

**NESKOWIN REGIONAL SANITARY  
AUTHORITY**  
Neskowin, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

AUTHORITY OFFICIALS

June 30, 2023

**BOARD OF DIRECTORS**

Rowan Mizer, Chair  
P.O. Box 834  
Neskowin, Oregon 97149

Dave Benneth, Treasurer  
4435 Silverton Avenue  
Neskowin, Oregon 97149

Earl Ingle  
8220 SW Woody End  
Durham, Oregon 97223

Susan Amort  
P.O. Box 1008  
Neskowin, Oregon 97149

Jim Ullrich  
P.O. Box 1026  
Neskowin, Oregon 97149

**OFFICE MANAGER**

Annis Leslie  
P.O. Box 383  
Neskowin, Oregon 97149

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

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## **FINANCIAL SECTION**

**KOONTZ, BLASQUEZ**  
ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Neskowin Regional Sanitary Authority  
Neskowin, Oregon 97149

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the modified cash basis financial statements of the business-type activities and each major fund of Neskowin Regional Sanitary Authority, Neskowin, Oregon as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities and each major fund of Neskowin Regional Sanitary Authority as of June 30, 2023, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note I-C.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Neskowin Regional Sanitary Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis of Accounting***

We draw attention to Note I-C of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Neskowin Regional Sanitary Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note I-C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Neskowin Regional Sanitary Authority'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***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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.

In performing an audit in accordance with GAAS, we:

- 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 Neskowin Regional Sanitary Authority'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Neskowin Regional Sanitary Authority's basic financial statements. The management's discussion and analysis, schedule of contributions, budgetary comparison information, and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

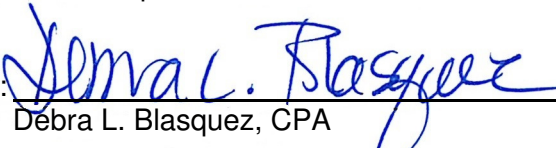
The budgetary comparison information presented on pages 30 through 32 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 GAAS. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note I-C.

The management's discussion and analysis, schedule of contributions, detailed schedule of revenues, expenses, and changes in fund net position for the General Fund, and schedule of property tax transactions on pages 4 through 8, 29, 33 through 35, and 36, respectively, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 21, 2023 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Blasquez & Associates, P.C.

By:   
Debra L. Blasquez, CPA

Albany, Oregon  
December 21, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**INTRODUCTION**

As management of Neskowin Regional Sanitary Authority, Neskowin, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023, within the limitations of the Authority's modified cash basis of accounting. It should be read in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2023, total net position of Neskowin Regional Sanitary Authority amounted to \$6,428,671. Of this amount, \$3,740,493 was invested in capital assets, \$605,637 was restricted for various purposes, and the remaining balance of \$2,082,541 was unrestricted.
- The Authority's total net position increased by \$164,421 during the current fiscal year.
- Overall revenues were \$862,272, which exceeded total expenses of \$697,851 by \$164,421.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Neskowin Regional Sanitary Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Basis of Accounting**

The Authority has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Authority's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The statement of net position presents information on all of the Authority's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the cash flow related to the underlying event is received or expended.

The government-wide financial statements can be found on pages 9 through 10 of this report.

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Neskowin Regional Sanitary Authority are proprietary funds.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Authority maintains three individual enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the proprietary funds statement of net position, the proprietary funds statement of revenues, expenses, and changes in fund net position, and the proprietary funds statement of cash flows for the General, Capital Reserve, and System Development Funds, all of which are considered to be major proprietary funds.

Neskowin Regional Sanitary Authority adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic proprietary fund financial statements can be found on pages 11 through 14 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 28 of this report.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which includes the schedule of contributions and budgetary comparison information for each fund. This supplementary information can be found on pages 29 through 32 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the Authority’s financial position. At June 30, 2023, the Authority’s net position was \$6,428,671.

