

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

AUDIT REPORT

JUNE 30, 2024

Prepared by
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Certified Public Accountant
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Newport, Oregon 97365

WINCHESTER BAY SANITARY DISTRICT, OREGON

DIRECTORS

President	Bill Taylor PO Box 1721 Winchester Bay, OR 97467
Vice President Position #2	Bob Greig PO Box 1634 Winchester Bay, OR 97467
Secretary/Treasurer Position #3	Lin Labit PO Box 1657 Winchester Bay, OR 97467
Position #4	Donald Cox PO Box 1326 Winchester Bay, OR 97467
Position #5	Roger Hermansen PO Box 1691 Winchester Bay, OR 97467

ADMINISTRATORS

Manager	Ray Davenport PO Box 1256 Winchester Bay, OR 97467
Admin Assistant	Charmaine Vitek PO Box 1256 Winchester Bay, OR 97467

WINCHESTER BAY SANITARY DISTRICT, OREGON

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GRIMSTAD & ASSOCIATE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Winchester Bay Sanitary District
Winchester Bay, Oregon

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities of Winchester Bay 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 Winchester Bay 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 Winchester Bay 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 Winchester Bay 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 objective is 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 OSCPA & OAIA

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 Winchester Bay 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 Winchester Bay 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 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 Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated December 6, 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
December 6, 2024

Winchester Bay Sanitary District Management Discussion and Analysis (MD&A)

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

Financial Highlights

- Total Net Position of the District is \$4,181,273 with a decrease of \$102,439 from the previous year of \$4,283,712. With unrestricted at \$(2,976), there are no funds to be used to meet the District's ongoing obligations.
- Capital Assets are \$5,066,557.
- Total Operating Revenues for the fiscal year 2023-2024 were \$722,219 which increased \$30,434 from the prior year.
- Total Operating Expenses for the fiscal year 2023-2024 were \$734,807. This figure is down \$30,717 over the prior year.
- Total liabilities were \$1,374,093 with \$1,207,344 being long-term liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to WBSD'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 financial condition. In the District's case, assets exceeded liabilities by \$4,181,273 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). 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 is \$(2,976).

Net operating loss of \$(12,588) decreased by \$61,151 over the previous year. The change in net position is comprised of operating and non-operating income, consisting of interest earnings of \$15,648, capital contributions of \$1,683, interest expenses of \$57,540, and Special Payment of \$49,642 to the Douglas County Parks Department.

The following condensed financial information summarizes the District's financial position for the fiscal year ending June 30, 2024 as follows:

Statement of Net Position

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Assets			
Current & Other Assets	\$ 442,722	\$ 438,368	\$ 4,354
Capital Assets, net of dep	5,066,557	5,288,455	(221,898)
Total Assets	<u>5,509,279</u>	<u>5,726,823</u>	<u>(217,544)</u>
Deferred Outflow of Resources	81,586	82,753	(1,167)
Total assets & def. outflow	<u>5,590,865</u>	<u>5,809,576</u>	<u>(218,711)</u>
Liabilities			
Current & Liability	166,749	151,575	15,174
Long term Liabilities	1,207,344	1,304,687	(97,343)
Total Liabilities	<u>1,374,093</u>	<u>1,456,262</u>	<u>(82,169)</u>
Deferred Inflow of Resources	35,499	69,602	(34,103)
Total liabilities & def. inflow	<u>1,409,592</u>	<u>1,525,864</u>	<u>(116,272)</u>
Net Position			
Net investment in capital assets	3,889,663	3,992,367	(102,704)
Restricted	294,586	278,782	15,804
Unrestricted	<u>(2,976)</u>	<u>12,563</u>	<u>(15,539)</u>
Total Net Position	<u>\$ 4,181,273</u>	<u>\$ 4,283,712</u>	<u>\$ (102,439)</u>

