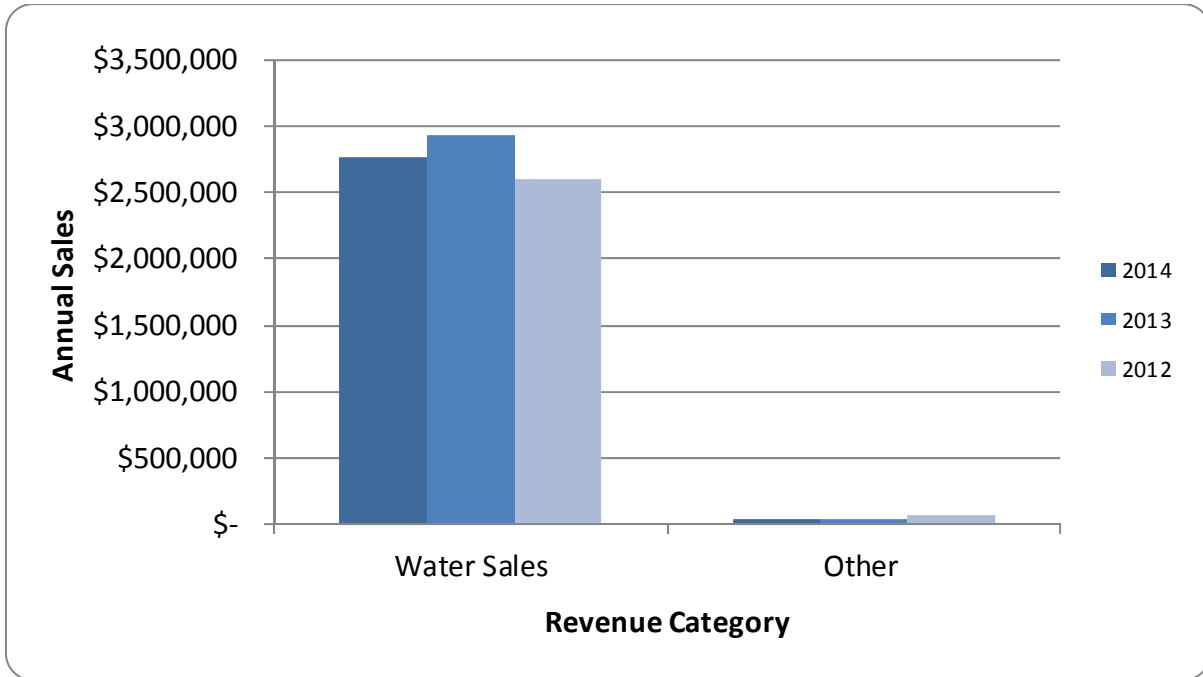
As shown below in Table 2, the District's change in net position for FY 2014 was an increase of \$489,660, which is an increase of 6.0% from prior year. The change in net position after prior period adjustment for FY 2013 was an increase of \$387,289 or 5.0% from FY 2012. The District's change in net position for fiscal year ended June 30, 2014 is due to a decrease in water and other services of \$175,076 or 5.9% from the prior year.

Operating Income. The District generated \$579,165 of operating income for FY 2014; this is \$19,550 or a 3.3% decrease from FY 2013. Operating income for FY 2013 was \$598,715 or 30.8% increase over FY 2012. As illustrated in Table 2 below, operating expenses have decreased for FY 2014 compared to FY 2013 in the amount of \$155,526 or 6.5%. As illustrated in Table 2 the primary driver of the change in operating expenses is water purchased. Operating expenses for FY 2013 increased 8% or \$175,326 compared to FY 2012.

Table 2
Change in Net Position
FY 2014 – FY 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Difference 2013-2014</u>	<u>Percent Change</u>
OPERATING REVENUES:					
Water and other services	\$ 2,801,423	\$ 2,976,499	\$ 2,660,139	\$ (175,076)	-5.9%
OPERATING EXPENSES:					
Personnel services	739,154	729,020	735,539	10,134	1.4%
Water purchases	824,241	1,009,564	896,502	(185,323)	-18.4%
Materials and services	319,139	308,325	248,538	10,814	3.5%
Depreciation and Amortization	339,724	330,875	321,879	8,849	2.7%
Total operating expenses	<u>2,222,258</u>	<u>2,377,784</u>	<u>2,202,458</u>	<u>(155,526)</u>	-6.5%
Operating income	579,165	598,715	457,681	(19,550)	-3.3%
NON-OPERATING REVENUES (EXPENSES):					
Interest income	9,473	7,974	6,571	1,499	18.8%
Interest expense	(146,790)	(153,923)	(160,878)	7,133	-4.6%
Gain on disposition of assets	10,000	10,200	-	(200)	
Net non-operating revenue (expenses)	<u>(127,317)</u>	<u>(135,749)</u>	<u>(154,307)</u>	<u>8,432</u>	6.2%
CAPITAL CONTRIBUTIONS:					
Change in net position	37,812	38,859	18,347	(1,047)	0.0%
NET POSITION					
Beginning of Year, as restated	<u>8,108,008</u>	<u>7,606,183</u>	<u>7,398,998</u>	<u>501,825</u>	6.6%
NET POSITION, ENDING	<u><u>\$ 8,597,668</u></u>	<u><u>\$ 8,108,008</u></u>	<u><u>\$ 7,720,719</u></u>	<u><u>\$ 489,660</u></u>	6.0%

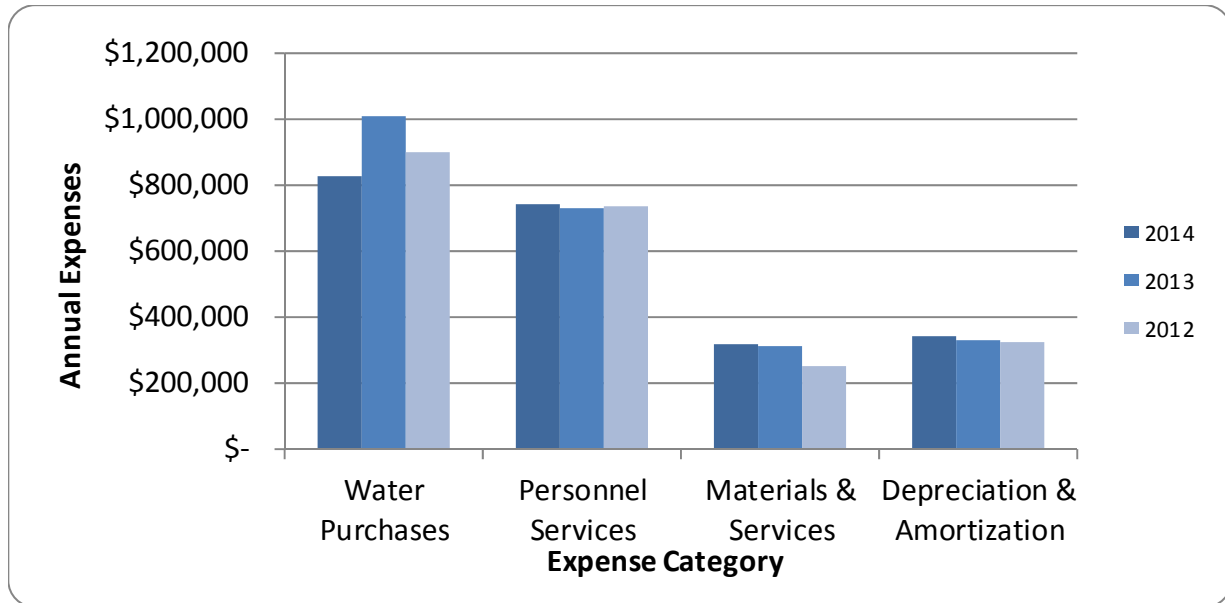
**Figure 1
Operating Revenue Comparison
FY 2014 – FY 2012**



