

**GLENEDEN SANITARY DISTRICT
OREGON**

AUDIT REPORT

JUNE 30, 2024

Prepared by
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon 97365

GLENEDEN SANITARY DISTRICT, OREGON

DIRECTORS

President	Phillip Jensen PO Box 675 Gleneden Beach, OR 97388
Secretary-Treasurer	Ray Burleigh 30 Ridge Place Depoe Bay, OR 97341
Director	John Alita PO Box 506 Gleneden Beach, OR 97388
Director	John Heath PO Box 96 Gleneden Beach, OR 97388
Director	Jimmy Newton PO Box 96 Gleneden Beach, OR 97388

ADMINISTRATORS

Contract Superintendent, Budget Officer	Mike Bauman
Recording Secretary	Adam Springer, Attorney
Office Manager	Danielle Hutton

REGISTERED AGENT

Mike Bauman
6595 Gleneden Beach Loop
Gleneden Beach, OR 97388

GLENEDEDEN SANITARY DISTRICT, OREGON

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GRIMSTAD & ASSOCIATE
Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gleneden Sanitary District
Gleneden, Oregon

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities of Gleneden Sanitary District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Gleneden Sanitary District as of June 30, 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Members:
AICPA OSCP & OAI

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gleneden Sanitary District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gleneden Sanitary District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

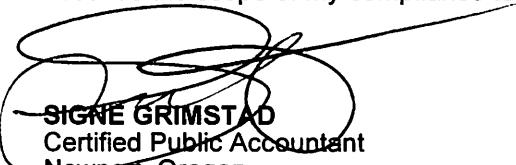
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards 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. I have applied certain limited procedures to the management's discussion and analysis 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental budget schedules and reconciliation to net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate 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 my opinion, the supplemental budget schedules and reconciliation to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Legal and Regulatory Requirements

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated November 22, 2024 on my consideration of District's compliance with certain 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 my compliance testing and not to provide an opinion on compliance.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
November 22, 2024

Gleneden Sanitary District Management Discussion and Analysis (MD&A)

As management of the Gleneden Sanitary District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Gleneden Sanitary District for the fiscal year ended June 30, 2024.

Financial Highlights

- Total Net Position of the District is \$5,481,042 with Capital Assets (Utility Plant in Service) at \$5,816,075 net of accumulated depreciation. Current Assets are \$3,209,999.
- The assets of GSD exceeded its liabilities at the close of the most recent fiscal year by \$5,481,042 (Net Position). Of this amount, \$2,635,383 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- Capital Assets are \$5,816,075.
- Total liabilities were \$3,545,033 with \$3,132,266 long-term liabilities.
- The District's net position increased by \$305,297 from June 30, 2023 to June 30, 2024.
- Total Operating Revenues for the fiscal year 2023-2024 were \$1,696,707 which decreased \$50,093 from prior year.
- Total Operating Expenses for the fiscal year 2023-2024 were \$1,477,315. This figure is \$222,471 up over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to GSD's basic financial statements. The District is a self-supporting entity and follows fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District's basic financial statements are comprised of three components; 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the District is improving or deteriorating over time. This statement includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Fund Net Position present information showing profitability and credit worthiness as well as how the District's net position changed during the most recent fiscal year. This statement shows income and expense from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The Statement of Cash Flow is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, non-capital financing activities, capital and related financing activities and investing activities. This statement also includes reconciliation to the Statement of Revenues, Expenses and Changes in Fund Net Position. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It answers such questions as, where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a District's financial condition. In GSD's case, assets exceeded liabilities by \$5,481,042 at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., buildings, equipment, pump stations and pipelines and GSD's portion of the debt service for bonds to upgrade the treatment plant in Depoe Bay). The District uses these assets to provide services to rate payers, consequently, these assets are not available for future spending.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,635,383 may be used to meet the District's ongoing obligations to ratepayers and creditors.

Net operating activities of \$219,392 are down by \$272,564 over the previous year. The change in net position is comprised of operating and non-operating income, including interest earnings of \$134,523 and capital contributions of \$15,664.

The following condensed financial information summarizes the District's financial position and operations for the fiscal year ending June 30, 2024. For 2023, the Statement of Net Position's Equity was adjusted between restricted and unrestricted. In the original report, the SDCs were overstated as they included work in progress of \$186,234. The restated restricted equity was adjusted down with the off setting increase to unrestricted.