Statement of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>Restated 2023</u>	<u>Variance</u>
Operating Revenues			
Operating Revenues	\$ 721,673	\$ 691,735	\$ 29,938
Miscellaneous	546	50	496
Total Revenue	<u>722,219</u>	<u>691,785</u>	<u>30,434</u>
Operating Expenses			
Operating Expenses	734,807	765,524	30,717
Total Operating Expense	<u>734,807</u>	<u>765,524</u>	<u>30,717</u>
Income (Loss) from Operations	<u>(12,588)</u>	<u>(73,739)</u>	<u>61,151</u>
Non Operating Revenue (Expenses)			
Interest Income	15,648	10,217	5,431
Interest Expense	<u>(57,540)</u>	<u>(65,721)</u>	<u>8,181</u>
Total Non Operating Income	<u>(41,892)</u>	<u>(55,504)</u>	<u>13,612</u>
Income (Loss) before contributions and special payment	(54,480)	(129,243)	74,763
Capital Contributions	1,683	13,464	(11,781)
Special Payment	<u>(49,642)</u>	<u>-</u>	<u>(49,642)</u>
Changes in Net Position	<u>(102,439)</u>	<u>(115,779)</u>	<u>13,340</u>
NET Position Beginning of Year	<u>4,283,712</u>	<u>4,399,491</u>	<u>(115,779)</u>
NET Position End of Year	<u>\$ 4,181,273</u>	<u>\$ 4,283,712</u>	<u>\$ (102,439)</u>

Restated - the fees forwarded by the county were reallocated to operating revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table reflects the makeup of the District's investment in capital assets at June 30:

	<u>2024</u>	<u>2023</u>
Utility systems	\$4,767,596	\$4,962,496
Building and improvements	263,719	277,125
Machinery and equipment	<u>35,241</u>	<u>48,834</u>
Total capital assets	<u>\$5,066,557</u>	<u>\$5,288,455</u>

Long Term Debt

The District is paying on a loan with Umpqua Bank, secured by real estate. Total annual payments are \$177,189, with interest at 4.678%. The final loan payment is in June 2032. The District is not maintaining a Debt Service Coverage Ratio of 1.5 per the loan agreement with Umpqua Bank. Presently, unrestricted equity available is zero.

Budgetary Highlights

The District budgets on the cash basis of accounting. Revenues for the General fund were \$712,891, exceeding budget receipts by \$40,716. Total expenditures were \$742,551, under budget by \$60,513. Personnel services was under appropriations by \$4,607 after transferring from contingencies \$2,000, and capital outlay \$6,000.

The SDC fund's revenues of \$15,804 exceeded budget by \$14,304. This was mainly interest income.

Economic Outlook

The District is experiencing some financial challenges due to the rising cost of operation and maintenance. The Board and Management are actively pursuing options to cut costs and still maintain service to the District and excellent customer care.

The District manager is currently researching options for reducing some costs for services as well as planning for infrastructure upgrades that will help the long-range sustainability of the plant. We are also seeking possible grant funding for some of these projects.

The Board of Directors approved a 3.26% increase per EDU (Equivalent Dwelling Unit) to be implemented with the July 1, 2024 billing. This should increase revenue by approximately \$7,200 next fiscal year.

Anticipated future development:

- 27 new RV spaces, estimated SDC's \$45,441, monthly fees \$846.
- 70 new RV spaces, estimated SDC's \$117,810, monthly fees \$2,195.
- 30 new residential sites SDC's \$153,000, monthly fees \$2,850.

Request for Information

The financial report is designed to provide a general overview of the Winchester Bay 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, Winchester Bay Sanitary District, PO Box 1256, Winchester Bay, Oregon 97467.

WINCHESTER BAY SANITARY DISTRICT, OREGON

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

ASSETS

Current Assets

Cash and cash equivalents	\$	387,241
Accounts receivable		37,228
Prepaid expenses		<u>18,253</u>
Total current assets		<u>442,722</u>

Capital Assets

Capital assets, net of accumulated depreciation		<u>5,066,557</u>
Total capital assets		<u>5,066,557</u>
Total assets		5,509,279

Deferred Outflow of Resources - pension contributions

		<u>81,586</u>
Total assets and deferred outflow of resources		<u>5,590,865</u>

LIABILITIES

Current Liabilities

Accounts payable		7,410
Compensated absences		9,728
Unearned revenue		20,207
Interest payable		4,525
Current position of long-term debt		<u>124,879</u>
Total current liabilities		<u>166,749</u>

Long-term Liabilities

Loan payable, net of current portion		1,052,015
Net pension liability		<u>155,329</u>
Total long-term liabilities		<u>1,207,344</u>
Total liabilities		1,374,093

Deferred Inflow of Resources - pension

		<u>35,499</u>
Total liabilities and deferred inflow of resources		<u>1,409,592</u>

