

**GLENEDEN SANITARY DISTRICT
OREGON**

AUDIT REPORT

JUNE 30, 2021

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	Gary Wakeman PO Box 505 Gleneden Beach, OR 97388
Director	Bradley Baines PO Box 543 Gleneden Beach, OR 97388
Director	Kent Stevens PO Box 772 Gleneden Beach, OR 97388
Director	Ray Burleigh 30 Ridge Place Depoe Bay, OR 97341

ADMINISTRATORS

Contract Superintendent, Budget Officer & Registered Agent	Mike Bauman
Recording Secretary	Adam Springer, Attorney
Office Manager	Patsy Ingram

GLENEDEN SANITARY DISTRICT, OREGON

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GRIMSTAD & ASSOCIATES
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Board of Directors
Gleneden Sanitary District
Gleneden Beach, Oregon

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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 the Gleneden Sanitary District as of June 30, 2021, 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.

Members:
AICPA OSCP & OAIA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussions and analysis, listed in the table of contents, is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.


Other 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 budget and actual schedules and budget reconciliation to net position are presented for purposes of additional analysis and are not a required part of the 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. Such 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 budget and actual 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 November 4, 2021, on my consideration of Gleneden Sanitary 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 testing of compliance and the results of that testing and not to provide an opinion on compliance.



Signe Grimstad
Certified Public Accountant
Newport, Oregon
November 4, 2021

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, 2021.

Financial Highlights

- Total Net Position of the District is \$3,359,514 with Capital Assets (Utility Plant in Service) at \$2,155,914 net of accumulated depreciation. Current Assets are \$1,782,011.
- The assets of GSD exceeded its liabilities at the close of the most recent fiscal year by \$3,359,514 (Net Position). Of this amount, \$1,052,461 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- Capital Assets are \$2,155,914.
- The District's net position increased by \$423,274 from June 30, 2020 to June 30, 2021.
- Total Operating Revenues for the fiscal year 2020-2021 were \$1,544,807 which increased \$185,484 from prior year.
- Total Operating Expenses for the fiscal year 2020-2021 were \$1,214,766. This figure is \$99,590 up over the prior year.
- Total liabilities were \$578,411 with \$203,347 long-term liabilities.

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 \$3,359,514 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 \$859,736 may be used to meet the District's ongoing obligations to ratepayers and creditors.

Net operating activities of \$330,041 are up by \$85,894 over the previous year. The change in net position is comprised of operating and non-operating income, consisting of interest earnings of \$10,646 and capital contributions of \$41,768.

The following condensed financial information summarizes the District's financial position for the fiscal year ending June 30, 2021 as follows:

Statement of Net Position

	<u>2021</u>	<u>Restated 2020</u>	<u>Variance</u>
Assets			
Current & Other Assets	\$ 1,782,011	\$ 1,372,000	\$ 410,011
Capital Assets, Net of Accum Dep	2,155,914	1,772,362	383,552
Total Assets	<u>3,937,925</u>	<u>3,144,362</u>	<u>793,563</u>
Liabilities			
Current & Other	<u>578,411</u>	<u>208,122</u>	<u>370,289</u>
Net Position			
Net invested in capital assets	1,952,567	1,772,362	180,205
Restricted	354,486	304,142	50,344
Unrestricted	1,052,461	859,736	192,725
Total Net Position	<u>\$ 3,359,514</u>	<u>\$ 2,936,240</u>	<u>\$ 423,274</u>

Statement of Revenues, Expenses and Changes in Net Position

Below is a summary of operations for GSD current fiscal year ending June 30th compared to the prior year.

	<u>2021</u>	<u>Restated 2020</u>	<u>Variance</u>
Operating Revenues			
User Charges	\$ 1,540,531	\$ 1,356,324	\$ 184,207
Connection Fees	1,384	1,384	0
Other	2,892	1,615	1,277
Total Operating Revenue	<u>1,544,807</u>	<u>1,359,323</u>	<u>185,484</u>
Operating Expenses			
Maintenance & Repairs	119,966	129,512	(9,546)
Professional Services	60,770	83,409	(22,639)
General & Administrative	61,651	50,690	10,961
Contract Services	878,047	776,574	101,473
Depreciation	94,332	74,991	19,341
Total Operating Expense	<u>1,214,766</u>	<u>1,115,176</u>	<u>99,590</u>
Operating Income (Loss)	<u>330,041</u>	<u>244,147</u>	<u>85,894</u>
Non Operating Revenue (Expenses)			
Interest Income	10,646	22,387	(11,741)
Disposed asset	0	(23,988)	23,988
Total Non Operating Income	<u>10,646</u>	<u>(1,601)</u>	<u>12,247</u>
Income Before Contributions	340,687	242,546	98,141
Capital Contributions	<u>41,768</u>	<u>41,768</u>	<u>0</u>
Changes in Net Position	382,455	284,314	98,141
NET Position Beginning of Year	<u>2,977,059</u>	<u>2,692,745</u>	<u>284,314</u>
NET Position End of Year	<u>\$ 3,359,514</u>	<u>\$ 2,977,059</u>	<u>\$ 382,455</u>

The fiscal year 2020 was restated for the prior period adjustment of \$40,819 due to the adjustment with the City of Depoe Bay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The GSD's investment in capital assets as of June 30, 2021 amounts to \$2.1 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 the pump station.
- Wastewater Treatment Facility Plan.