A large portion of the Authority’s net position reflects its investment in capital assets (e.g., land, buildings, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Authority’s Net Position – Modified Cash Basis**

At the end of the current fiscal year, the Authority was able to report positive balances in all categories of net position. The Authority’s net position increased by \$164,421 during the current fiscal year.

Condensed statement of net position information is shown below.

**Condensed Statement of Net Position - Modified Cash Basis**

	<b>Business-Type Activities</b>	
	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets	\$ 2,082,541	\$ 1,779,108
Restricted assets	605,637	553,864
Net capital assets	<u>3,740,493</u>	<u>3,931,278</u>
Total assets	<u>6,428,671</u>	<u>6,264,250</u>
<b>Liabilities</b>	<u>-</u>	<u>-</u>
<b>Net position</b>		
Investment in capital assets	3,740,493	3,931,278
Restricted	605,637	553,864
Unrestricted	<u>2,082,541</u>	<u>1,779,108</u>
Total net position	<u>\$ 6,428,671</u>	<u>\$ 6,264,250</u>

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
Neskowin, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Authority's Changes in Net Position – Modified Cash Basis**

The condensed statement of activities information shown below explains changes in net position resulting from modified cash basis transactions.

**Condensed Statement of Activities - Modified Cash Basis**

	<b>Business-Type Activities</b>	
	<u>2023</u>	<u>2022</u>
<b>Program revenues</b>		
Charges for services	\$ 555,938	\$ 537,036
Capital grants and contributions	<u>80,729</u>	<u>150,276</u>
Total program revenues	<u>636,667</u>	<u>687,312</u>
<b>General revenues</b>		
Property taxes	157,208	151,619
Investment earnings	<u>68,397</u>	<u>11,096</u>
Total general revenues	<u>225,605</u>	<u>162,715</u>
Total revenues	862,272	850,027
<b>Program expenses</b>		
Sewer service charges	<u>697,851</u>	<u>736,933</u>
<b>Change in net position</b>	164,421	113,094
<b>Net position - beginning of year</b>	<u>6,264,250</u>	<u>6,151,156</u>
<b>Net position - end of year</b>	<u>\$ 6,428,671</u>	<u>\$ 6,264,250</u>

**FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Proprietary Funds**

The Authority's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, the Authority's major proprietary funds reported net position of \$6,428,671. This amount included \$3,740,493 invested in capital assets and \$605,637 restricted for system development. The remaining \$2,082,541 was unrestricted.

Significant Changes in Major Proprietary Fund Net Position

- General Fund: The unrestricted net position of the General Fund increased by \$303,433 during the current fiscal year. This 30.9% increase can be attributed to positive budget versus actual variances in all of the major budget categories. See page 30 of this report for a detailed breakdown.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**BUDGETARY HIGHLIGHTS: GENERAL FUND**

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2023 include:

- Investment earnings were budgeted for \$6,000. Actual revenues were \$53,086 (784.8% over budget) due to increased interest rates.
- Expenses for materials and services were budgeted for \$257,325. Actual expenses were \$182,097 (29.2% under budget) due primarily to spending on legal fees of \$33,381 under budget, \$11,325 of spending on wastewater treatment plan supplies under budget, \$10,365 of spending on collection O&M spending under budget, and sludge management spending of \$6,045 under budget.
- Expenses for capital outlay were budgeted for \$1,050,500. Actual expenses were \$29,928 (97.2% under budget) due to one project coming in under budget and other capital projects being moved to future years.
- Transfers in were budgeted for \$65,000. Actual transfers in were \$35,000 (46.2% under budget) due to a capital project being moved to a future year.

**CAPITAL ASSETS**

The Authority's investment in capital assets for its business-type activities as of June 30, 2023 amounted to \$3,740,493, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, equipment, and sewer system and improvements. The total depreciation expense related to the Authority's investment in capital assets during the current fiscal year was \$210,830.

Additional information on the Authority's capital assets can be found in Note III-B on page 22 of this report.