Operating Revenues. The District’s FY 2014 operating revenue decreased by \$175,076 or 5.9% due to decreased water sales revenue of \$169,242 or 5.8% compared to FY 2013. Operating revenues for FY 2013 increased by \$336,872 or 12.6% due to increased water sales revenue of \$342,311 or 13.0% compared to FY 2012. The District’s water sales are stabilizing as the economy has officially recovered, albeit at a lower average usage. The District experienced a dry summer in FY 2013 and FY 2014, which typically influences outdoor watering for irrigation. The District management recognizes the inherent volatility of revenues and manages budgeting and cash flows accordingly.

The *Other Revenue* category in Figure 1 above is \$33,967 in FY 2014 a decrease of \$5,834 or 14.7% compared to \$39,801 in FY 2013. FY 2012 was \$65,752 and was unusually high due to a significant event of one-time insurance claim proceeds of \$33,000. The District’s excavator was stolen and replaced with a combination of insurance claim proceeds and Equipment Reserve funds.

**Figure 2
Operating Expense Comparison
FY 2014 – FY 2012**



Operating Expenses. Total operating expenses for FY 2014 decreased \$155,526 or 6.5% from FY 2013. As shown above in Figure 2 all expense categories increased between 1.4% to 3.5% except water purchased. Total operating expenses for FY 2013 increased \$175,326 or 8% from FY 2012.

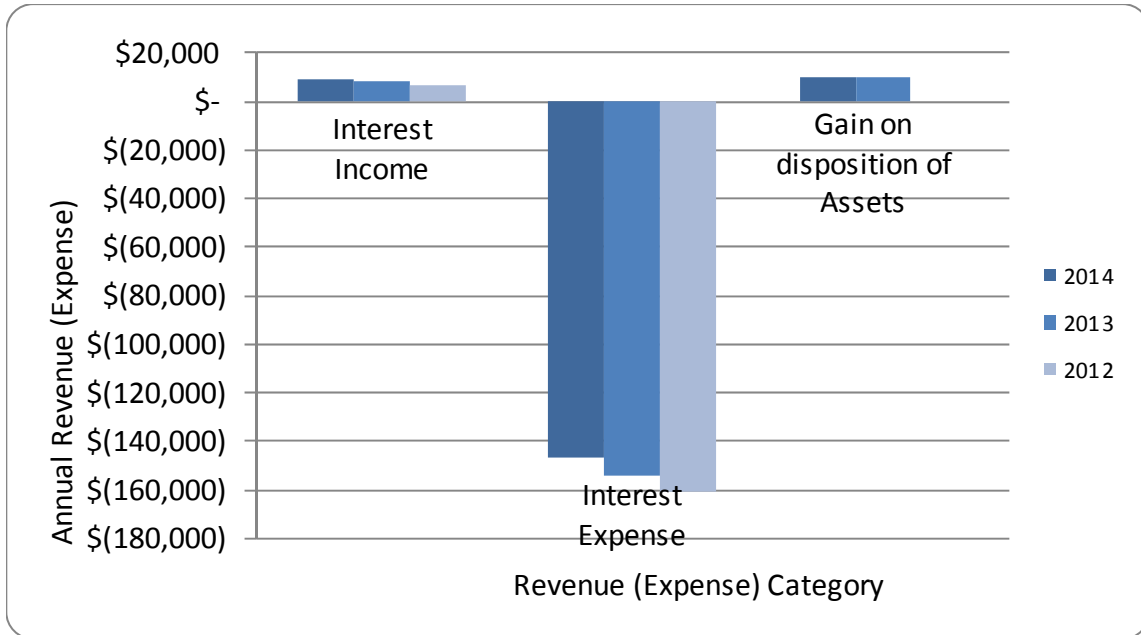
Water purchased by the District is the largest single expense and decreased \$185,323 or 18.4% from last fiscal year. In FY 2013 water purchased increased \$113,062 or 12% from FY 2012. As mentioned in the Letter of Transmittal, the District purchases water from the City of Portland and a backup intertie 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 2014 increased in the amount of \$10,134 or 1.4% from FY 2013. The District's personnel services expense for FY 2013 decreased \$6,519 or 1% from FY 2012. In FY 2014 and FY 2013 the District received better than anticipated health insurance renewal premiums and a change in staffing that reduced payroll and related expenses. Additional information about the District's pension is located in the Notes to the Financial Statements on page 26.

The operating expense category materials and services increased \$10,814 or 3.5% compared to an increase of 24% or \$59,787 for FY 2013 from FY 2012. The FY 2014 increase is a result of a water main break that required significant roadbed repair of nearly \$40,000. The FY 2013 increase is from an update to the District's water system master plan of roughly \$20,000 and the inspection and preventive repair of the District's pressure reducing valves (PRV) at a cost of just over \$30,000.

Figure 3

**Non-operating Revenue (Expense) Comparison
FY 2014 – FY 2012**



Non-operating Revenues (Expenses). Total non-operating revenues (expenses) decreased \$8,432 or 6.2% in FY 2014 from the previous fiscal year. The decrease is primarily due to the trend of reduced interest expense of \$7,133 or 4.6% compared to FY 2013. Interest expense for FY 2013 was \$18,558 less than FY 2012.

As shown above in Figure 3, interest income for the District increased \$1,499 or 18.8% in FY 2014 compared to the previous fiscal year. The minor increase in interest income is due to a continued low return on investments. Interest Income increased \$1,403 or 21% in FY 2013 compared to FY 2012. 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.

Total Revenues and Expenses

Total FY 2014 revenues and expenses for the District are shown in Table 3 below. Total revenues decreased \$173,777 or 5.8% from FY 2013. Total expenses decreased \$162,659 or 6.4% from the previous fiscal year. Total revenues increased \$327,963 or 12.3% for FY 2013 compared to FY 2012. Total expenses increased \$168,371 or 7.1% for FY 2013 compared to FY 2012.

**Table 3
Total Revenues and Total Expenses
FY 2014 – FY 2012**

	2014	2013	2012	Difference 2013-2014	Percent Change
Operating Revenues	\$ 2,801,423	\$ 2,976,499	\$ 2,660,139	\$ (175,076)	-5.9%
Non-operating Revenues	19,473	18,174	6,571	1,299	7.1%
Total Revenues	\$ 2,820,896	\$ 2,994,673	\$ 2,666,710	\$ (173,777)	-5.8%
Operating Expenses	\$ 2,222,258	\$ 2,377,784	\$ 2,202,458	\$ (155,526)	-6.5%
Non-operating Expenses	146,790	153,923	160,878	(7,133)	-4.6%
Total Expenses	\$ 2,369,048	\$ 2,531,707	\$ 2,363,336	\$ (162,659)	-6.4%

Capital Assets and Debt Administration

Capital Assets Activity

West Slope Water District’s capital assets, net of depreciation as of June 30, 2014 are \$9,776,310. The District’s capital assets included \$44,724 in land and \$9,731,586 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 2014 was \$276,462 or 2.8% from FY 2013.