NET POSITION

Net investment in capital assets		3,889,663
Restricted System Development Charges		294,586
Unrestricted		<u>(2,976)</u>
Total net position		<u><u>4,181,273</u></u>

See accompanying notes to financial statements

WINCHESTER BAY SANITARY DISTRICT, OREGON

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

OPERATING REVENUES

Charge for service	\$ 721,673
Miscellaneous	<u>546</u>
Total operating revenues	<u>722,219</u>

OPERATING EXPENSES

Personnel services	342,201
Material & services	170,708
Depreciation	<u>221,898</u>
Total operating expenses	<u>734,807</u>

OPERATING INCOME (LOSS) (12,588)

NONOPERATING REVENUES (EXPENSES)

Interest income	15,648
Interest expense	<u>(57,540)</u>
Total other nonoperating revenues (exp)	<u>(41,892)</u>
Income before other disbursements	(54,480)

CAPITAL CONTRIBUTIONS

SPECIAL PAYMENT

Changes in net position	<u>(102,439)</u>
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NET POSITION - Beginning of year 4,283,712

NET POSITION - End of year \$ 4,181,273

See accompanying notes to financial statements

WINCHESTER BAY 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	\$ 708,684
Cash payments for personnel	(202,561)
Cash payments for goods and services	<u>(303,934)</u>
Net cash provided (used) by operating activities	<u>202,189</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Special payment	<u>(49,642)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	1,683
Principal paid on debt	(119,192)
Interest paid on debt	<u>(57,998)</u>
Net cash provided (used) by financing activities	<u>(175,507)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>15,648</u>
Net increase (decrease) in cash and cash equivalents	(7,312)
Cash and cash equivalents - Beginning of year (restricted \$278,782)	<u>394,553</u>
Cash and cash equivalents - End of year (restricted \$294,586)	<u><u>\$ 387,241</u></u>

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

Operating income (loss)	\$ (12,588)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	221,898
(Increase) decrease in operating assets	
Accounts receivable	(13,535)
Prepaid expenses	1,869
Deferred outflow of pension	(34,103)
Increase (decrease) in operating liabilities	
Customer unearned revenue	2,680
Accounts payable	6,337
Compensated absences	928
Net pension liability	27,536
Deferred inflow of pension	<u>1,167</u>
Net cash provided (used) by operating activities	<u><u>\$ 202,189</u></u>

See accompanying notes to financial statements

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Winchester Bay 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 Winchester Bay 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

Winchester Bay 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.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense result from providing, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Enterprise funds charge to customers for sales and services. Operating expense for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

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.

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.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

Accounts Receivable

The District uses direct write off for accounts receivable.

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 \$5,000 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.

Building and Improvement	20 - 40 years
Plant and Sanitary System	33 years
Equipment and Vehicles	5 - 10 years

Compensated Absences

Accumulated vacation leave of proprietary funds is recorded when earned. Vacation pay is computed using employee pay rates in effect at the time the vacation is used. Sick leave pay is recorded when leave is taken since it does not vest when earned.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Inflows of Resources and Unearned Revenue

The District recognizes revenues when earned. Amounts received in advance of the period in which services are rendered are recorded as a liability, unearned revenue. The District recognizes inflows of resources that relate to future periods as deferred inflows of resources. Unearned revenue represents advance deposits and deferred inflows represents future lease revenue.

Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: Investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt. Restricted net assets 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.

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 cash basis. Under the cash basis of accounting, revenues are recognized when received and expenses are generally recognized when paid.

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>\$ 387,241</u>

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 3 - DEPOSITS AND INVESTMENTS - Continued

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

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Petty cash	\$ 50	\$ 50	\$ 0
Deposits with financial institutions	61,181	61,181	0
Investments - external investment pool	<u>326,010</u>	<u>31,424</u>	<u>294,586</u>
Total	<u>\$ 387,241</u>	<u>\$ 92,655</u>	<u>\$ 294,586</u>

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$61,181, of which \$500,000 was covered by FDIC. See *Custodial Credit Risk*.

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.

Investments

At year end, the District held the following investments:

	<u>Fair Value</u>
Local Government Investment Pool	<u>\$ 326,010</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 LGIP is unrated for risk. 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.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

At year end, the District held 100% of its investments in the LGIP. There is no policy limiting the amount of investments in any one issuer.