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

At the time these financial statements were prepared and audited, the Authority was aware of the following circumstance that could affect its future financial health:

- There is pending litigation, Walton et al. v. Neskowin Regional Sanitary Authority, which could materially impact the Authority's financial health.

This factor was considered in preparing the Authority's budget for fiscal year 2023-2024.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: Neskowin Regional Sanitary Authority, P.O. Box 383, Neskowin, Oregon 97149.

## **BASIC FINANCIAL STATEMENTS**

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	<u>Business-Type Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,082,541
Restricted assets	
Cash and cash equivalents	<u>605,637</u>
Capital assets	
Land and construction in progress	349,772
Capital assets, net of accumulated depreciation	<u>3,390,721</u>
Total capital assets	<u>3,740,493</u>
Total assets	<u>6,428,671</u>
<b>LIABILITIES</b>	
	<u>-</u>
<b>NET POSITION</b>	
Investment in capital assets	3,740,493
Restricted	605,637
Unrestricted	<u>2,082,541</u>
Total net position	<u>\$ 6,428,671</u>

The accompanying notes are an integral part of these financial statements.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Business-Type Activities</u>
Business-type activities				
Sewer service charges	\$ 697,851	\$ 555,938	\$ -	\$ 80,729
				\$ (61,184)
General revenues				
Property taxes				157,208
Investment earnings				68,397
Total general revenues				225,605
Change in net position				164,421
Net position - beginning				6,264,250
Net position - ending				\$ 6,428,671

The accompanying notes are an integral part of these financial statements.



**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities			Total
	Enterprise Funds			
	General	Capital Reserve	System Development	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,284,413	\$ 798,128	\$ -	\$ 2,082,541
Restricted assets				
Cash and cash equivalents	-	-	605,637	605,637
Capital assets				
Land and construction in progress	349,772	-	-	349,772
Capital assets, net of accumulated depreciation	3,390,721	-	-	3,390,721
Total capital assets	3,740,493	-	-	3,740,493
Total assets	5,024,906	798,128	605,637	6,428,671
<b>LIABILITIES</b>	-	-	-	-
<b>NET POSITION</b>				
Investment in capital assets	3,740,493	-	-	3,740,493
Restricted for system development	-	-	605,637	605,637
Unrestricted	1,284,413	798,128	-	2,082,541
Total net position	\$ 5,024,906	\$ 798,128	\$ 605,637	\$ 6,428,671

The accompanying notes are an integral part of these financial statements.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities			Total
	Enterprise Funds			
	General	Capital Reserve	System Development	
Operating revenues				
Charges for services	\$ 555,938	\$ -	\$ -	\$ 555,938
Operating expenses				
Personnel services	295,041	-	-	295,041
Materials and services	182,097	-	-	182,097
Capital outlay	9,883	-	-	9,883
Depreciation	210,830	-	-	210,830
Total operating expenses	697,851	-	-	697,851
Operating income (loss)	(141,913)	-	-	(141,913)
Nonoperating revenues (expenses)				
Property taxes	157,208	-	-	157,208
System development charges	9,267	-	71,462	80,729
Investment earnings	53,086	-	15,311	68,397
Total nonoperating revenues (expenses)	219,561	-	86,773	306,334
Income (loss) before transfers	77,648	-	86,773	164,421
Transfers in	35,000	-	-	35,000
Transfers out	-	-	(35,000)	(35,000)
Change in net position	112,648	-	51,773	164,421
Total net position - beginning	4,912,258	798,128	553,864	6,264,250
Total net position - ending	\$ 5,024,906	\$ 798,128	\$ 605,637	\$ 6,428,671

The accompanying notes are an integral part of these financial statements.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities	
	Enterprise Funds	
	General	Capital Reserve
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 555,938	\$ -
Payments to employees	(295,041)	-
Payments to suppliers	(191,980)	-
	68,917	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property tax revenue	157,208	-
System development charges	9,267	-
Transfers in	35,000	-
Transfers out	-	-
	201,475	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(20,045)	-
	(20,045)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	53,086	-
	53,086	-
Net increase (decrease) in cash and cash equivalents	303,433	-
Cash and cash equivalents - beginning (including \$553,864 for the System Development Fund, reported in restricted accounts)	980,980	798,128
Cash and cash equivalents - ending (including \$605,637 for the System Development Fund, reported in restricted accounts)	\$ 1,284,413	\$ 798,128

