

**OREGON WATER WONDERLAND UNIT II  
SANITARY DISTRICT  
BEND, OREGON**

**ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2023**

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT  
BEND, OREGON**

**DISTRICT OFFICIALS  
JUNE 30, 2023**

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***Chairperson***

Jerry Preston  
Bend, Oregon

***Secretary***

Jeff Okamoto  
Bend, Oregon

***Member***

Ricky Keller  
Bend, Oregon

***Member***

Michael Roberts  
Bend, Oregon

***Member***

Dan DeHaven  
Bend, Oregon

***Registered Agent***

Elisa Davis  
55841 Swan Road  
Bend, OR 97707  
541-593-3124

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT  
BEND, OREGON**

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YEAR ENDED JUNE 30, 2023**

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Kara L. Pardue, Partner  
Adam M. Barnett, Partner  
Heather A. McMeekin, Partner

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Oregon Water Wonderland Unit II Sanitary District  
Bend, Oregon

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities and each major fund of Oregon Water Wonderland Unit II Sanitary District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the District 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.

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

The District's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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395 SW Bluff Drive, Suite 200  
Bend, Oregon 97702

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

***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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, starting on page 5, be 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information as listed in the table of contents 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 auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Prior-Year Comparative Information***

We have previously audited the District's 2022 financial statements of the business-type activities and major funds and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Other Legal and Regulatory Requirements**

In accordance with the *Minimum Standards for Audits of Oregon Municipal Standards*, we have also issued a report titled "Independent Auditor's Report Required by Oregon State Regulations" dated December 15, 2023, which is also not a required part of the financial statements. The purpose of that report is to address specific matters required by the State of Oregon.

PRICE FRONK & CO.  
Certified Public Accountants & Consultants

By:   
Heather A. McMeekin – a partner

December 15, 2023

## **MANAGEMENT'S DISCUSSION & ANALYSIS**



# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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As management of the Oregon Water Wonderland Unit II Sanitary District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2023.

### Financial Highlights

- Net position of the District decreased by \$70,556 during the year-ended June 30, 2023, compared to an increase of \$32,658 in the prior year.
- The District's total liabilities as of June 30, 2023, were \$3,221,391, a decrease of \$142,100.
- Operating revenues of the District were \$840,141, a decrease of \$65,472 from the prior year.
- Operating expenses for the year ended June 30, 2023, were \$836,269, of which \$305,114 was depreciation.

### Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position and (3) Statement of Cash Flows. This report also contains Management's Discussion and Analysis (this section), Notes to the Financial Statements and Other Supplementary Information, as described in the table of contents. An elected five-member Board, with a representative from each zone, governs the District.

The *basic financial statements* include the Government-wide financial statements and notes to the financial statements and are designed to provide the readers with a broad overview of the District's finances in a manner similar to a private-sector business. In the basic financial statements, the District's activities are shown in one category, showing the District's operations and maintenance of a sanitary facility in Three Rivers, Oregon. These activities are primarily financed through service fees paid by users.

The *government-wide financial statements* provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The *Statement of Net Position* presents information on all the District's assets and liabilities, 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 District is improving or deteriorating.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023

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The *Statement of Revenues, Expenditures and Changes in Net Position* and *Statement of Cash Flows* presents information showing how the District's net position changed during the fiscal year ended June 30, 2023. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods, such as deferred revenue and accrued vacation.

The basic financial statements also include *Notes to Financial Statements* which provide additional information that is essential to a full understanding of the data provided in the Government-wide financial statements.

The *Other Supplementary Information* provides fund financial statements that provide more detailed information about the District's operating expenses and budget to actual comparisons.

### **Government-Wide Financial Analysis**

Net position at a specific point in time serves as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$1,121,006 at June 30, 2023.

The District's net position reflects its investment in capital assets (e.g., land, sewer system, buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide sewer service to its users; consequently, these assets are not available for future spending.

The remaining net assets consist of funds restricted for debt requirements and system development, and a remaining balance of \$565,236 that can be used to meet the District's ongoing obligations to its users.