The District continued to invest in radio read meter technology in FY 2014 in the amount of \$11,279. 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 2014

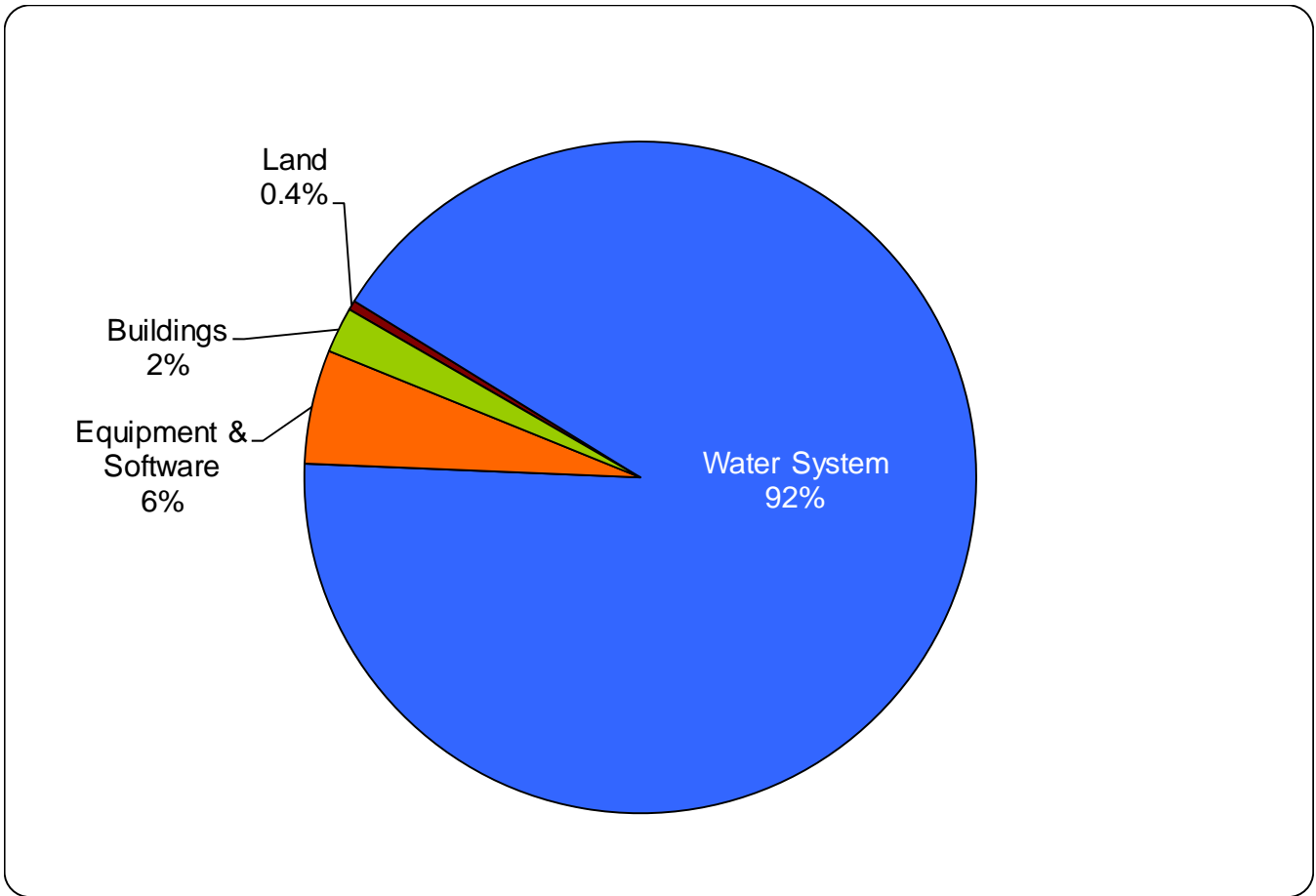


Figure 4 above shows the District's capital asset categories and their portion (percentage) of the District's total asset value in FY 2014. Additional information on the District's capital assets can be found on pages 22 and 23 in the Notes to the Financial Statements.

Long-Term Debt Activity

On June 30, 2014 the West Slope Water District had a total outstanding bonded indebtedness of \$3.9 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. The District maintained compliance with its water revenue bond coverage requirements as defined in the master resolution, net operating revenues plus SDC revenue totaled \$966,174 or 2.71 time debt service.

Table 4
Outstanding Revenue Bond Debt
FY 2014 – FY 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue Bond	<u>\$ 3,912,588</u>	<u>\$ 4,119,972</u>	<u>\$ 4,322,355</u>

The Notes to the Financial Statements of this report contains more detailed information regarding the status of bonded debt as of June 30, 2014, including schedules of future debt service requirements, beginning on page 24. In addition, further detailed information regarding debt activity is contained in the statistical section of this report beginning on page 48.