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	
<u>Enterprise Funds</u>	
<u>System</u>	
<u>Development</u>	<u>Total</u>
\$ -	\$ 555,938
-	(295,041)
-	(191,980)
-	68,917
-	157,208
71,462	80,729
-	35,000
(35,000)	(35,000)
36,462	237,937
-	(20,045)
-	(20,045)
15,311	68,397
15,311	68,397
51,773	355,206
553,864	2,332,972
<u>\$ 605,637</u>	<u>\$ 2,688,178</u>

(Continued)

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

(Continued)

	Business-Type Activities	
	Enterprise Funds	
	General	Capital Reserve
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (141,913)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	210,830	-
Net cash provided (used) by operating activities	\$ 68,917	\$ -

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	
<u>Enterprise Funds</u>	
<u>System</u>	
<u>Development</u>	<u>Total</u>
\$ -	\$ (141,913)
<u>-</u>	<u>210,830</u>
<u>\$ -</u>	<u>\$ 68,917</u>

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Neskowin Regional Sanitary Authority have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**A. Reporting Entity**

Neskowin Regional Sanitary Authority was established under the provisions of Oregon statutes to provide wastewater collection and treatment service for the benefit of the population within the Authority, which is located within Tillamook County, Oregon. Control of the Authority is vested in its board of directors, who are elected to office by voters within the Authority.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**1. Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below.

Proprietary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and cash flows.



**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**2. Basis of Accounting**

In the government-wide financial statements and the fund financial statements, business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

If the Authority utilized the basis of accounting recognized as generally accepted, the government-wide and fund financial statements would be presented on the accrual basis of accounting.

**3. Financial Statement Presentation**

The Authority reports the following major proprietary funds:

Enterprise Funds

*General Fund* – The General Fund is the Authority’s primary operating fund. It accounts for all financial resources of the Authority except for those required to be accounted for in another fund. The primary sources of revenue are charges for services and property taxes.

*Capital Reserve Fund* – The Capital Reserve Fund is used to accumulate funds for future capital projects. The primary source of revenue is transfers from the General Fund.

*System Development Fund* – The System Development Fund is used to account for the development of the sanitary system. The primary source of revenue is system development charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**3. Financial Statement Presentation (Continued)**

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Neskowin Regional Sanitary Authority's proprietary funds are charges for services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

The Authority'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.

State statutes authorize the Authority to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**2. Property Taxes**

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

**3. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenses as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-20
Sewer system and improvements	7-40

**4. Retirement Plans**

All of the Authority's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses.

**E. Use of Estimates**

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary from those estimates.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The Authority budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the enterprise funds. All funds are budgeted on the cash basis of accounting.

The Authority begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the Authority's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenses cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expense categories and management may revise the detailed line-item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The Authority does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

Neskowin Regional Sanitary Authority maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. Deposits and Investments (Continued)**

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Authority's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The Authority has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2023, the Authority had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 2,509,940</u>

Interest Rate Risk

The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The Authority does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the Authority's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority does not have a policy that limits the amount of investments that can be held by counterparties.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. Deposits and Investments (Continued)**

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned. All Authority deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The Authority holds accounts at US Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. At June 30, 2023, the Authority’s total deposits of \$190,198 were fully insured by the FDIC.