Statement of Net Position

	2024	Restated 2023	Variance
Assets			
Current & Other Assets	\$3,209,999	\$2,910,264	\$ 299,735
Capital Assets, net of accum dep	5,816,075	5,858,737	(42,662)
Total Assets	<u>9,026,074</u>	<u>8,769,001</u>	<u>257,073</u>
Liabilities			
Current Liability	412,767	460,990	(48,223)
Long term Liabilities	3,132,266	3,132,266	0
Total Liabilities	<u>3,545,033</u>	<u>3,593,256</u>	<u>(48,223)</u>
Net Position			
Net investment in capital assets	2,590,703	2,726,471	(135,768)
Restricted	254,956	238,981	15,975
Unrestricted	2,635,383	2,210,293	425,090
Total Net Position	<u>\$5,481,042</u>	<u>\$5,175,745</u>	<u>\$ 305,297</u>

Statement of Revenues, Expenses and Changes in Net Position

	2024	2023	Variance
Operating Revenues			
User Charges	\$1,692,122	\$1,736,376	\$ (44,254)
Connection Fees	519	1,384	(865)
Other	4,066	9,040	(4,974)
Total Operating Revenue	<u>1,696,707</u>	<u>1,746,800</u>	<u>(50,093)</u>
Operating Expenses			
Maintenance & Repairs	81,348	45,691	35,657
Professional Services	29,524	52,488	(22,964)
General & Administrative	154,112	70,221	83,891
Contract Services	1,039,044	992,705	46,339
Depreciation	173,287	93,739	79,548
Total Operating Expense	<u>1,477,315</u>	<u>1,254,844</u>	<u>222,471</u>
Operating Income (Loss)	<u>219,392</u>	<u>491,956</u>	<u>(272,564)</u>
Non Operating Revenue (Expenses)			
Interest Income	134,523	67,906	66,617
Debt forgiveness	-	500,000	(500,000)
Miscellaneous income	-	149,743	(149,743)
Interest expense	(64,282)	0	(64,282)
Total Non Operating Income	<u>70,241</u>	<u>717,649</u>	<u>(647,408)</u>
Income Before Contributions	289,633	1,209,605	(919,972)
Capital Contributions	15,664	41,768	(26,104)
Changes in Net Position	<u>305,297</u>	<u>1,251,373</u>	<u>(946,076)</u>
Net Position Beginning of Year	<u>5,175,745</u>	<u>3,924,372</u>	<u>1,251,373</u>
Net Position End of Year	<u>\$5,481,042</u>	<u>\$5,175,745</u>	<u>\$ 305,297</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The GSD's investment in capital assets as of June 30, 2024 amounts to \$5.8 million. This investment in capital assets includes buildings, pump stations, collection lines and generators.

Major capital asset events during the current fiscal year included the following:

- Upgrades to pump stations.
- The Wastewater Treatment Facility Plan will continue into the following year due to engineering delays in final plan preparation.

Long Term Debt

The District finalized a loan agreement with DEQ for major pump station improvements. The final loan of \$3,225,372, after a \$500,000 principal forgiveness, will begin to be paid off in the fiscal year 2024-2025. For the current year \$64,282 of interest was paid.

Economic Factors and Next Year's Budget and Finance

Gleneden Sanitary and the City of Depoe Bay signed an agreement whereby the District is sharing in the Annual Total Costs of the wastewater treatment and a plant built and financed by Depoe Bay. This agreement permits the District to connect to the City's system lines. Gleneden Sanitary made the final payment towards the treatment plant upgrade in fiscal year 2023-2024.

The City of Depoe Bay has given its 5 year notice to terminate the contract on March 1, 2027. Lack of timely and accurate reporting by the City has left Gleneden Sanitary in a position of being unaware of Depoe Bay's financial position. This in turn is causing impacts on the District's fiscal year budget.

Request for Information

The financial report is designed to provide a general overview of the Gleneden Sanitary 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 Contract Superintendent, Gleneden Sanitary District, PO Box 96, Gleneden Beach, Oregon 97388.