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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
<i>Current Assets</i>		
Cash and investments	\$ 2,466,030	\$ 1,855,447
Accounts receivable	370,867	427,194
Prepaid expenses	18,713	12,716
Inventories	45,182	45,186
<i>Total Current Assets</i>	<u>2,900,792</u>	<u>2,340,543</u>
<i>Noncurrent Assets</i>		
Restricted cash	127,433	162,634
Non-depreciable capital assets	44,724	46,969
Depreciable capital assets, net of depreciation	9,731,586	10,005,801
<i>Total Noncurrent Assets</i>	<u>9,903,743</u>	<u>10,215,404</u>
<i>Total Assets</i>	<u>\$ 12,804,535</u>	<u>\$ 12,555,947</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 116,129	\$ 179,673
Accrued payroll liabilities	43,556	25,926
Customer deposits	18,595	19,445
Current portion of compensated absences	25,660	22,852
Interest payable	36,845	38,639
Current portion of long-term debt	215,000	205,000
<i>Total Current Liabilities</i>	<u>455,785</u>	<u>491,535</u>
<i>Noncurrent Liabilities</i>		
OPEB liability	40,280	33,815
Noncurrent portion of compensated absences	13,214	7,617
Noncurrent portion of long-term debt	3,697,588	3,914,972
<i>Total Noncurrent Liabilities</i>	<u>3,751,082</u>	<u>3,956,404</u>
<i>Total Liabilities</i>	<u>4,206,867</u>	<u>4,447,939</u>
NET POSITION		
Net investment in capital assets	5,863,722	5,932,798
Restricted for capital projects	127,433	162,634
Unrestricted	2,606,512	2,012,576
<i>Total Net Position</i>	<u>8,597,667</u>	<u>8,108,008</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 12,804,534</u>	<u>\$ 12,555,947</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<i>OPERATING REVENUES</i>		
Water service	\$ 2,767,456	\$ 2,936,698
Service installations	4,676	2,050
Penalties	9,695	9,880
Materials and labor billed	340	269
Miscellaneous	3,722	11,978
Other	15,533	15,624
	<hr/>	<hr/>
<i>Total Operating Revenues</i>	2,801,422	2,976,499
<i>OPERATING EXPENSES</i>		
Salaries and wages	518,856	499,973
Payroll taxes and benefits	220,298	229,047
Water purchases	824,241	1,009,564
Repair and maintenance	128,416	95,178
Depreciation and amortization	339,724	330,875
Supplies	48,658	3,626
Utilities	21,817	15,452
Administration	65,407	125,913
Professional services	54,841	68,156
	<hr/>	<hr/>
<i>Total Operating Expenses</i>	2,222,258	2,377,784
	<hr/>	<hr/>
<i>Operating Income</i>	579,164	598,715
<i>NON-OPERATING REVENUES (EXPENSES)</i>		
Interest income	9,473	7,974
Interest expense	(146,790)	(153,923)
Gain on disposition of assets	10,000	10,200
	<hr/>	<hr/>
<i>Net Non-Operating Revenues (Expenses)</i>	(127,317)	(135,749)
<i>CAPITAL CONTRIBUTIONS</i>	<hr/>	<hr/>
	37,812	38,859
<i>CHANGE IN NET POSITION</i>	<hr/>	<hr/>
	489,659	501,825
<i>NET POSITION, Beginning of Year, as originally stated</i>	8,108,008	7,720,719
<i>Prior period adjustment</i>	-	(114,536)
	<hr/>	<hr/>
<i>NET POSITION, Beginning of Year, as restated</i>	8,108,008	7,606,183
	<hr/>	<hr/>
<i>NET POSITION, End of Year</i>	<u>\$ 8,597,667</u>	<u>\$ 8,108,008</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,856,899	\$ 2,870,917
Payments to employees	(706,654)	(720,068)
Payments to suppliers for goods and services	(1,212,917)	(1,266,016)
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	937,328	884,833
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases	(53,264)	(385,388)
Debt principal payments	(207,384)	(202,383)
Interest paid	(148,584)	(155,673)
Capital contributions	37,812	38,859
	<hr/>	<hr/>
<i>Net Cash Used by Capital and Related Financing Activities</i>	(371,420)	(704,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,473	7,974
	<hr/>	<hr/>
NET CHANGE IN CASH AND INVESTMENTS	575,381	188,222
CASH AND INVESTMENTS, Beginning of year	2,018,081	1,829,859
	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	<u>\$ 2,593,462</u>	<u>\$ 2,018,081</u>
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 579,164	\$ 598,715
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation	339,724	330,875
Compensated absences	8,405	(830)
Net OPEB Obligation	6,465	7,776
<i>Changes in assets and liabilities</i>		
Accounts receivable	56,327	(105,758)
Prepaid expenses	(5,997)	126
Inventories	4	(1,474)
Accounts payable and accrued liabilities	(63,544)	53,347
Accrued payroll liabilities	17,630	2,006
Customer deposits	(850)	50
	<hr/>	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 937,328</u>	<u>\$ 884,833</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Value of asset from trade-in	\$ 10,000	\$ 10,200

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

(1) 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.

A. 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.

B. 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.

C. 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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

D. 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.

E. Inventories

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

F. Prepaid Insurance

Unexpired insurance premiums on policies in effect on June 30, 2014 are recorded as prepaid insurance and are recorded as expenditures when used.

G. 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.

H. 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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

I. 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.

J. 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.

K. 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.

L. 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.

M. 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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

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.

(2) Cash and Cash Equivalents

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>

At June 30, 2013, 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>\$1,453,040</u>

A. 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.

B. 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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

C. 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.

D. 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, 2014, all of the District's bank balances were covered by FDIC insurance.

(3) Accounts Receivable – Water Service

The District bills water users monthly. The water service receivable at June 30, 2014 and 2013 was \$337,176 and \$386,314 respectively. At June 30, 2014 and 2013 the District had no recorded allowance for uncollectible accounts.

(4) Capital Assets

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

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 44,724	\$ -	\$ -	\$ 44,724
Construction in progress	2,245	-	(2,245)	-
Total capital assets, non-depreciable	46,969	-	(2,245)	44,724
Capital assets, depreciable:				
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
Less: accumulated depreciation				
Buildings	(112,375)	(8,966)	-	(121,341)
Water Systems	(4,125,212)	(269,336)	-	(4,394,548)
Equipment	(248,188)	(61,422)	19,750	(289,860)
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
Net capital assets	\$ 10,052,770	\$ (274,215)	\$ (2,245)	\$ 9,776,310

The changes in Capital Assets for the year ended June 30, 2013 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 44,724	\$ -	\$ -	\$ 44,724
Construction in progress	308,110	2,245	(308,110)	2,245
Total capital assets, non-depreciable	352,834	2,245	(308,110)	46,969
Capital assets, depreciable:				
Buildings	335,888	-	-	335,888
Water Systems	12,737,465	631,184	-	13,368,649
Equipment	745,712	70,269	(28,942)	787,039
Total capital assets, depreciable	13,819,065	701,453	(28,942)	14,491,576
Less: accumulated depreciation				
Buildings	(103,408)	(8,967)	-	(112,375)
Water Systems	(3,868,714)	(256,498)	-	(4,125,212)
Equipment	(219,530)	(57,600)	28,942	(248,188)
Total accumulated depreciation	(4,191,652)	(323,065)	28,942	(4,485,775)
Net depreciable capital assets	9,627,413	378,388	-	10,005,801
Net capital assets	\$ 9,980,247	\$ 380,633	\$ (308,110)	\$ 10,052,770

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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

(5) Long-Term Debt

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
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	\$ 4,150,441	\$ 31,257	\$ (230,236)	\$ 3,951,462	\$ 240,660

During the year ended June 30, 2013, long-term liability activity was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Bonds	\$ 4,285,000	\$ -	\$ (200,000)	\$ 4,085,000	\$ 205,000
Bond premiums	37,355	-	(2,383)	34,972	-
Total bonds payable	4,322,355	-	(202,383)	4,119,972	205,000
Compensated absences	31,299	49,153	(49,983)	30,469	22,852
Total long-term liabilities	\$ 4,353,654	\$ 49,153	\$ (252,366)	\$ 4,150,441	\$ 227,852

A. 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

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year	Revenue Bond		
	Principal	Interest	Total
2015	\$ 215,000	\$ 143,619	\$ 358,619
2016	225,000	135,356	360,356
2017	230,000	126,256	356,256
2018	240,000	116,856	356,856
2019-24	1,650,000	501,282	2,151,282
2025-28	1,320,000	107,397	1,427,397
	3,880,000	\$ 1,130,766	\$ 5,010,766
Bond premium	32,588		
	<u>\$ 3,912,588</u>		

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

Periods Ending	Interest Rate
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%

B. 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, 2014 and 2013.

(6) Statewide Local Government Retirement System

A. Plan Description

The District is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statutes 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (“OPSRP”), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon, 97281-3700 or by calling 503-598-7377.