Deposits

The Authority’s deposits and investments at June 30, 2023 are as follows:

Cash on hand	\$ 2,061
Checking account	176,177
Total investments	<u>2,509,940</u>
 Total deposits and investments	 <u>\$ 2,688,178</u>

Cash and investments by fund:

Business-type activities - unrestricted	
General Fund	\$ 1,284,413
Capital Reserve Fund	<u>798,128</u>
 Total business-type activities - unrestricted	 2,082,541
Business-type activities - restricted	
System Development Fund	<u>605,637</u>
 Total cash and investments	 <u>\$ 2,688,178</u>

Restricted cash is for future system development improvements.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 265,275	\$ -	\$ -	\$ 265,275
Construction in progress	<u>78,852</u>	<u>5,645</u>	<u>-</u>	<u>84,497</u>
Total capital assets not being depreciated	<u>344,127</u>	<u>5,645</u>	<u>-</u>	<u>349,772</u>
Capital assets being depreciated				
Equipment	228,521	-	-	228,521
Sewer system and improvements	<u>8,388,396</u>	<u>14,400</u>	<u>-</u>	<u>8,402,796</u>
Total capital assets being depreciated	<u>8,616,917</u>	<u>14,400</u>	<u>-</u>	<u>8,631,317</u>
Less accumulated depreciation for				
Equipment	(185,839)	(2,724)	-	(188,563)
Sewer system and improvements	<u>(4,843,927)</u>	<u>(208,106)</u>	<u>-</u>	<u>(5,052,033)</u>
Total accumulated depreciation	<u>(5,029,766)</u>	<u>(210,830)</u>	<u>-</u>	<u>(5,240,596)</u>
Total capital assets being depreciated, net	<u>3,587,151</u>	<u>(196,430)</u>	<u>-</u>	<u>3,390,721</u>
Business-type activities capital assets, net	<u>\$ 3,931,278</u>	<u>\$ (190,785)</u>	<u>\$ -</u>	<u>\$ 3,740,493</u>

Capital assets are reported on the statement of net position as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Business-type activities			
Land	\$ 265,275	\$ -	\$ 265,275
Construction in progress	84,497	-	84,497
Equipment	228,521	(188,563)	39,958
Sewer system and improvements	<u>8,402,796</u>	<u>(5,052,033)</u>	<u>3,350,763</u>
Total capital assets	<u>\$ 8,981,089</u>	<u>\$ (5,240,596)</u>	<u>\$ 3,740,493</u>

Depreciation expense was charged to the functions/programs of the Authority as follows:

Business-type activities	
Sewer service charges	<u>\$ 210,830</u>

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**C. Interfund Transfers**

Operating transfers are reflected as other financing sources (uses) in the proprietary funds. Interfund transfers during the year consisted of:

	Transfers in:
	General
	Fund
Transfers out:	
System Development Fund	\$ 35,000

The primary purpose of the interfund transfers in was to provide funds for purchasing equipment.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

**B. Pension Plan**

**1. Plan Description**

Employees of the Authority 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 System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (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 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 and actuarial valuation, both of which can be obtained at: <https://www.oregon.gov/pers/emp/pages/annual-reports.aspx>.



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**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided**

**a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238)**

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The base benefit is based on years of service and final average salary. A percentage (1.67% for general service employees) 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 members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020.

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 has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee 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 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 one or more of the following conditions are met:

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

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided (Continued)**

**a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)**

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-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

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 fair value of underlying global equity investments of that account. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0%.

**b. Oregon Public Service Retirement Plan (OPSRP) Pension Program (Defined Benefit)**

Pension Benefits

The Pension Program (ORS Chapter 238A) 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:

General service: 1.5% 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.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020.

A member of the OPSRP Pension Program 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, or, if the pension program is terminated, the date on which termination becomes effective.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided (Continued)**

**b. Oregon Public Service Retirement Plan (OPSRP) Pension Program (Defined Benefit)  
(Continued)**

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% 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% of the member's salary determined as of the last full month of employment before the disability occurred.

**c. OPSRP Individual Account Program (IAP)**

Benefit Terms

The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. An 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 the 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-, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution stipulation.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided (Continued)**

**c. OPSRP Individual Account Program (IAP) (Continued)**

Death Benefits

Upon the death of a non-retired member, the beneficiary receives, in a lump sum, the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment 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.