GLENNEDEN SANITARY DISTRICT, OREGON

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$	3,054,965
Accounts receivable		148,492
Property taxes receivable		132
Prepaid insurance		<u>6,410</u>
Total current assets		<u>3,209,999</u>

Noncurrent Assets

Land		16,020
Construction in progress		749,779
Plant and equipment (net of depreciation)		<u>5,050,276</u>
Total noncurrent assets		<u>5,816,075</u>
Total assets		<u>9,026,074</u>

LIABILITIES

Current Liabilities

Accounts payable		312,686
Unearned revenue		6,975
Current position of long-term debt		<u>93,106</u>
Total current liabilities		<u>412,767</u>

Long-term Liabilities

DEQ Loan, net of current position		<u>3,132,266</u>
Total long-term liabilities		<u>3,132,266</u>
Total liabilities		<u>3,545,033</u>

NET POSITION

Net investment in capital assets		2,590,703
Restricted		
System development charges		184,956
Debt services		70,000
Unrestricted		<u>2,635,383</u>
Total net position	\$	<u><u>5,481,042</u></u>

See accompanying notes to financial statements

GLENEDEN SANITARY DISTRICT, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS for the Year Ended June 30, 2024

OPERATING REVENUES

User charges	\$	1,692,122
Connection fees		519
Other income		<u>4,066</u>
Total operating revenues		<u>1,696,707</u>

OPERATING EXPENSES

Maintenance and repairs		81,348
Professional services		29,524
General and administrative		154,112
Contract services		1,039,044
Depreciation		<u>173,287</u>
Total operating expenses		<u>1,477,315</u>

OPERATING INCOME (LOSS)

219,392

NONOPERATING REVENUES (EXPENSES)

Interest income		134,523
Interest expense		<u>(64,282)</u>
Total other nonoperating revenues (exp)		<u>70,241</u>

Income before contributions 289,633

CAPITAL CONTRIBUTIONS

15,664

Changes in net position 305,297

NET POSITION - Beginning of year 5,175,745

NET POSITION - End of year \$ 5,481,042

See accompanying notes to financial statements

GLENNEDEN SANITARY DISTRICT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 1,692,641
Cash payments for goods and services	<u>(1,355,985)</u>
Net cash provided (used) by operating activities	<u>336,656</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contribution	15,664
Interest expense	(64,282)
Acquisition of capital assets	<u>(130,625)</u>
Net cash provided (used) by capital and related financing activities	<u>(179,243)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>134,523</u>
Net increase (decrease) in cash and cash equivalents	291,936
Cash and cash equivalents - Beginning of year (\$238,981 restricted)	<u>2,763,029</u>
Cash and cash equivalents - End of year (\$254,383 restricted)	<u><u>\$ 3,054,965</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 219,392
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	173,287
(Increase) decrease in operating assets	
Accounts receivable	(4,663)
Prepaid expenses	(3,136)
Increase (decrease) in operating liabilities	
Accounts payable	(47,874)
Unearned income	<u>(350)</u>
Net cash provided (used) by operating activities	<u><u>\$ 336,656</u></u>

See accompanying notes to financial statements

**GLENEDEN SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gleneden Sanitary District (District) prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of the District's accounting policies are described below.

Reporting Entity

The Gleneden Sanitary District is a municipal corporation and therefore is exempt from federal taxes. It operates under the laws of the State of Oregon for the purpose of providing sanitary service to customers within the boundaries of the District. There are five Directors elected for terms of four years.

There are various other governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

Basis of Accounting and Presentation

Gleneden Sanitary District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting utilizing accounting principles similar to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

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

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate accounting entity with a self balancing set of accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements of this report into one proprietary fund.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The District's investment policies are governed by Oregon statutes. The statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

**GLENEDEN SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

Restricted assets represent system development monies. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Capital assets are defined in the District's capitalization policy as having a historic cost or fair value in excess of \$2,500 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Plant and Sanitary System	5 - 50 years
Equipment	7 years

Net Position

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 net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposing legal mandates. Unrestricted consists of all other net assets not included in the above categories.

Operating Revenues, Non-Operating Revenues and Operating Expenses

The District has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing sanitary service.

Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation.