Long Term Debt

The District signed a loan agreement with DEQ for \$4,370,000 for the pump station and main improvements. In the current year \$203,347 was drawn down.

Economic Factors and Next Year's Budget and Finance

Work on the pump station and Force main upgrades will continue into the following year. Due to the Covid pandemic some areas of the project will be extended based on material availability.

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, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$	1,640,035
Accounts receivable		138,570
Property taxes receivable		132
Prepaid insurance		<u>3,274</u>
Total current assets		<u>1,782,011</u>

Noncurrent Assets

Land		16,020
Construction in progress		924,138
Plant and equipment (net of depreciation)		<u>1,215,756</u>
Total noncurrent assets		<u>2,155,914</u>
Total assets		<u>3,937,925</u>

LIABILITIES

Current Liabilities

Accounts payable		368,285
Unearned revenue		<u>6,779</u>
Total current liabilities		<u>375,064</u>

Long-term Liabilities

DEQ Loan		<u>203,347</u>
Total long-term liabilities		<u>203,347</u>
Total liabilities		<u>578,411</u>

NET POSITION

Net invested in capital assets		1,952,567
Restricted		
System development charges		344,486
Debt services		10,000
Unrestricted		<u>1,052,461</u>
Total net position	\$	<u><u>3,359,514</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, 2021

OPERATING REVENUES

User charges	\$	1,540,531
Connection fees		1,384
Other income		<u>2,892</u>
Total operating revenues		<u>1,544,807</u>

OPERATING EXPENSES

Maintenance and repairs		119,966
Professional services		60,770
General and administrative		61,651
Contract services		878,047
Depreciation		<u>94,332</u>
Total operating expenses		<u>1,214,766</u>

OPERATING INCOME (LOSS) 330,041

NONOPERATING REVENUES (EXPENSES)

Interest income		<u>10,646</u>
Income before contributions		340,687

CAPITAL CONTRIBUTIONS 41,768

Changes in net position		<u>382,455</u>
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NET POSITION - Beginning of year		2,936,241
Prior Period Adjustment		<u>40,818</u>
NET POSITION - Beginning of year restated		<u>2,977,059</u>
NET POSITION - End of year	\$	<u><u>3,359,514</u></u>

See accompanying notes to financial statements

GLENEDEN SANITARY DISTRICT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 1,544,807
Cash payments for goods and services	<u>(927,448)</u>
Net cash provided (used) by operating activities	<u>617,359</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contribution	41,768
Loan proceeds	203,347
Acquisition of capital assets	<u>(477,884)</u>
Net cash provided (used) by capital and related financing activities	<u>(232,769)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>10,646</u>
Net increase (decrease) in cash and cash equivalents	395,236
Cash and cash equivalents - Beginning of year (\$118,972 restricted)	<u>1,244,799</u>
Cash and cash equivalents - End of year (\$169,316 restricted)	<u><u>\$ 1,640,035</u></u>

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

Operating income (loss)	\$ 330,041
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	94,332
(Increase) decrease in operating assets	
Accounts receivable	(14,775)
Increase (decrease) in operating liabilities	
Accounts payable	206,554
Unearned income	<u>1,207</u>
Net cash provided (used) by operating activities	<u><u>\$ 617,359</u></u>

See accompanying notes to financial statements

GLENEDEN SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2021

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, 2021

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.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

Interfund Transactions - Budgetary

Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Net Position

Investment in capital assets, net of related debt, 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; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. 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.

GLENEDED SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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.

GLENNEDEN SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2021

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>\$ 1,640,035</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	\$ 240,832	\$ 206,829	\$ 34,003
Investments - external investment pool	<u>1,399,203</u>	<u>1,263,890</u>	<u>135,313</u>
Total	<u>\$ 1,640,035</u>	<u>\$ 1,470,719</u>	<u>\$ 169,316</u>

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$236,866, 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>\$ 1,399,203</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.

GLENEDEN SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2021

Note 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

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 Comprehensive Annual 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>
Property Taxes	\$ 132
Accounts Receivable	<u>138,570</u>
Total Receivables	<u>\$ 138,702</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.