**3. Contributions**

PERS' 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. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on reemployed PERS retirees' salaries as if they were active members, excluding IAP contributions. Employer contributions for the year ended June 30, 2023 were \$337, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2023 were 5.24% for Tier One/Tier Two general service members, 0% for OPSRP Pension Program general service members, and 6% for OPSRP IAP.

**C. Tax Abatements**

The Authority did not have tax abatements for the year ended June 30, 2023.

**D. Related Party**

In August 2021, the Authority began renting office space owned by Lannis Iron Works, LLC, of which the Authority's office manager is one of the owners. During the year ended June 30, 2023, rent in the amount of \$8,350 was paid to Lannis Iron Works, LLC.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**IV. OTHER INFORMATION (Continued)**

**E. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, will be effective for the Authority beginning with its fiscal year ending June 30, 2024. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Authority beginning with its fiscal year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences and amends previously required disclosures.

**F. Subsequent Events**

Management has evaluated subsequent events through December 21, 2023, which was the date that the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

SCHEDULE OF CONTRIBUTIONS

<u>Pension Plan</u>	(a)	(b)	(a-b)	(c)	(b/c)
Year Ended June 30	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percent of covered payroll
2023	\$ 337	\$ 337	-	\$ 193,958	0.17%
2022	1,034	1,034	-	190,574	0.54%
2021	9,373	9,373	-	192,087	4.88%
2020	12,652	12,652	-	185,122	6.83%
2019	17,325	17,325	-	193,989	8.93%
2018	17,335	17,335	-	195,068	8.89%
2017	16,220	16,220	-	171,674	9.45%
2016	10,482	10,482	-	191,440	5.48%
2015	11,998	11,998	-	181,768	6.60%
2014	5,995	5,995	-	177,219	3.38%

**Changes in Benefit Terms**

The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are projected to be lower than prior to the legislation.

Oregon Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age.

**Changes in Assumptions**

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016, 2018, and 2021 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation rate to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. For June 30, 2021, the long-term expected rate of return was lowered to 6.90% and the inflation rate was lowered to 2.40%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
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SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Property taxes	\$ 151,000	\$ 6,208	\$ 157,208	\$ -	\$ 157,208
Charges for services	541,350	14,588	555,938	-	555,938
System development charges	7,325	1,942	9,267	-	9,267
Investment earnings	6,000	47,086	53,086	-	53,086
Total revenues	<u>705,675</u>	<u>69,824</u>	<u>775,499</u>	<u>-</u>	<u>775,499</u>
<b>EXPENSES</b>					
Current					
Personnel services	320,000	(24,959)	295,041	-	295,041
Materials and services	257,325	(75,228)	182,097	-	182,097
Capital outlay	1,050,500	(1,020,572)	29,928	(20,045)	9,883
Depreciation	-	-	-	210,830	210,830
Contingency	100,000	(100,000)	-	-	-
Total expenses	<u>1,727,825</u>	<u>(1,220,759)</u>	<u>507,066</u>	<u>190,785</u>	<u>697,851</u>
Excess (deficiency) of revenues over (under) expenses	(1,022,150)	1,290,583	268,433	(190,785)	77,648
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	65,000	(30,000)	35,000	-	35,000
Change in net position	(957,150)	1,260,583	303,433	(190,785)	112,648
Net position - beginning	<u>1,041,645</u>	<u>(60,665)</u>	<u>980,980</u>	<u>3,931,278</u>	<u>4,912,258</u>
Net position - ending	<u>\$ 84,495</u>	<u>\$ 1,199,918</u>	<u>\$ 1,284,413</u>	<u>\$ 3,740,493</u>	<u>\$ 5,024,906</u>