Non-operating revenues are revenues of the District not directly attributable to the services provided. This includes investment interest, capital contributions, and gain (loss) on sale of capital assets.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**GLENEDEN SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

Pursuant to Oregon Local Budget Law, Oregon Revised Statutes Chapter 294.305 through 294.770, the District manages its operations through fund accounting. An operating budget is adopted prior to each fiscal year for all funds. The budget is adopted on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available to finance expenditures of the current period). Expenses are generally recognized when the related liability has been incurred. The exception is interest on general long-term debt, which is recognized when due.

The Board adopts the budget and by resolution makes appropriations by major functional categories for all funds for the next fiscal year. Appropriations lapse at the end of the fiscal year, June 30.

Major functional categories identify the legal level of budgetary control above which expenditures are not authorized. The major functional categories are personnel services, materials and services, capital outlay, debt service, interfund transfers, and operating contingency. The Board of Directors may select a lower level of appropriations than the budget committee in which case the legal level of appropriation is stated in the appropriation resolution. The expenditure budget for the year is adopted through the appropriation resolution and only the Board may adjust appropriations.

Note 3 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30 are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>
Cash and cash equivalents	<u>\$ 3,054,965</u>

Cash, cash equivalents and investments as of June 30 consist of the following:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Deposits with financial institutions	\$ 320,113	\$ 134,623	\$ 185,490
Investments - external investment pool	<u>2,734,852</u>	<u>2,664,852</u>	<u>70,000</u>
Total	<u>\$ 3,054,965</u>	<u>\$ 2,799,475</u>	<u>\$ 255,490</u>

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$153,974, of which \$500,000 was covered by FDIC.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. The District does not have a formally adopted deposit policy for custodial credit risk.

**GLENEDEN SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

At year end, the District held the following investments:

	<u>Fair Value</u>
Local Government Investment Pool	<u>\$ 2,734,852</u>

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council. At the end of the fiscal year, the fair value of the District's deposits with the LGIP approximately equals the value of the pool shares.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The District's investment is in compliance with State statutes. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is unrated for credit risk.

A copy of the State's Annual Comprehensive Financial Report may be obtained online at www.ost.state.or.us or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Concentration of credit risk

At June 30, the District held 100% of its total investments in the Oregon State Treasury's Local Government Investment Pool. The District places no limit on the amount it may invest in any one issuer.

**GLENEDEN SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>
Property Taxes	\$ 132
Accounts Receivable	<u>148,492</u>
Total Receivables	<u>\$ 148,624</u>

Uncollected user receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible receivables has been established.

The District's last tax levy was for the year 1999-2000 to service general obligation bonds. The remaining receivable represents delinquent property taxes.

Note 5 - CAPITAL ASSETS

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

	<u>7/01 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30 Balance</u>
Capital assets not being depreciated				
Land easements	\$ 16,020	\$ 0	\$ 0	\$ 16,020
Construction in progress	<u>641,148</u>	<u>108,631</u>	<u>0</u>	<u>749,779</u>
Total cap. assets not being dep.	<u>657,168</u>	<u>108,631</u>	<u>0</u>	<u>765,799</u>
Capital assets being depreciated				
Plant and sanitary system	8,197,447	21,994	0	8,219,441
Accumulated depreciation	<u>2,995,878</u>	<u>173,287</u>	<u>0</u>	<u>3,169,165</u>
Total capital assets, net of dep.	<u>5,201,569</u>	<u>(151,293)</u>	<u>0</u>	<u>5,050,276</u>
Capital assets, net	<u>\$ 5,858,737</u>	<u>\$ (42,662)</u>	<u>\$ 0</u>	<u>\$5,816,075</u>

Current year depreciation expense was \$173,287.

**GLENEDEN SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 6 – LONG TERM DEBT

R37440 Oregon Dept of Environmental Quality

Resolution 20-01 signed in March 2020 gave authorization for a state revolving loan to provide financing for the pump station and main improvements. DEQ offered a loan for the Design Phase of the project for \$170,000 at 1.10% interest on a 30 year loan.