Investments

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.

Note 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>
Accounts Receivable	<u>\$ 37,228</u>

Uncollected user receivables are deemed to be substantially collectible or recoverable through liens.

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 being depreciated				
Utility systems	\$ 8,923,993	\$ 0	\$ 0	\$ 8,923,993
Building and building improvement	443,400	0	0	443,400
Machinery and equipment	<u>180,941</u>	<u>0</u>	<u>0</u>	<u>180,941</u>
Total cap. assets, net of dep.	<u>9,548,334</u>	<u>0</u>	<u>0</u>	<u>9,548,334</u>
Less: accumulated depreciation				
Utility systems	3,961,497	194,900	0	4,156,397
Building and building improvement	166,275	13,406	0	179,681
Machinery and equipment	<u>132,107</u>	<u>13,593</u>	<u>0</u>	<u>145,700</u>
Total accumulated dep	<u>4,259,879</u>	<u>221,899</u>	<u>0</u>	<u>4,481,778</u>
Net value of capital assets being dep.	<u>5,288,455</u>	<u>(221,899)</u>	<u>0</u>	<u>5,066,557</u>
Total Business-type activities – net value of capital assets	<u>\$5,288,455</u>	<u>\$ (221,899)</u>	<u>\$ 0</u>	<u>\$5,066,557</u>

Current year depreciation expense was \$221,899.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 5 - CAPITAL ASSETS - Continued

Land – On October 11, 1972, Douglas County granted Winchester Bay Sanitary District a land use permit allowing real property to be used by the District for operations. The land will revert back to the County when it is no longer needed as an essential facility site under the terms and conditions of any RUS loan or grant to the District.

Note 6 – LONG TERM DEBT

Umpqua Bank

In May of 2012, the District refinanced \$2,612,145 of the USDA project improvement with Umpqua Bank at an interest rate of 4.678%. Monthly payments are \$14,766 with the final payment due June of 2032.

During the year ended June 30, the following changes occurred in long-term liabilities:

	<u>Original Amount</u>	<u>7/01 Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30 Balance</u>	<u>Due Within One Year</u>
Loan payable	<u>\$2,612,145</u>	\$1,296,086	\$ 0	\$119,192	\$1,176,894	\$ 124,879
Compensated absences		<u>8,800</u>	<u>928</u>	<u>0</u>	<u>9,728</u>	<u>4,000</u>
Total long-term liabilities		<u>\$1,304,886</u>	<u>\$ 928</u>	<u>119,192</u>	<u>\$1,186,222</u>	<u>\$128,879</u>

Future debt services requirements as follows:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 124,879	\$ 52,310	\$ 177,189
2026	130,837	46,352	177,189
2027	137,080	40,109	177,189
2028	143,620	33,569	177,189
2029	150,473	26,716	177,189
2030-32	<u>490,002</u>	<u>35,687</u>	<u>525,689</u>
Total	<u>\$ 1,176,891</u>	<u>\$ 234,734</u>	<u>\$ 1,411,634</u>

The District is not maintaining a Debt Service Coverage Ratio of 1.5 per the loan agreement with Umpqua Bank. Presently, unrestricted equity available is zero.

Note 7 – SPECIAL PAYMENT

A special payment to Douglas County Parks Department was for reassessing the number of connections, or EDU's the county had previously been charged for the new Umpqua dunes campground development. In the future when the County annexes the property into the district service, it will be assessed full system development charges for the new connections.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 8 – RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The OPSRP Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report (ACFR) and Actuarial Valuation that can be obtained by writing to: Oregon PERS, PO Box 23700, Tigard OR 97281 or at: <http://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

1. PERS Tier One/Tier Two Pension (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 and 1.67 percent for police/fire members and general service members respectively) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for member contributions before August 21, 1981), or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or had reached at least 50 years of age before ceasing employment with a participating employer (ages 45 and 55 for police/fire members and general service members respectively). Participants are eligible for retirement after reaching ages 50 and 55 for police/fire members and general service members respectively. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

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

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-related injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty-related disability, service time is computed to ages 55 and 58 for fire members and general service members respectively when determining the monthly benefit.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 8 – RETIREMENT BENEFITS - Continued

1. PERS Tier One/Tier Two Pension (Chapter 238) - Continued

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0 percent.