The District's largest liability is for the repayment of revenue bonds. Current liabilities of the District consist largely of accounts payable, payroll, accrued interest expense and current portion of long-term debt.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

A comparison to the prior year of a summarized Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position is provided below:

### Summarized Statement of Net Position

|   | June 30, 2023       | June 30, 2022       | Change              |
|---|---------------------|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |                     |
| Current assets  | \$ 1,680,902        | \$ 1,673,590        | \$ 7,312            |
| Other noncurrent assets                                 | 177,906             | 187,283             | (9,377)             |
| Capital assets, net of depreciation                     | 2,670,890           | 2,898,242           | (227,352)           |
| <b>TOTAL ASSETS</b>                                     | <b>4,529,698</b>    | <b>4,759,115</b>    | <b>(229,417)</b>    |
| <b>Liabilities</b>                                      |                     |                     |                     |
| Current liabilities                                     | 298,893             | 289,862             | 9,031               |
| Noncurrent liabilities                                  | 2,922,498           | 3,073,629           | (151,131)           |
| <b>TOTAL LIABILITIES</b>                                | <b>3,221,391</b>    | <b>3,363,491</b>    | <b>(142,100)</b>    |
| <b>Deferred inflows of resources</b>                    |                     |                     |                     |
| Deferred lease resources                                | 177,906             | 187,283             | (9,377)             |
| Revenues received but not earned                        | 9,395               | 16,779              | (7,384)             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>              | <b>187,301</b>      | <b>204,062</b>      | <b>(16,761)</b>     |
| <b>Net Position</b>                                     |                     |                     |                     |
| Invested in capital assets,<br>net of related debt      | (402,739)           | (320,381)           | (82,358)            |
| Restricted  | 958,509             | 982,746             | (24,237)            |
| Unrestricted  | 565,236             | 529,197             | 36,039              |
| <b>TOTAL NET POSITION</b>                               | <b>1,121,006</b>    | <b>1,191,562</b>    | <b>(70,556)</b>     |
| Total liabilities, deferred inflows and net<br>position | <b>\$ 4,529,698</b> | <b>\$ 4,759,115</b> | <b>\$ (229,417)</b> |

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023

### Summarized Statement of Revenues, Expenditures and Changes in Net Position

|                                  | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>Change</u> |
|----------------------------------|----------------------|----------------------|---------------|
| Revenues Received                |                      |                      |               |
| User fees                        | \$ 731,364           | \$ 669,400           | \$ 61,964     |
| Other fees and charges           | 16,433               | 23,956               | (7,523)       |
| System development charges       | 92,344               | 212,257              | (119,913)     |
| Lease revenue                    | 11,777               | 9,010                | 2,767         |
| Interest on investments          | 44,378               | 16,220               | 28,158        |
| Total Revenues                   | 896,296              | 930,843              | (34,547)      |
| Total Expenses Paid              | 966,852              | 898,185              | 68,667        |
| Changes in Net Position          | (70,556)             | 32,658               | (103,214)     |
| Net position - Beginning of year | 1,191,562            | 1,158,904            | 32,658        |
| Net position - End of year       | \$ 1,121,006         | \$ 1,191,562         | \$ (70,556)   |

### Other Supplementary Information

The District has included Other Supplementary Information beginning on page 27, which includes budgetary comparisons for each fund and schedules required under Standards for the Audits of Oregon Municipal Corporations.

### Budgetary Highlights

The District's Governing Board adopted the fiscal year 2023 budget according to accepted standards and presented it to the Deschutes County Assessor's Office within the proper timeline with the following exception: the fiscal year 2023 budget committee meeting notice was not published. The District did send publication to the Bulletin, however, the Bulletin never published it. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Such transfers require approval by the governing body.

Actual revenues were over budget by approximately \$112,099 and expenditures were under budget in all categories.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023

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### **Capital Assets and Long-Term Debt**

#### *Capital Assets*

The District's investment in capital assets includes land and improvements, buildings and improvements, the District's sewer system, vehicles and other equipment. As of June 30, 2023, the District's investment in capital assets was \$2,670,890, net of accumulated depreciation. The cost of new capital assets placed into service during the year totaled \$77,762, while current year depreciation expense was \$305,114. Additional information on capital assets is included in Note 5 on page 22 of this report.