B. Funding Policy

Covered employees are required by state statute to contribute 6.0% of their annual salary to the plan which is invested in the Individual Account Program (IAP). The District is required by statute to contribute at an actuarially determined rate for the qualifying employees under the OPERS plan, and a general service rate for the qualifying employees under the OPSRP plan. The District’s current rate of covered payroll for June 30, 2014 is 19.75% for PERS and 16.62% for OPSRP. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

C. Annual Pension Cost

The District’s contributions to PERS for the years ended June 30, 2012, 2013, and 2014 were \$93,122, \$89,589, and 126,148 respectively, and equaled the required contributions for each year.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

(7) 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, 2014, the District has six active participants and no retired employees.

A. 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, 2014 is:

Single	\$537.64
Couple	\$1,235.70
Family	\$1,612.01

B. 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:

	2014	2013
Annual Required Contribution (ARC)	\$ 9,065	\$ 8,758
Interest on Net OPEB Obligation	1,353	1,042
Adjustment to ARC	(1,246)	(930)
Annual OPEB Cost	9,172	8,870
Contributions made	(2,707)	(1,094)
Increase in Net OPEB Obligation	6,465	7,776
Net OPEB Obligation – beginning of year	33,815	26,039
Net OPEB Obligation – end of year	<u>\$ 40,280</u>	<u>\$ 33,815</u>

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

For fiscal year 2014, the District’s annual OPEB cost was \$9,172. Contributions made of \$2,707 were equal to the pay-as-you-go amount and represent 12% 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:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2014	\$ 9,172	30%	\$ 40,280
6/30/2013	8,870	12%	33,815
6/30/2012	11,336	32%	26,039

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 was \$503,986 and the ratio of the UAAL to the covered payroll was 15.17%.

C. 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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

D. 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 coverall 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, 2014 and June 30, 2013 equaled the required contributions.

(8) 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.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

(9) 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.

(10) 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.

(11) 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.

(12) Intergovernmental Agreement

The District and the City of Beaverton have an intergovernmental agreement (IGA) for 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 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, 2014, the amount of debt service reimbursement totaled \$15,533 and water reimbursement was \$32,360. For the year ended June 30, 2013, the amount of debt service reimbursement totaled \$15,624 and water reimbursement was \$39,675.

(13) New Accounting Pronouncements

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities." The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement was implemented in the current year. The implementation of GASB 65 resulted in the write-off of bond issuance costs, and a reduction of beginning net position at July 1, 2012 by \$114,536.

WEST SLOPE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014 and 2013

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement was implemented in the current year.

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. 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.

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.

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.

(14) Subsequent Events

Management has evaluated subsequent events through December 12, 2014, 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.

WEST SLOPE WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS
June 30, 2014 and 2013

Other Post-employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL 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%

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, 2014**

	<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>
<i>BUDGETARY BASIS</i>			
General Fund	\$ 2,804,732	\$ 2,149,697	\$ 655,035
Equipment Replacement Fund	10,610	56,635	(46,025)
Capital Improvement Fund	4,878	6,873	(1,995)
System Development Charges Fund	38,610	73,813	(35,203)
	<u>\$ 2,858,830</u>	<u>\$ 2,287,018</u>	<u>571,812</u>
<i>ADD (DEDUCT) ITEMS TO RECONCILE TO NET INCOME ON A FINANCIAL REPORTING BASIS</i>			
Payment of long-term debt			\$ 205,000
Capital outlay			63,264
Depreciation			(339,724)
Change in accrued bond interest payable			1,794
Bond premium amortization			2,384
Change in compensated absences			(8,405)
Change in net OPEB obligation			(6,465)
			<u>\$ 489,660</u>
<i>CHANGE IN NET POSITION</i>			<u>\$ 489,660</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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$2,734,500	\$2,734,500	\$2,772,471	\$37,971
Fines and forfeitures	-	-	9,695	9,695
Miscellaneous	31,250	31,250	22,566	(8,684)
<i>Total Revenues</i>	<u>2,765,750</u>	<u>2,765,750</u>	<u>2,804,732</u>	<u>38,982</u>
EXPENDITURES				
Current				
Personal services	885,900	885,900	728,790	157,110
Materials and services	1,251,700	1,291,700	1,138,629	153,071
Debt service				
Principal	200,000	200,000	205,000	(5,000)
Interest	160,000	160,000	77,278	82,722
Contingency	713,150	673,150	-	673,150
<i>Total Expenditures</i>	<u>3,210,750</u>	<u>3,210,750</u>	<u>2,149,697</u>	<u>1,061,053</u>
REVENUES OVER (UNDER) EXPENDITURES	(445,000)	(445,000)	655,035	1,100,035
OTHER FINANCING SOURCES (USES)				
Transfers out	(390,000)	(390,000)	(390,000)	-
NET CHANGE IN FUND BALANCE	<u>(835,000)</u>	<u>(835,000)</u>	<u>265,035</u>	<u>1,100,035</u>
FUND BALANCE, Beginning of year	<u>835,000</u>	<u>835,000</u>	<u>1,181,977</u>	<u>346,977</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,447,012</u>	<u>\$ 1,447,012</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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 300	\$ 300	\$ 10,610	\$ 10,310
EXPENDITURES				
Materials and services	150	150	121	29
Capital outlay	150,850	150,850	56,514	94,336
REVENUES OVER (UNDER) EXPENDITURES	(150,700)	(150,700)	(46,025)	104,675
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	90,000	90,000	-
NET CHANGE IN FUND BALANCE	(60,700)	(60,700)	43,975	104,675
FUND BALANCE, Beginning of year	60,700	60,700	88,832	28,132
FUND BALANCE, End of year	\$ -	\$ -	\$ 132,807	\$ 132,807

**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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 4,000	\$ 4,000	\$ 4,878	\$ 878
EXPENDITURES				
Materials and services	150	150	123	27
Capital outlay	1,105,000	1,105,000	6,750	1,098,250
<i>Total Expenditures</i>	<u>1,105,150</u>	<u>1,105,150</u>	<u>6,873</u>	<u>1,098,277</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,101,150)	(1,101,150)	(1,995)	1,099,155
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(801,150)	(801,150)	298,005	1,099,155
FUND BALANCE, Beginning of year	<u>801,150</u>	<u>801,150</u>	<u>844,691</u>	<u>43,541</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142,696</u>	<u>\$ 1,142,696</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, 2014**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
System development charges	\$ 6,000	\$ 6,000	\$ 37,812	\$ 31,812
Miscellaneous	1,200	1,200	798	(402)
<i>Total Revenues</i>	7,200	7,200	38,610	31,410
EXPENDITURES				
Materials and services	200	200	122	78
Capital outlay	66,000	66,000	-	66,000
Debt service				
Interest	81,000	81,000	73,691	7,309
<i>Total Expenditures</i>	147,200	147,200	73,813	73,387
NET CHANGE IN FUND BALANCE	(140,000)	(140,000)	(35,203)	104,797
FUND BALANCE, Beginning of year	140,000	140,000	162,636	22,636
FUND BALANCE, End of year	\$ -	\$ -	\$ 127,433	\$ 127,433

WEST SLOPE WATER DISTRICT
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

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, 2014. There was an appropriation transfer made during the year ended June 30, 2014 of \$40,000 transferred from contingency to materials and services. Appropriations lapse as of year-end.