2. OPSRP Defined Benefit Pension Program (238A)

Pension Benefits - The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. To be classified as a fire member the individual must be continuously employed as a fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes at least 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

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

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost of living adjustment (COLAs). The COLA is capped at 2.0 percent.

3. OPSRP Individual Account Program (238A)

Pension Benefits - An OPSRP Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member the member, becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement a member of the OPSRP IAP may receive amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan option. Each distribution option has a \$200 minimum distribution limit.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 8 – RETIREMENT BENEFITS - Continued

3. OPSRP Individual Account Program (238A) - Continued

Death Benefits - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account, rollover account, and vested employer optional contribution account balances. If a retired member dies before the instalment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump sum payment.

Recordkeeping - OPERS contracts with Voya Financial to maintain IAP participant records.

Contributions

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the OPERS Defined Benefit Plan and the other Post-Employment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2023. The rates in effect for the year ended June 30, 2024 were 19.46% for Tier One/Tier Two members, 13.80% for OPSRP General Service members, 18.59% for OPSRP Fire members, and 6% for OPSRP Individual Account Program members. District contributions for the year ending June 30, 2024 was \$31,580, excluding amounts to fund employer specific liabilities.

Covered employees are required to contribute 6% of their salary to the OPSRP Individual Account Program, but the employer is allowed to pay any or all of the employee contribution in addition to the required employers' contribution. The District has elected to "pick-up" the 6% the employees' contribution, which was \$9,148 for the year ended June 30, 2024.

Net Pension Liability

At June 30, 2024, the District reported a net pension liability of \$155,328 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2023, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2023. The District's proportionate share of the system-wide net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the District were 0.00082927 and 0.00083459 for the years ending June 30, 2024 and 2023 respectively. For the year ended June 30, 2024, the District recognized pension expense (income) of \$26,497. At June 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,596	\$ 616
Changes of assumptions	13,798	103
Net difference between projected and actual earnings on investments	2,792	0
Changes in proportionate share	13,424	33,055
Differences between employer contributions and employer's proportionate share of system contributions	12,396	1,725
Contributions subsequent to the measurement date	31,580	N/A
Total	\$ 81,586	\$ 35,499

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 8 – RETIREMENT BENEFITS - Continued

3. OPSRP Individual Account Program (238A) - Continued

Deferred outflows of resources of \$31,580 relates to District contributions made subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)
2025	\$ 4,105
2026	(5,136)
2027	11,075
2028	3,203
2029	1,260
Total	\$ 14,507

Actuarial Methods and Assumptions:

Valuation date	December 31, 2021
Experience Study Report	2020, Published July 20, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Fair value
Inflation rate	2.40 percent
Investment rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increase	3.40 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<p>Healthy retirees and beneficiaries:</p> <p>Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 8 – RETIREMENT BENEFITS - Continued

3. OPSRP Individual Account Program (238A) - Continued

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2020 Experience Study which is reviewed for the four-year period ending December 31, 2020.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	22.0%	30.0%	25.0%
Public Equity	22.5%	32.5%	27.5%
Real Estate	9.0%	16.5%	12.5%
Private Equity	17.5%	27.5%	20.0%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Total			100.0%

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual Geometric Return
Global Equity	27.50%	7.07%
Private Equity	25.50%	7.73%
Core Fixed Income	25.00%	4.50%
Real Estate	12.25%	5.83%
Master Limited Partnerships	0.75%	6.02%
Infrastructure	1.50%	6.51%
Hedge Fund of Funds - Multistrategy	1.25%	6.27%
Hedge Fund Equity – Hedge	0.63%	6.48%
Hedge Fund – Macro	5.62%	4.83%
Assumed Inflation - Mean		2.35%

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2024

Note 8 – RETIREMENT BENEFITS – Continued

3. OPSRP Individual Account Program (238A) - Continued

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

	1% Decrease <u>(5.90%)</u>	Discount Rate <u>(6.90%)</u>	1% Increase <u>(7.90%)</u>
Proportionate share of the net pension liability	<u>\$ 70,597</u>	<u>\$ 155,328</u>	<u>\$ 256,573</u>

Changes in Plan Provisions Subsequent to Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer’s reporting date that are expected to have a significant effect on the employer’s share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2023 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

As a member of 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 (OPEB) 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 provisions of RHIA reside with the Oregon Legislature. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

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

Note 8 – RETIREMENT BENEFITS - Continued

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA) - Continued

Funding Policy

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 from the RHIA established by the employer,

and any monthly cost in excess of \$60 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 service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.50 and 0.43 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board 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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize 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, 2024, 2023, and 2022 were paid and equaled the required contributions for each year.