**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 BUDGET AND ACTUAL

CAPITAL RESERVE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	Adjusted Cash Basis
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENSES</b>				
Contingency	<u>798,125</u>	<u>(798,125)</u>	-	-
Excess (deficiency) of revenues over (under) expenses	(798,125)	798,125	-	-
Net position - beginning	<u>798,125</u>	<u>3</u>	<u>798,128</u>	<u>798,128</u>
Net position - ending	<u>\$ -</u>	<u>\$ 798,128</u>	<u>\$ 798,128</u>	<u>\$ 798,128</u>

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 BUDGET AND ACTUAL

SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjusted Cash Basis	
<b>REVENUES</b>					
System development charges	\$ 50,475	\$ 20,987	\$ 71,462	\$ -	\$ 71,462
Investment earnings	<u>-</u>	<u>15,311</u>	<u>15,311</u>	<u>-</u>	<u>15,311</u>
Total revenues	50,475	36,298	86,773	-	86,773
<b>EXPENSES</b>					
Contingency	<u>495,528</u>	<u>(495,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(445,053)	531,826	86,773	-	86,773
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(65,000)</u>	<u>(30,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
Change in net position	(510,053)	561,826	51,773	-	51,773
Net position - beginning	<u>510,053</u>	<u>43,811</u>	<u>553,864</u>	<u>-</u>	<u>553,864</u>
Net position - ending	<u>\$ -</u>	<u>\$ 605,637</u>	<u>\$ 605,637</u>	<u>\$ -</u>	<u>\$ 605,637</u>

## **OTHER FINANCIAL SCHEDULES**

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

DETAILED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
POSITION - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>CASH RECEIPTS</b>			
Sewer service	\$ 541,350	\$ 14,588	\$ 555,938
Administrative fee	2,500	1,040	3,540
Property taxes	151,000	6,208	157,208
Interest	6,000	47,086	53,086
DEQ review fees	4,825	902	5,727
Total cash receipts	705,675	69,824	775,499
<b>CASH EXPENSES</b>			
Schedule - pages 34-35	1,727,825	(1,220,759)	507,066
Excess (deficiency) of revenues over (under) expenses	(1,022,150)	1,290,583	268,433
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	65,000	(30,000)	35,000
Change in net position	(957,150)	1,260,583	303,433
Net position - beginning	1,041,645	(60,665)	980,980
Net position - ending	\$ 84,495	\$ 1,199,918	\$ 1,284,413

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

DETAILED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
POSITION - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
Personnel services			
Office manager	\$ 62,000	\$ (5,298)	\$ 56,702
Maintenance operator	48,500	(14,335)	34,165
Operator II	69,000	3,230	72,230
Vacation & sick hours	22,752	(4,708)	18,044
Overtime allowance	10,000	696	10,696
Medical insurance	90,248	(9,321)	80,927
Social security	11,000	1,037	12,037
Worker's compensation	4,000	1,304	5,304
Medicare	2,500	315	2,815
Other personnel services	-	2,121	2,121
	<u>320,000</u>	<u>(24,959)</u>	<u>295,041</u>
Total personnel services			
Materials and services			
Office supplies & equipment	3,000	(1,837)	1,163
Postage	1,700	(60)	1,640
Advertising	300	(300)	-
Bank fees	250	(99)	151
Miscellaneous fees	500	(400)	100
Dues/pubs/profession cert	6,000	(67)	5,933
Liability & property insurance	22,000	(743)	21,257
Legal	60,000	(33,381)	26,619
Audit	4,950	150	5,100
Training	2,000	(1,575)	425
Travel	1,500	(158)	1,342
Accounting	1,500	(51)	1,449
Collection O & M	31,000	(10,365)	20,635
Wastewater treatment plant	27,500	(11,325)	16,175
Building & grounds	4,000	(3,361)	639
Water testing	8,000	(1,078)	6,922
Telephone	8,700	359	9,059
Electricity	13,000	399	13,399
Rent	8,400	(50)	8,350
Truck 1 red F150	200	(200)	-
Truck 2 F450	3,000	(2,620)	380
Truck 3 white F150	1,000	(268)	732
Gasoline/oil/fuel	4,000	(868)	3,132
DEQ review	4,825	3,838	8,663
STEP system pumping	16,000	(4,482)	11,518
Sludge management	20,000	(6,045)	13,955
Tools & equipment	4,000	(641)	3,359
	<u>257,325</u>	<u>(75,228)</u>	<u>182,097</u>
Total materials and services			