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.

Contents	Page
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>	41
Revenue Capacity <i>These schedules contain information to help the reader assess the District’s most significant local revenue source, water rates revenue.</i>	44
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>	48
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>	50
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>	52

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

Fiscal Year	Net Investment in Capital Assets	Unrestricted	Restricted	Total Net Position
2014	\$ 5,863,722	\$ 2,606,513	\$ 127,433	\$ 8,597,668
2013	5,932,798	2,012,576	162,634	8,108,008
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
2005	4,212,733	1,453,501	68,866	5,735,100

Source: West Slope Water District Financial Statements

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

	2005	2006	2007
OPERATING REVENUES:			
Water service	\$ 1,823,874	\$ 1,999,592	\$ 2,122,073
Service installations	3,349	16,260	10,310
SDC revenue	17,701	81,657	11,361
Penalties	5,773	5,315	5,785
ODOT reimbursements	7,928	-	-
Overhead billing	841	-	-
Materials and labor billed	4,526	5,214	610
Beaverton Reimbursement	-	-	-
Miscellaneous	7,678	3,912	2,438
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total operating revenues	1,871,670	2,111,950	2,152,577
OPERATING EXPENSES:			
Salaries and wages	293,187	312,983	331,466
Payroll taxes and benefits	153,603	205,672	200,615
Water purchases	758,824	818,974	740,556
Repair and maintenance	122,177	49,374	142,708
Depreciation	156,641	162,089	168,860
Cost of services	13,943	11,805	17,113
Supplies	21,242	9,231	10,688
Utilities	5,091	5,368	5,045
Administrative	131,572	93,488	101,743
Professional services	53,608	28,106	97,515
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,709,888	1,697,090	1,816,309
Operating income (loss)	161,782	414,860	336,268
NON-OPERATING INCOME (EXPENSE):			
Interest income	24,428	50,205	83,538
Interest expense	-	-	-
Gain (Loss) on disposal or trade-in of asset	-	-	-
	<hr/>	<hr/>	<hr/>
Total non-operating income (expenses)	24,428	50,205	83,538
CAPITAL CONTRIBUTIONS:			
Capital contributions	-	-	-
	<hr/>	<hr/>	<hr/>
Change in net assets	186,210	465,065	419,806
NET POSITION, BEGINNING	<hr/>	<hr/>	<hr/>
	5,548,890	5,735,100	6,200,165
NET POSITION, ENDING	<hr/>	<hr/>	<hr/>
	\$ 5,735,100	\$ 6,200,165	\$ 6,619,971

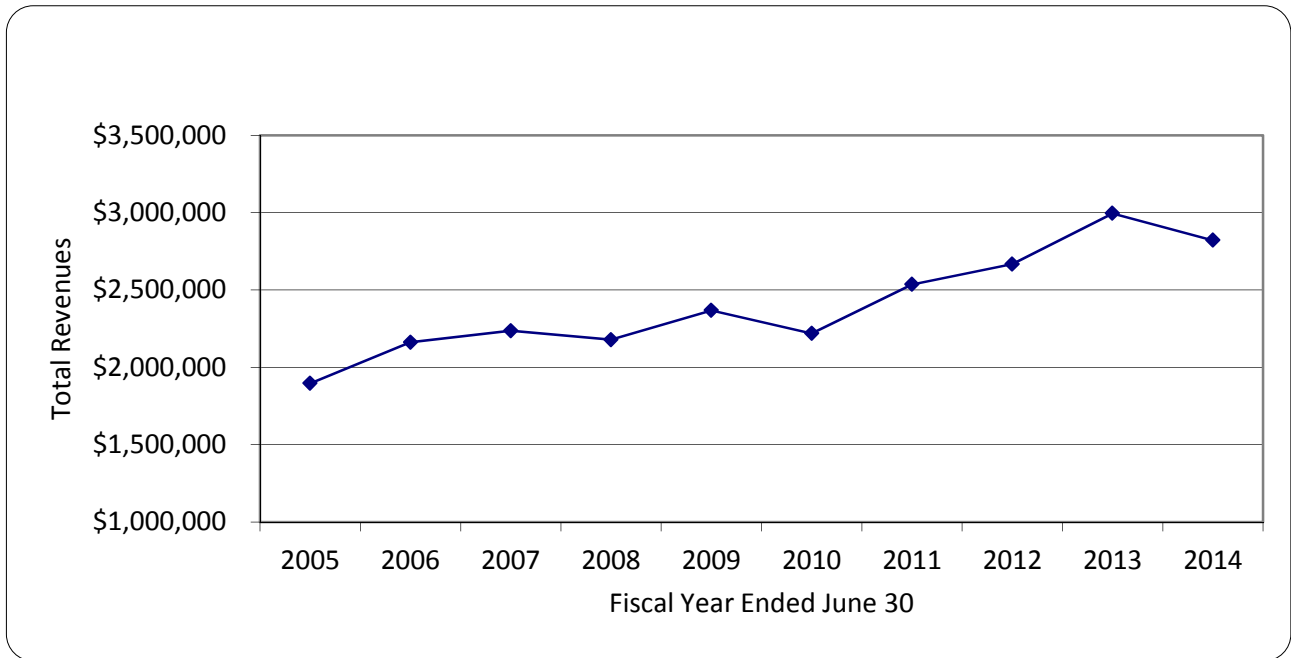
Source: West Slope Water District Financial Statements

*FY 2014 reflects a reclassification of SDC charges from Operating income to Capital Contributions

2008	2009	2010	2011	2012	2013	2014
\$ 1,982,623	\$ 2,239,438	\$ 2,157,584	\$ 2,448,556	\$ 2,594,387	\$ 2,936,698	\$ 2,767,456
16,701	2,954	4,376	794	2,655	2,050	4,676
24,759	13,245	17,305	26,516	-	-	-
6,360	7,050	6,760	7,370	9,045	9,880	9,695
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,670	4,566	1,247	4,586	89	269	340
-	-	-	15,548	15,708	15,624	-
8,797	7,952	17,783	26,433	5,255	11,978	19,256
-	-	-	-	33,000	-	-
<u>2,046,910</u>	<u>2,275,205</u>	<u>2,205,055</u>	<u>2,529,803</u>	<u>2,660,139</u>	<u>2,976,499</u>	<u>2,801,423</u>
357,652	403,185	392,625	460,949	451,128	499,973	518,856
220,686	241,782	234,024	235,724	284,411	229,047	220,298
780,968	863,740	952,460	836,075	896,502	1,009,564	824,241
92,241	149,624	61,860	53,036	48,036	95,178	128,416
166,112	168,931	247,802	307,362	321,879	330,875	339,724
27,947	15,566	13,552	12,016	10,920	-	-
1,423	2,662	2,018	2,594	1,966	3,626	48,658
11,041	13,506	14,136	15,023	16,414	15,452	21,817
85,818	98,161	102,827	102,838	131,101	125,913	65,407
39,418	74,153	121,088	47,961	40,101	68,156	54,841
<u>1,783,306</u>	<u>2,031,310</u>	<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>
263,604	243,895	62,663	456,225	457,681	598,715	579,165
131,319	92,187	13,950	5,523	6,571	7,974	9,473
(233,034)	(3,184)	(112,466)	(167,615)	(160,878)	(153,923)	(146,790)
(101,715)	-	-	-	-	10,200	10,000
<u>(101,715)</u>	<u>89,003</u>	<u>(98,516)</u>	<u>(162,092)</u>	<u>(154,307)</u>	<u>(135,749)</u>	<u>(127,317)</u>
25,960	-	-	-	18,347	38,859	37,812
187,849	332,898	(35,853)	294,133	303,374	462,966	489,660
<u>6,619,971</u>	<u>6,807,820</u>	<u>7,140,718</u>	<u>7,104,865</u>	<u>7,398,998</u>	<u>7,587,836</u>	<u>8,108,008</u>
<u>\$ 6,807,820</u>	<u>\$ 7,140,718</u>	<u>\$ 7,104,865</u>	<u>\$ 7,398,998</u>	<u>\$ 7,702,372</u>	<u>\$ 8,050,802</u>	<u>\$ 8,597,668</u>