C. VOLUNTEER LENGTH OF SERVICE AWARD PLAN - POSTRETIREMENT BENEFITS

Volunteer Retirement Plan

The District participates in a length of service award plan (the Plan) for its volunteers administrated by the Oregon Fire District Directors Association. Volunteers who meet participation requirements receive a contribution to the Plan. Participant's rights under the Plan vest after 5 years. Vested awards are paid to participants 180 days after separation from voluntary service or in the event of a volunteer's death no later than 125 days after date of death.

The plan is a defined contribution plan offering retirement and death benefit proceeds to plan participants. Contributions each year are made at the District's discretion in accordance with a contribution formula. The District reserves the right to terminate or amend the Plan at any time.

All amounts contributed under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred amount for each participant.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

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

Note 8 – RETIREMENT BENEFITS - Continued

C. VOLUNTEER LENGTH OF SERVICE AWARD PLAN - POSTRETIREMENT BENEFITS- Continued

The District has no liability for losses under the Plan Agreement but does have a fiduciary duty to the participants. There was no current contribution by the District. The asset, future liability and investment earnings for the current year are considered immaterial by management to the basic financial statements. The Plan has two members in the plan presently.

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). The other postemployment benefits for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums administered by the Special District Association of Oregon (SDAO), and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2023 by Milliman Actuarial Services for both plans. At June 30, 2023, the District's net OPEB liability/(asset) and deferred inflows and outflows were determined by management not to be material to the financial statements taken as a whole.

Note 9 - OTHER INFORMATION

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 December 6, 2024, the date on which the financial statements were available to be issued.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

**Winchester Bay Sanitary District
OREGON**

REQUIRED SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET) as of June 30, 2024

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2015	0.00157132%	(\$35,617)	\$ 164,313	-21.67%	103.60%
2016	0.00001381	79,276	177,606	44.64	91.9
2017	0.00001164	174,770	167,210	104.52	80.5
2018	0.00001022	137,769	168,077	81.97	83.1
2019	0.00000992	150,231	156,752	95.84	82.1
2020	0.00000909	157,149	177,885	88.34	80.2
2021	0.00001003	218,996	189,848	115.35	75.8
2022	0.00001135	135,846	194,196	69.95	87.6
2023	0.00083459	127,792	179,103	71.35	84.5
2024	0.00082927	155,328	202,561	76.68	81.7

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date for each year presented.

This schedule is presented to illustrate the requirements to show information for 10 years.

**Winchester Bay Sanitary District
OREGON**

REQUIRED SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
as of June 30, 2024

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency / (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$26,845	\$26,845	\$ -	\$164,313	16.34%
2016	29,793	29,793	-	177,606	16.77
2017	30,054	30,054	-	167,210	17.97
2018	37,811	37,811	-	168,077	22.50
2019	25,749	25,749	-	156,752	16.43
2020	35,944	35,944	-	177,885	20.21
2021	34,692	34,692	-	189,848	18.27
2022	41,099	41,099	-	194,196	21.16
2023	42,256	42,256	-	179,103	23.59
2024	43,229	43,229	-	205,561	21.03

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date for each year presented.

This schedule is presented to illustrate the requirements to show information for 10 years.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED
CONTRIBUTIONS for the Year Ended June 30, 2024

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/GASB68-Letter-from-the-Actuary.pdf>.

Changes of Assumption

A summary of key changes implemented since the December 31, 2019 valuation are described in the Oregon Employees Retirement System's GASB 68 Disclosure Information which can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/GASB68-Letter-from-the-Actuary.pdf>.

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published on July 24, 2019 and can be found at:

https://www.oregon.gov/PERS/Documents/Exp_Study_2018.pdf.

GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There were no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

SUPPLEMENTARY INFORMATION

**WINCHESTER BAY 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.

System Development 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.