An amendment of the Loan Agreement No. R37440 occurred on February 2, 2021 restating the loan amount to \$4,370,000, payable over 30 years at 1.10% and an annual fee of .50%. A Reserve Fund totaling one-half of the average annual debt service was initially to be \$30,426. Currently that revenue balance is \$70,000. The final loan agreement signed September 5, 2023, reflects the forgiveness of \$500,000 on the loan for a balance of \$3,225,372 payable in semi annual installments. The first payment was due February 1, 2024 for interest only of \$64,282 and then annually, a declining payable of interest, principal, and fee commencing at \$144,457. The final payment is August 1, 2053. All is payable from net operating revenues. Below is a summary of loan draws in the current year:

	<u>Original Loan</u>	<u>7/01 Balance</u>	<u>Principal Retired</u>	<u>Interest Paid</u>	<u>6/30 Balance</u>	<u>Current Portion</u>
Loan Payable	<u>\$ 3,225,372</u>	<u>\$ 3,225,372</u>	<u>\$ 0</u>	<u>\$64,282</u>	<u>\$ 3,225,372</u>	<u>\$ 94,134</u>

Total interest incurred and expensed for this year was \$64,282.

Clean Water State Revolving Fund Loan

Below is a summary of annual debt requirements to maturity:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 93,106	\$ 35,224	\$ 128,330
2026	94,134	34,196	128,330
2027	95,171	33,159	128,330
2028	96,222	32,108	128,330
2029	97,283	31,047	128,330
2030-34	502,750	138,900	641,650
2035-39	531,094	110,556	641,650
2040-44	561,037	80,613	641,650
2045-49	592,669	48,981	641,650
2050-54	<u>561,906</u>	<u>15,565</u>	<u>577,471</u>
Total	<u>\$ 3,225,372</u>	<u>\$ 560,349</u>	<u>\$ 3,785,721</u>

**GLENEDEN SANITARY DISTRICT
OREGON**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024**

Note 7 - OTHER INFORMATION

Commitments and Contingencies

Gleneden Sanitary and the City of Depoe Bay signed an agreement whereby the District is sharing in the Annual Total Costs of the wastewater treatment plant built and financed by the City. This agreement permits the District to connect to the City's system lines until all related debt service is paid in full. Should the District wish to terminate the agreement and discharge its sewage elsewhere; as a condition of termination it must repay, defease or otherwise provide for the repayment of its share of any outstanding City bonds issued for Shared Facility based on its then current share of Annual Total Cost. The City has given its 5 year notice to terminate the contract on March 1, 2027.

Commitments and Contingencies

The District contracts with Kernville-Gleneden Beach-Lincoln Beach Water District for operating and maintaining the District's sewer system; for office personnel and equipment to provide billing and financial services to the District; and to store records and equipment of the District. An annual fee for this agreement is fixed by a joint resolution on or before June 30 of each year.

Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; torts; errors and omissions; and natural disasters. The District purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Evaluation of Subsequent Events

Management has evaluated subsequent events through November 22, 2024, the date on which the financial statements were available to be issued.

**GLENEDEN SANITARY DISTRICT
OREGON**

SUPPLEMENTARY INFORMATION

**GLENEDEN SANITARY DISTRICT
OREGON**

DESCRIPTION OF BUDGETARY FUNDS

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

Budgetary Comparison schedules include the following funds:

General Fund

The fund is used to account for the financial resources of the District that are not accounted for in any other fund. Principal sources of revenue are user charges and interest. Primary expenditures are for system maintenance and general administration.

SDC Improvement Fund

The fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and servicing debt. The primary revenue source is system development charges.

SDC Reimbursement Fund

The fund is used to account for financial resources reimbursing improvements of capital facilities already made. The primary revenue source is system development charges.

DEQ Clear Water State Revolving Fund

This fund is in compliance with the Debt Service Reserve requirement for serving USDA obligation.

GLENEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2024

GENERAL FUND

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Monthly user fees	\$ 1,500,000	\$ 1,500,000	\$ 1,692,122	\$ 192,122
Connection fees	0	0	519	519
Interest on investments	6,000	6,000	134,523	128,523
Miscellaneous	<u>300</u>	<u>300</u>	<u>4,066</u>	<u>3,766</u>
Total revenues	<u>1,506,300</u>	<u>1,506,300</u>	<u>1,831,230</u>	<u>324,930</u>
EXPENDITURES				
Debt service	145,000	145,000	199,683	(54,683)
Materials and services	270,740	270,740	226,065	44,675
Capital outlay	545,000	545,000	70,332	474,668
Professional services	110,000	110,000	29,524	80,476
Contract services	870,263	1,060,263	903,643	156,620
Contingencies	<u>150,000</u>	<u>110,000</u>	<u>0</u>	<u>110,000</u>
Total expenditures	<u>2,091,003</u>	<u>2,241,003</u>	<u>1,429,247</u>	<u>811,756</u>
Excess (def) of revenues over expenditures	(584,703)	(734,703)	401,983	1,136,686
Unappropriated ending fund balance	(33,884)	(33,884)	0	33,884
FUND BALANCE - Beginning of year (Budget basis)	<u>618,587</u>	<u>618,587</u>	<u>1,916,547</u>	<u>1,297,960</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ (150,000)</u>	2,318,530	<u>\$ 2,468,530</u>
GAAP Adjustments - Reconciled to June 2023			2,763,983	
Capital asset activity				
Additions			130,625	
Depreciation			<u>(173,287)</u>	
FUND BALANCE - End of year (GAAP basis)			<u>\$ 5,039,851</u>	

GLENEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2024

SDC IMPROVEMENT FUND

	Original and Final		
	Budget	Actual	Variance
REVENUES			
System Development charges	\$ 0	\$ 10,428	\$ 10,428
EXPENDITURES			
System improvements	<u>85,000</u>	<u>69,688</u>	<u>15,312</u>
Excess (def) of revenues over expenditures	(85,000)	(59,260)	25,740
Unappropriated ending fund balance	(30,000)	0	30,000
FUND BALANCE - Beginning of year (Budget basis)	<u>115,000</u>	<u>164,788</u>	<u>49,788</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	105,528	<u>\$ 105,528</u>
GAAP ADJUSTMENTS - Reconciled to June 2023		<u>186,234</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ 291,762</u>	

GLENNEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2024

SDC REIMBURSEMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development fees	\$ 0	\$ 5,236	\$ 5,236
EXPENDITURES			
System improvements	<u>4,500</u>	<u>0</u>	<u>4,500</u>
Excess (def) of revenues over expenditures	(4,500)	5,236	9,736
Unappropriated ending fund balance	(500)	0	500
FUND BALANCE - Beginning of year (Budgetary/GAAP)	<u>5,000</u>	<u>74,193</u>	<u>69,193</u>
FUND BALANCE - End of year (Budgetary/GAAP)	<u><u>\$ 0</u></u>	<u><u>\$ 79,429</u></u>	<u><u>\$ 79,429</u></u>

GLENEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2024

DEQ CLEAR WATER STATE REVOLVING FUND

	Original and Final		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	\$ 0
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (def) of revenues over expenditures			
Reserved for Future Expenditures	(70,000)	0	70,000
FUND BALANCE - Beginning of year (Budgetary/GAAP)	<u>70,000</u>	<u>70,000</u>	<u>0</u>
FUND BALANCE - End of year (Budgetary/GAAP)	<u>\$ 0</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>

GLENEDEN SANITARY DISTRICT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2024

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 1,831,230	\$ 1,429,247	\$ 401,983
SDC Improvement Fund	10,428	69,688	(59,260)
SDC Reimbursement Fund	<u>5,236</u>	<u>0</u>	<u>5,236</u>
 Total budgetary basis	 <u>\$ 1,846,894</u>	 <u>\$ 1,498,935</u>	 347,959
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Asset acquisition			130,625
Depreciation			<u>(173,287)</u>
 Change in net position			 305,297
 NET POSITION - Beginning of year			 <u>5,175,745</u>
 NET POSITION - End of year			 <u>\$ 5,481,042</u>

**GLENEDEN SANITARY DISTRICT
OREGON**

AUDITOR'S COMMENTS AND DISCLOSURES

GRIMSTAD & ASSOCIATE

Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To Board of Directors
Gleneden Sanitary District
Gleneden Beach, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of the Gleneden Sanitary District (District), which comprise the statement of net position as of June 30, 2024, and the related statements of revenue, expense, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued my report thereon dated November 22, 2024.

Compliance

As part of obtaining reasonable assurance about whether the Gleneden Sanitary District financial statements are free of material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I 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.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with my testing nothing came to my attention that caused me to believe the Gleneden Sanitary 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.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Gleneden Sanitary District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
November 22, 2024