WEST SLOPE WATER DISTRICT
REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Water Services	ODOT Payments	Services Billed	Interest Income	Other	Total
2014	\$ 2,767,456	\$ -	\$ 5,016	\$ 9,473	\$ 38,951	\$ 2,820,896
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
2005	1,823,874	7,928	8,716	24,428	31,152	1,896,098



Source: West Slope Water District Financial Statements

WEST SLOPE WATER DISTRICT
MONTHLY RATE SCHEDULE
Last Ten Fiscal Years

Historical Water Rates

	<u>11/1/2012</u>	<u>11/1/2011</u>	<u>7/1/2010</u>	<u>2/1/2010</u>	<u>7/1/2009</u>
Commodity Charge Per 100 Cubic Feet (CCF)	\$ 4.31	\$ 4.25	\$ 4.10	\$ 3.64	\$ 3.48
Monthly Service Charge					
3/4"	13.05	11.86	7.22	7.22	6.87
1"	22.19	20.17	14.37	14.37	13.69
1-1/2"	36.43	33.12	26.30	26.30	25.05
2"	55.80	50.73	40.62	40.62	38.69
3"	121.35	110.32	78.79	78.79	75.04
4"	183.48	166.80	121.74	121.74	115.94
6"	336.96	306.33	241.03	241.03	229.55

	<u>2/1/2009</u>	<u>7/1/2008</u>	<u>2/1/2008</u>	<u>2/1/2006</u>	<u>11/15/2004</u>
Commodity Charge Per 100 Cubic Feet (CCF)	\$ 3.36	\$ 3.08	\$ 2.95	\$ 2.70	\$ 2.55
Monthly Service Charge					
3/4"	6.87	6.28	6.28	6.28	6.03
1"	13.69	12.50	12.50	10.10	10.10
1-1/2"	25.05	22.88	22.88	18.00	18.00
2"	38.69	35.33	35.33	28.95	28.95
3"	75.04	68.53	68.53	51.83	51.83
4"	115.94	105.88	105.88	76.70	76.70
6"	229.55	209.64	209.64	152.83	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

Meter Size	2/1/2014	2/1/2013	2/1/2012	2/1/2011	2/1/2010
3/4"	\$ 3,054	\$ 2,833	\$ 2,779	\$ 2,672	\$ 2,652
1"	7,629	7,077	6,943	6,676	6,627
1-1/2"	15,266	14,161	13,890	13,356	13,258
2"	24,425	22,658	22,224	21,369	21,212
3"	48,763	45,235	44,370	42,663	42,427
4"	76,630	71,085	69,736	67,054	66,291
6"	152,661	141,615	138,906	133,563	132,582

Meter Size	2/1/2009	2/1/2008	2/21/2007	2/15/2006	2/16/2005
3/4"	\$ 2,679	\$ 2,642	\$ 1,106	\$ 1,082	\$ 1,044
1"	6,697	6,604	2,765	2,705	2,611
1-1/2"	13,392	13,208	5,528	5,409	5,221
2"	21,427	21,133	8,845	8,655	8,354
3"	42,855	42,267	17,692	17,311	16,709
4"	66,960	66,042	27,641	27,046	26,106
6"	133,921	132,084	55,285	54,095	52,215

Source: West Slope Water District

WEST SLOPE WATER DISTRICT
UNCOLLECTABLE DEBT
Last Ten Fiscal Years

Fiscal Year Ended June 30	Write Off	Water Revenues	% of Revenue
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%
2005	1,364	1,823,874	0.075%
2004	1,212	1,858,221	0.065%

WEST SLOPE WATER DISTRICT
REVENUE BOND DEBT COVERAGE
Last Ten Fiscal Years

Fiscal Year	Income & Revenue*	SDC Revenue	Operating Expense**	Net Available Revenue	Debt Service			Coverage Ratios	
					Principal	Interest	Total	With SDC	Without SDC
2014	\$ 2,810,896	\$ 37,812	\$ 1,882,534	\$ 928,362	\$ 205,000	\$ 150,969	\$ 355,969	2.714	2.608
2013	2,968,849	38,859	2,046,909	921,940	200,000	158,056	358,056	2.683	2.575
2012	2,618,002	18,347	1,880,579	737,423	195,000	164,969	359,969	2.100	2.049
2011	2,493,262	26,516	1,766,216	727,046	185,000	171,619	356,619	2.113	2.039
2010	2,201,700	17,305	1,894,590	307,110	180,000	178,006	358,006	0.906	0.858
2009	2,354,147	13,245	1,862,379	491,768	155,000	202,009	357,009	1.415	1.377
2008	2,153,470	24,759	1,617,194	536,276	-	-	-	N/A	N/A
2007	2,224,754	11,361	1,647,449	577,305	-	-	-	N/A	N/A
2006	2,080,498	81,657	1,535,001	545,497	-	-	-	N/A	N/A
2005	1,878,397	17,701	1,553,247	325,150	-	-	-	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

As of June 30	Debt	Service Connections	Debt Per Service Connection
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