(Continued)

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

DETAILED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
POSITION - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
Capital outlay			
Chem cables	\$ 6,500	\$ 615	\$ 7,115
Engineering	60,000	(59,012)	988
Hawk Creek Hills line extension	30,000	(30,000)	-
Office equipment	3,500	(3,500)	-
Capital improvement plan update	-	1,780	1,780
Manhole rehab	14,500	(100)	14,400
Main pump station improvements	<u>936,000</u>	<u>(930,355)</u>	<u>5,645</u>
Total capital outlay	<u>1,050,500</u>	<u>(1,020,572)</u>	<u>29,928</u>
Operating contingencies	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total cash expenses	<u>1,727,825</u>	<u>(1,220,759)</u>	<u>507,066</u>

**NESKOWIN REGIONAL SANITARY AUTHORITY**  
**Neskowin, Oregon**

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2023

Tax Year	Taxes Receivable July 1, 2022	2022-2023 Levy	Adjustments	Collections	Taxes Receivable June 30, 2023
2022-2023	\$ -	\$ 160,216	\$ (4,162)	\$ 153,078	\$ 2,976
2021-2022	2,936	-	(51)	1,651	1,234
2020-2021	1,292	-	(51)	590	651
2019-2020	619	-	(46)	334	239
2018-2019	196	-	(57)	89	50
2017-2018	55	-	(2)	5	48
2016-2017	-	-	-	-	-
Prior	333	-	(1)	13	319
Subtotal - Prior	5,431	-	(208)	2,682	2,541
Total	\$ 5,431	\$ 160,216	\$ (4,370)	155,760	\$ 5,517
Add:					
Other taxes and interest				1,448	
Undistributed taxes with county, July 1, 2022				-	
Total available				157,208	
Less: Turnovers to Authority				(157,208)	
Undistributed taxes with county, June 30, 2023				\$ -	

The above schedule of property tax transactions is a supplementary schedule required by Oregon law; however, because Neskowin Regional Sanitary Authority reports information on the modified cash basis of accounting, no accrual of property taxes receivable has been recorded in the financial statements. See independent auditor's report.

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY  
STATE REGULATIONS**



**KOONTZ, BLASQUEZ**  
ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors  
Neskowin Regional Sanitary Authority  
Neskowin, Oregon 97149

We have audited the basic financial statements of Neskowin Regional Sanitary Authority as of and for the year ended June 30, 2023, and have issued our report thereon dated December 21, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether Neskowin Regional Sanitary Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 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 our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

**Accounting records**

**Deposit of public funds with financial institutions (ORS Chapter 295)**

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Authorized investment of surplus funds (ORS Chapter 294)**

**Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

**Accountability for collecting or receiving money by elected officials**

In connection with our testing, nothing came to our attention that caused us to believe the Authority 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 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

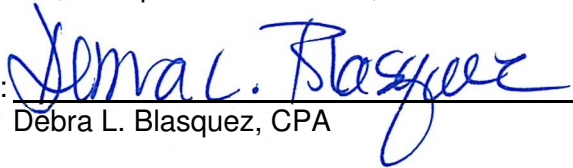
The Authority does not have any elected officials collecting or receiving money.

**OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered Neskowin Regional Sanitary Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neskowin Regional Sanitary Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Neskowin Regional Sanitary Authority's internal control over financial reporting. However, we noted certain matters that we have reported to management of the Authority in a separate letter dated December 21, 2023.

This report is intended solely for the information and use of the board of directors and management of Neskowin Regional Sanitary Authority and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Koontz, Blasquez & Associates, P.C.

By:   
Debra L. Blasquez, CPA

Albany, Oregon  
December 21, 2023