



WINCHESTER BAY SANITARY DISTRICT  
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**MINUTES**  
**Winchester Bay District Conference Room**  
**December 12, 2024**

**Open Regular Meeting**

President, Bill Taylor opened the Regular Meeting on Thursday, December 12, 2024 at 6:00pm in the district conference room. In attendance were Board members, Lin Labit, Don Cox, Bill Taylor, Bob Greig, Roger Hermansen, Admin Assistant Charmaine Vitek and District Manager Ray Davenport.

Not in attendance:

**Consent Agenda**

Lin Labit moved, and Bill Taylor seconded to approve the Consent Agenda December 12, 2024, November 2024 Financial Report, and authorizes a Board member to approve payments, or sign checks, necessary before the January 2025 meeting. The motion passed unanimously.

**Minutes**

November 14, 2024 Minutes were accepted as submitted.

**Visitors** None

**Old Business** None

**New Business**

**1. 2024 Audit review**

Included in your packet is the Management Discussion and Analysis, (MD&A), portion for your review. The complete audit document has been emailed to each board member. The district auditor, Signe Grimstad joined the board by phone for discussion and questions.

Signe: the district has a clean opinion for fiscal year 2025–2024. Directing the board to paragraph three in the MD&A (Management Discussion and Analysis), as well as the statement of revenue and expenses. Signe reviewed the numbers presented in the documents with comments about increases and decreases in specific categories. She referred the board to the one time 'Special Payment' to Douglas County Parks Department of almost \$50,000 for reassessment of EDU's previously charged to the County which will be reassessed at the time the development connects to the system.

The net position for the year changed for a loss, \$102,439, compared to \$115,600. This is a concern. She previously met with Ray about. Per the statement of net position, current and other assets are \$442,722 compared to \$438,000, a slight increase, this represents cash and prepaids and represents a slight increase of \$4,300.

Restricted funds are the SDC's (System Development Charges), which increased by \$15,900. Of concern is the unrestricted funds which are in a negative. There are no available resources to spend. The district is on a tight schedule, it has been tight for some time. There was the 'one time' special payment to the County and the district is looking for future development for more funds which is

addressed in the MD&A under Economic Outlook. However, the negative unrestricted funds are a 'heads up' for bankers or a bond holder. If the district were to try to refinance the loan to get the interest rate down, that would be a plus. The debt obligation for the year has been met, however it must be disclosed that the current loan holder requires we maintain a debt service coverage ratio of 1.5 per the loan agreement. They equate that availability from the unrestricted equity available, last year the ratio came in at 1.46, this year it is at 0. Under Oregon Minimum Standards, it is required that this be disclosed.

A positive thing is that the district has met the debt service.

It is obvious the district is paying attention; the revenue was up a bit and expenses were down.

Ray reiterated we are and will continue to work with the bank and continue to look into other options and hopefully we will get some relief until we can get some development here.

Signe continued to review the district's position stated in the MD&A.

Discussion:

Ray will continue to look for options starting with the current lender, Umpqua Bank. Ray said the district has been paying on this loan for several years, it was refinanced after the plant was built to save money and was kind of surprised that Umpqua Bank recommended the district contact USDA instead of refinancing with Umpqua Bank. Ray inquired into USDA and they won't refinance a loan unless you have a current project. Loan/grant packages are available and then you can refinance the package but not just refinance a current loan.

Proposed motion:

- Bill moved to accept the June 2024 Audit prepared by Grimstad and Associates, seconded by Bob and passed unanimously.

**2. Discussion: Possible Refinancing District Loan**

**District Manager Report** There were no questions regarding the Manager's report. A brief discussion about the progress and development by the county on the Umpqua Dunes expansion and the ramifications to the district as it relates to the sewer infrastructure, at this time, no new developments to report.

**FIY: 2025 May Special District Election**

We have 2 Board Members whose term ends June 30, 2025, Bill Taylor and Lin Labit. Please see attached notice of filing. This is for your information only.

**District Manager Report**

No questions in regard to the District Manager monthly report.

**Adjourn: 6:32 PM**

Minutes approved: AS WRITEN AS APENDED \_\_\_\_\_ Signature 

Date 01/09/25

## **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>
<b>Assets</b>			
Current & Other Assets	\$ 442,722	\$ 438,368	\$ 4,354
Capital Assets, net of dep	5,066,557	5,288,455	(221,898)
<b>Total Assets</b>	<u>5,509,279</u>	<u>5,726,823</u>	<u>(217,544)</u>
Deferred Outflow of Resources	81,586	82,753	(1,167)
<b>Total assets &amp; def. outflow</b>	<u>5,590,865</u>	<u>5,809,576</u>	<u>(218,711)</u>
<b>Liabilities</b>			
Current & Liability	166,749	151,575	15,174
Long term Liabilities	1,207,344	1,304,687	(97,343)
<b>Total Liabilities</b>	<u>1,374,093</u>	<u>1,456,262</u>	<u>(82,169)</u>
Deferred Inflow of Resources	35,499	69,602	(34,103)
<b>Total liabilities &amp; def. inflow</b>	<u>1,409,592</u>	<u>1,525,864</u>	<u>(116,272)</u>
<b>Net Position</b>			
Net investment in capital assets	3,889,663	3,992,367	(102,704)
Restricted	294,586	278,782	15,804
Unrestricted	(2,976)	12,563	(15,539)
<b>Total Net Position</b>	<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>
<b>Operating Revenues</b>			
Operating Revenues	\$ 721,673	\$ 691,735	\$ 29,938
Miscellaneous	546	50	496
<b>Total Revenue</b>	<u>722,219</u>	<u>691,785</u>	<u>30,434</u>
<b>Operating Expenses</b>			
Operating Expenses	734,807	765,524	30,717
<b>Total Operating Expense</b>	<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>
<b>Non Operating Revenue (Expenses)</b>			
Interest Income	15,648	10,217	5,431
Interest Expense	(57,540)	(65,721)	8,181
<b>Total Non Operating Income</b>	<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
<b>Capital Contributions</b>	1,683	13,464	(11,781)
<b>Special Payment</b>	(49,642)	-	(49,642)
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.