WINCHESTER BAY SANITARY DISTRICT, OREGON

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

GENERAL FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charge for service	\$ 658,000	\$ 658,000	\$ 695,225	\$ 37,225
Tax lien income	14,000	14,000	15,593	1,593
Application & inspection fee	50	50	70	20
Interest	25	25	1,527	1,502
Miscellaneous	<u>100</u>	<u>100</u>	<u>476</u>	<u>376</u>
Total revenues	<u>672,175</u>	<u>672,175</u>	<u>712,891</u>	<u>40,716</u>
EXPENDITURES				
Personnel services	343,280	351,280	346,673	4,607
Materials and services	213,000	213,000	166,027	46,973
Debt	177,420	177,420	177,190	230
Capital outlay	17,000	11,000	3,019	7,981
Special payments	50,000	50,000	49,642	358
Contengency	<u>2,364</u>	<u>364</u>	<u>0</u>	<u>364</u>
Total expenditures	<u>803,064</u>	<u>803,064</u>	<u>742,551</u>	<u>60,513</u>
Excess (def) of revenues over expenditures	(130,889)	(130,889)	(29,660)	101,229
FUND BALANCE - Beginning of year (Budget basis)	<u>130,889</u>	<u>130,889</u>	<u>116,592</u>	<u>(14,297)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	86,932	<u>\$ 86,932</u>
GAAP Adjustments - Reconciled to June 2023			3,888,338	
Accounts receivable			10,855	
Prepaid expense			(1,869)	
Interest payable			458	
Accounts payable			207	
Compensated absences			(928)	
Debt principal			119,192	
Depreciation expense			(221,898)	
Pension adjustments			<u>5,400</u>	
FUND BALANCE -End of Year (GAAP basis)			<u>\$ 3,886,687</u>	

WINCHESTER BAY SANITARY DISTRICT, OREGON

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

SYSTEM DEVELOPMENT FUND

	Original and Final		
	Budget	Actual	Variance
REVENUES			
Interest income	\$ 1,500	\$ 14,121	\$ 12,621
System development fees	<u>0</u>	<u>1,683</u>	<u>1,683</u>
 Total revenues	 <u>1,500</u>	 <u>15,804</u>	 <u>14,304</u>
EXPENDITURES			
Materials and services	10	0	10
Capital outlay	<u>256,593</u>	<u>0</u>	<u>256,593</u>
 Total expenditures	 <u>256,603</u>	 <u>0</u>	 <u>256,603</u>
 Excess (def) of revenues over expenditures	 (255,103)	 15,804	 270,907
 FUND BALANCE - Beg. of year (Budget basis)	 <u>255,103</u>	 <u>278,782</u>	 <u>23,679</u>
 FUND BALANCE - End of year (Budget basis)	 <u>\$ 0</u>	 <u>\$ 294,586</u>	 <u>\$ 294,586</u>

WINCHESTER BAY 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 Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 712,891	\$ 742,551	\$ (29,660)
System Development Fund	<u>15,804</u>	<u>0</u>	<u>15,804</u>
Total budgetary basis	<u>\$ 728,695</u>	<u>\$ 742,551</u>	(13,856)
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Accounts receivable			10,855
Prepaid expense			(1,869)
Interest payable			458
Accounts payable			207
Compensated absences			(928)
Debt principal			119,192
Depreciation expense			(221,898)
Pension adjustments			<u>5,400</u>
Change in net position			(102,439)
NET POSITION - Beginning of year			<u>4,283,712</u>
NET POSITION - End of year			<u>\$ 4,181,273</u>

**WINCHESTER BAY SANITARY DISTRICT
OREGON**

AUDITOR'S COMMENTS AND DISCLOSURES

GRIMSTAD & ASSOCIATE

Certified Public Accountants

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info@grimstad-assoc.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To Board of Directors
Winchester Bay Sanitary District
Winchester Bay, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of the Winchester Bay 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 December 6, 2024.

Compliance

As part of obtaining reasonable assurance about whether the Winchester Bay 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 Winchester Bay 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, except for the following:

The District is not maintaining a Debt Service Coverage Ratio of 1.5 per loan agreement with Umpqua Bank..

Members:
AICPA OSCP & OAIA

Internal Control Over Financial Reporting


In planning and performing my audit of the financial statements, I considered the Winchester Bay Sanitary District's internal control over financial reporting (internal control) to determine the 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. 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
December 6, 2024