GLENEDEN SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

Note 5 - CAPITAL ASSETS

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

	<u>7/01</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30</u> <u>Balance</u>
Capital assets not being depreciated				
Land easements	\$ 16,020	\$ 0	\$ 0	\$ 16,020
Construction in progress	<u>446,254</u>	<u>477,884</u>	<u>0</u>	<u>924,138</u>
Total cap. assets not being dep.	<u>462,274</u>	<u>477,884</u>	<u>0</u>	<u>940,158</u>
Capital assets being depreciated				
Plant and sanitary system	4,054,401	0	0	4,054,401
Accumulated depreciation	<u>(2,744,313)</u>	<u>(94,332)</u>	<u>0</u>	<u>(2,838,645)</u>
Total capital assets, net of dep.	<u>1,310,088</u>	<u>(94,332)</u>	<u>0</u>	<u>1,215,756</u>
Capital assets, net	<u>\$ 1,772,362</u>	<u>\$ 383,552</u>	<u>\$ 0</u>	<u>\$ 2,155,914</u>

Current year depreciation expense was \$94,332.

Note 6 - PRIOR PERIOD ADJUSTMENT

The prior year was overstated in the obligation to the City of Depoe Bay. The obligation was not fully known or agreed upon on June 30, 2020. The municipals are now in agreement and the \$40,819 represents an overstatement in the prior year expense.

Note 7 – LONG TERM DEBT

R37440 Oregon Dept of Environmental Quality

Resol. 20-01 signed in March 2020 giving authorizing and approval of a state revolving loan to provide financing for the pump station and main improvements. DEQ had offered a loan for the Design Phase of the project for \$170,000 at 1.10% interest for 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 will initially be \$30,426. The District resolves to fully fund the loan reserve fund by the due date of the first loan payment, scheduled for Feb 1, 2023. The DEQ has agreed to forgive 50% or \$500,000 of the loan, whichever is less. The loan is to be repaid from Net Operating Revenues. The annual payment is \$144,739 and final payment is scheduled on 2/1/51. The current draw down as of June 30, 2021 was \$203,347.

GLENEDEN SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2021

Note 7 – LONG-TERM DEBT - CONTINUED

Clean Water State Revolving Fund Loan

Below is a summary of annual debt requirements to maturity:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 0	\$ 1,150	\$ 1,150
2023	123,454	21,285	144,739
2024	124,133	20,606	144,739
2025	124,816	19,923	144,739
2026	125,502	19,237	144,739
2027-31	637,941	85,754	723,695
2032-36	655,679	68,016	723,695
2037-41	673,909	49,786	723,695
2042-46	692,646	31,049	723,695
2047-51	<u>711,920</u>	<u>11,790</u>	<u>723,710</u>
Total	<u>\$ 3,870,000</u>	<u>\$ 328,596</u>	<u>\$ 4,198,596</u>

Total interest incurred and expensed for this year was \$0.

Note 8 - OTHER INFORMATION

Commitments and Contingencies

The District signed a consulting agreement with Harper Houf Peterson Righellis Inc. in March of 2020 for a fee of \$169,350 with amendment, the contract is up to \$382,790. At year end the contract balance still owing was \$112,314.

In April of 2021, R & G Excavating, Inc was awarded the contract for the pump station and force main improvements for \$3,023,986. At year end the balance owing on the contract was \$2,749,090.

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.

GLENEDEN SANITARY DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2021

Note 8 - OTHER INFORMATION - Continued

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

In the beginning of March 2020, the COVID-19 virus was declared a global pandemic and later in the same month the Oregon governor issued Executive Order No. 20-12 which directed Oregonians to "Stay Home, Save Lives". It was anticipated communities would be severely impacted with the temporarily closing of businesses. In June 2021, the Governor lifted most COVID-19 restrictions and reopened the state for business activities. However, effective August 27, 2021, a new statewide outdoor mask requirement was required to help stop the spread of the highly contagious Delta variant.

Management has evaluated subsequent events through November 4, 2021, the date on which the financial statements were available to be issued.

**GLENEDEN SANITARY DISTRICT
OREGON**

SUPPLEMENTAL SECTION

GLENEDEDEN 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.