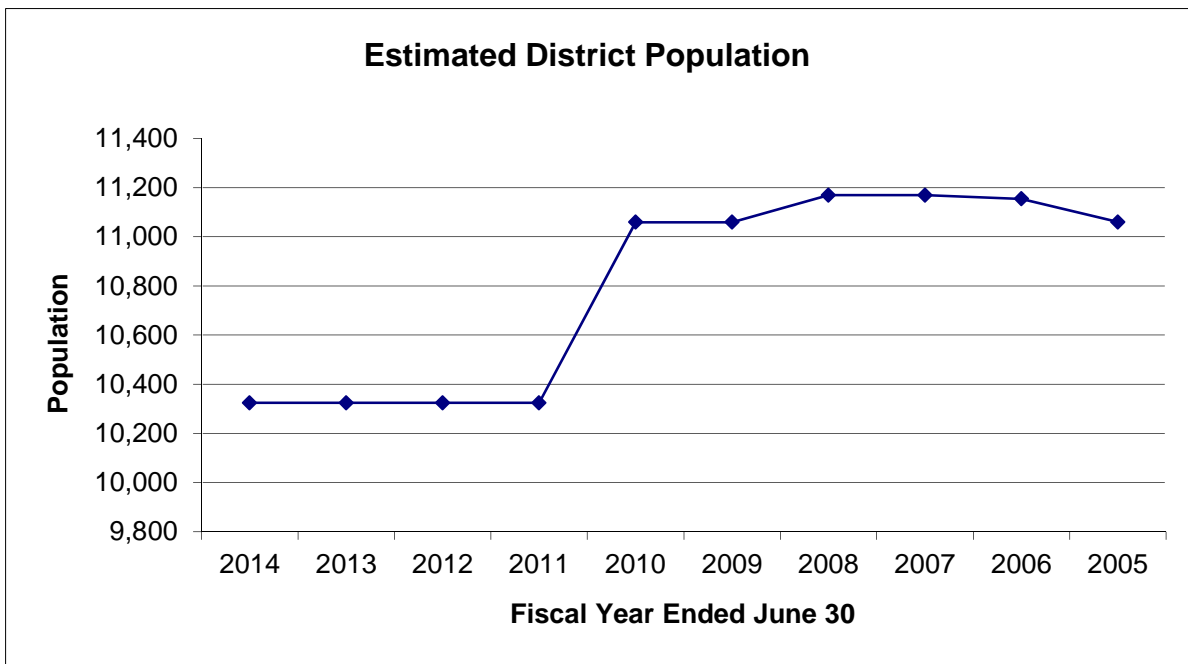
Source: West Slope Water District Financial Statements
West Slope Water District Utility Billing Records

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

As of June 30	Administration	Field Operations	Total	Service Connections	District Population (Estimated)	Employees Per 1,000 population
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
2005	2.75	3.00	5.75	3,317	11,060	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
Ten Year Comparison

Rate Payer	Fiscal Year 2014			Fiscal Year 2005		
	Usage (CCF*)	Rank	Percentage of District Total	Usage (CCF*)	Rank	Percentage
Canyon Park Apartments	14,783	1	3.05%	16,007	1	2.59%
Shilo Inn	9,995	2	2.06%	8,928	3	1.44%
Crescent Hill Apartments	9,383	3	1.94%	8,597	4	1.39%
Kaady car Wash	8,451	4	1.74%	5,966	8	0.96%
Gardenbrook Apartments	6,380	5	1.32%	6,438	6	1.04%
Vista Hills Apartments	6,211	6	1.28%	1,191	n.a.	0.19%
Jesuit High School	5,234	7	1.08%	11,092	2	1.79%
West Slope Terrace Apartm	4,417	8	0.91%	7,255	5	1.17%
Canyon Court Condo	4,345	9	0.90%	n.a.	n.a.	
Sylvan Terrace Apartments	3,779	10	0.78%	3,925	15	0.63%
TOTALS	72,978		15.06%	69,399		11.22%

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

Fiscal Year Ended June 30	Water Sales	Water Purchases	Net Amount	Percent of Sales
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%
2005	1,823,874	758,824	1,065,050	58.4%

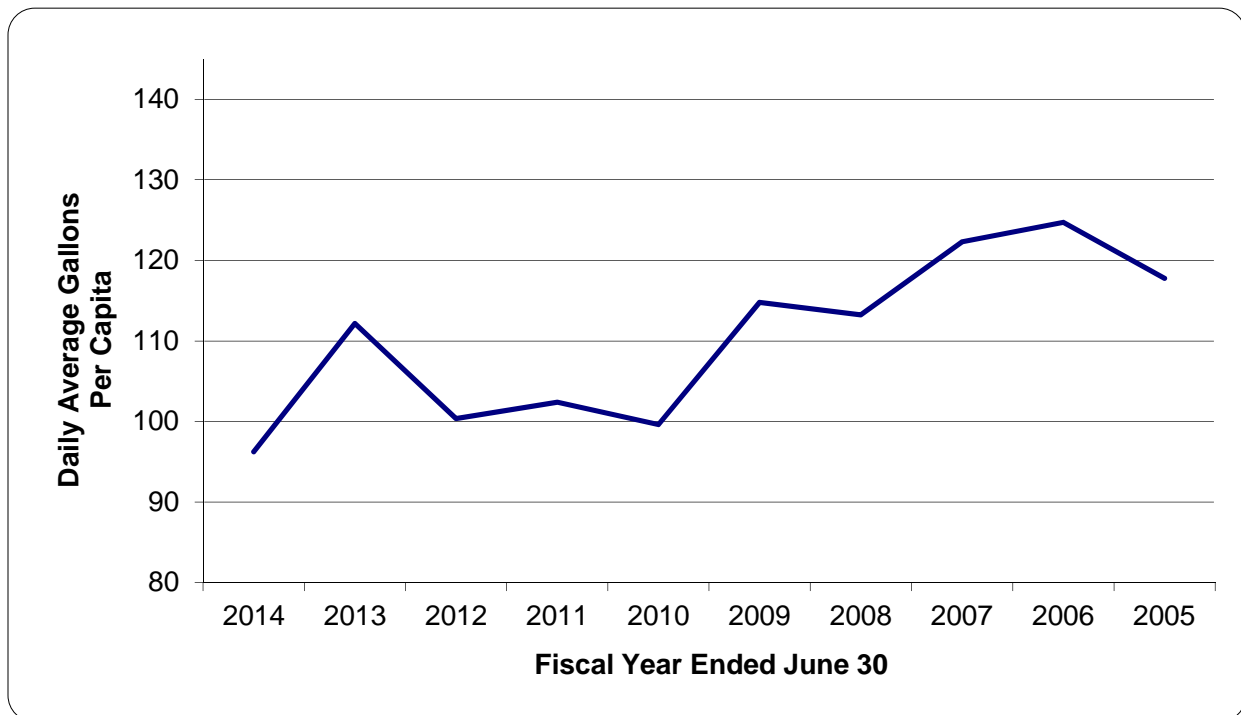
Source: West Slope Water District Financial Statements

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

Fiscal Year Ended June 30	Annual Gallons Consumed	Average Daily Consumption	Average Daily Per Capita Consumption	District Population (Estimated)
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
2005	475,356,992	1,302,348	118	11,060

Source: West Slope Water District

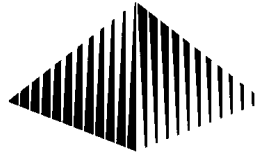
Portland State University Center for Population Research and Census



WEST SLOPE WATER DISTRICT
WATER PURCHASED AND CONSUMED
Last Ten Fiscal Years

Fiscal Year Ended June 30	Annual Gallons Purchased	Annual Gallons Consumed	Annual Gallons Unbilled	Annual Percent Unbilled
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%
2004	556,104,340	527,622,744	28,481,596	5.12%

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, 2014, and have issued our report thereon dated December 12, 2014.

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, except that the District did not obtain or document the minimum required amount of informal quotes when trading in an asset and replacing it with a new asset.

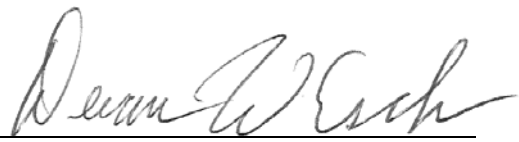
OAR 162-10-0230 - Internal Control

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 12, 2014