Construction Fund

This fund type is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 Renewal Fund

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

GLENEDED SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2021

GENERAL FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Monthly user fees	\$ 1,140,000	\$ 1,540,531	\$ 400,531
Connection fees	0	1,384	1,384
Interest on investments	6,000	10,646	4,646
Miscellaneous	300	2,892	2,592
	<hr/>	<hr/>	<hr/>
Total revenues	1,146,300	1,555,453	409,153
EXPENDITURES			
Debt service - City of Depoe Bay	145,000	137,257	7,743
Materials and services	218,650	173,181	45,469
Capital outlay	310,000	229,158	80,842
Professional services	96,300	60,770	35,530
Contract services	883,297	793,181	90,116
Contingencies	80,000	0	80,000
	<hr/>	<hr/>	<hr/>
Total expenditures	1,733,247	1,393,547	339,700
Excess (def) of revenues over expenditures	(586,947)	161,906	748,853
OTHER FINANCING SOURCES (USES)			
Transfers out	10,000	10,000	0
Excess (def) of revenues over expenditures and transfers	(596,947)	151,906	748,853
Unappropriated ending fund balance	(27,365)	0	27,365
FUND BALANCE - Beginning of year (Budget basis)	624,312	919,680	295,368
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	1,071,586	<u>\$ 1,071,586</u>
GAAP Adjustments - Reconciled to June 2020		1,712,419	
Prior Period Adjustment		40,818	
Capital asset activity			
Additions		274,537	
Depreciation		<u>(94,332)</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ 3,005,028</u>	

GLENEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2021

CONSTRUCTION FUND

	Original and Final		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Loan Proceeds	\$ 1,743,247	\$ 203,347	\$ (1,539,900)
EXPENDITURES			
System Development	<u>1,743,247</u>	<u>203,347</u>	<u>1,539,900</u>
Excess (def) of revenues over expenditures	0	0	0
FUND BALANCE - Beginning of year (Budgetary/GAAP)	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	0	<u>\$ 0</u>
GAAP Adjustments			
Capital asset addition		203,347	
Loan proceeds		<u>(203,347)</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ 0</u>	

GLENEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2021

SDC IMPROVEMENT FUND

	Original and Final		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System Development charges	\$ 0	\$ 27,808	\$ 27,808
EXPENDITURES			
System improvements	<u>10,000</u>	<u>1,424</u>	<u>8,576</u>
Excess (def) of revenues over expenditures	(10,000)	26,384	36,384
Unappropriated ending fund balance	(5,000)	0	5,000
FUND BALANCE - Beginning of year (Budget basis)	<u>15,000</u>	<u>85,596</u>	<u>70,596</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	111,980	<u>\$ 111,980</u>
GAAP ADJUSTMENTS - Reconciled to June 2020		<u>186,234</u>	
FUND BALANCE - End of year (GAAP basis)		<u>\$ 298,214</u>	

GLENNEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2021

SDC REIMBURSEMENT FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development fees	\$ 0	\$ 13,960	\$ 13,960
EXPENDITURES			
System improvements	<u>4,500</u>	<u>0</u>	<u>4,500</u>
Excess (def) of revenues over expenditures	(4,500)	13,960	18,460
Unappropriated ending fund balance	(500)	0	500
FUND BALANCE - Beginning of year (Budgetary/GAAP)	<u>5,000</u>	<u>32,312</u>	<u>27,312</u>
FUND BALANCE - End of year (Budgetary/GAAP)	<u><u>\$ 0</u></u>	<u><u>\$ 46,272</u></u>	<u><u>\$ 46,272</u></u>

GLENEDEN SANITARY DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Year Ended June 30, 2021

DEQ RESERVE 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	0	0	0
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	10,000	0
Reserved for Future Expenditures	(10,000)	0	10,000
FUND BALANCE - Beginning of year (Budgetary/GAAP)	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - End of year (Budgetary/GAAP)	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

GLENNEDEN 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, 2021

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 1,555,453	\$ 1,403,547	\$ 151,906
Construction Fund	203,347	203,347	0
SDC Improvement Fund	27,808	1,424	26,384
SDC Reimbursement Fund	13,960	0	13,960
DEQ Reserve Fund	<u>10,000</u>	<u>0</u>	<u>10,000</u>
 Total budgetary basis	 <u>\$ 1,810,568</u>	 <u>\$ 1,608,318</u>	 202,250
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Capital asset activity			
Asset acquisition			477,884
Depreciation			(94,332)
Loan proceeds			<u>(203,347)</u>
 Change in net position			 <u>382,455</u>
 NET POSITION - Beginning of year			 2,936,241
Prior Period Adjustment			<u>40,818</u>
NET POSITION - Beginning of year (Revised)			<u>2,977,059</u>
 NET POSITION - End of year			 <u>\$ 3,359,514</u>

**GLENEDEN SANITARY DISTRICT
OREGON**

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES
Certified Public Accountants

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Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
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Lincoln City, OR 97367
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**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, 2021, 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 4, 2021.

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 determination of financial statement amounts. 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:

- Accounting records and related internal control structure.
- 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).
- Programs funded from outside sources.

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.

Members:
AICPA OSCP & OAIA

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) 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
November 4, 2021