#### *Long-Term Debt*

As of June 30, 2023, the District had \$3,073,629 in debt outstanding. This debt is related to the construction of the sewer facilities.

Additional information on debt is included in Note 7 beginning on page 23 of this report.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Reed Campbell, District Operations Manager, Oregon Water Wonderland Unit II Sanitary District, 55841 Swan Road, Bend, Oregon 97707.

## **BASIC FINANCIAL STATEMENTS**

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2023 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

|  | General<br>Fund     | Capital Reserve<br>Fund | Total               |                     |
|--|---------------------|-------------------------|---------------------|---------------------|
|  |                     |                         | 2023                | 2022                |
| <b>ASSETS</b>  |                     |                         |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                         |                     |                     |
| Cash and investments   | \$ 1,284,689        | \$ 267,676              | \$ 1,552,365        | \$ 1,553,660        |
| Accounts receivable, net of allowance                                    | 122,012             |                         | 122,012             | 113,405             |
| Prepaid expenses   | 6,525               |                         | 6,525               | 6,525               |
| <b>TOTAL CURRENT ASSETS</b>  | <b>1,413,226</b>    | <b>267,676</b>          | <b>1,680,902</b>    | <b>1,673,590</b>    |
| <b>NONCURRENT ASSETS</b>   |                     |                         |                     |                     |
| Lease receivable   | 177,906             |                         | 177,906             | 187,283             |
| Capital Assets   |                     |                         |                     |                     |
| Land, improvements and other   | 443,807             |                         | 443,807             | 443,807             |
| Buildings  | 1,079,165           |                         | 1,079,165           | 1,076,365           |
| Sewer system   | 6,183,579           |                         | 6,183,579           | 6,123,249           |
| Machinery and equipment  | 1,422,645           |                         | 1,422,645           | 1,408,013           |
| Less accumulated depreciation  | (6,458,306)         |                         | (6,458,306)         | (6,153,192)         |
| <b>TOTAL NONCURRENT ASSETS</b>   | <b>2,848,796</b>    |                         | <b>2,848,796</b>    | <b>3,085,525</b>    |
| <b>TOTAL ASSETS</b>  | <b>\$ 4,262,022</b> | <b>\$ 267,676</b>       | <b>\$ 4,529,698</b> | <b>\$ 4,759,115</b> |
| <b>LIABILITIES AND NET POSITION</b>                                      |                     |                         |                     |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                         |                     |                     |
| Accounts payable   | \$ 18,773           | \$                      | \$ 18,773           | \$ 10,422           |
| Accrued payroll expenses   | 9,601               |                         | 9,601               | 9,426               |
| Accrued interest   | 119,388             |                         | 119,388             | 125,020             |
| Current portion of long-term debt  | 151,131             |                         | 151,131             | 144,994             |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>298,893</b>      |                         | <b>298,893</b>      | <b>289,862</b>      |
| <b>LONG-TERM LIABILITIES</b>   |                     |                         |                     |                     |
| Long-term capital debt   | 2,922,498           |                         | 2,922,498           | 3,073,629           |
| <b>TOTAL LIABILITIES</b>   | <b>3,221,391</b>    |                         | <b>3,221,391</b>    | <b>3,363,491</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                     |                         |                     |                     |
| Deferred revenue   | 9,395               |                         | 9,395               | 16,779              |
| Deferred lease resources   | 177,906             |                         | 177,906             | 187,283             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                               | <b>187,301</b>      |                         | <b>187,301</b>      | <b>204,062</b>      |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>               | <b>3,408,692</b>    |                         | <b>3,408,692</b>    | <b>3,567,553</b>    |
| <b>NET POSITION</b>  |                     |                         |                     |                     |
| Net investment in capital assets   | (402,739)           |                         | (402,739)           | (320,381)           |
| Restricted   | 958,509             |                         | 958,509             | 982,746             |
| Unrestricted   | 297,560             | 267,676                 | 565,236             | 529,197             |
| <b>TOTAL NET POSITION</b>  | <b>853,330</b>      | <b>267,676</b>          | <b>1,121,006</b>    | <b>1,191,562</b>    |
| <b>TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS OF RESOURCES</b> | <b>\$ 4,262,022</b> | <b>\$ 267,676</b>       | <b>\$ 4,529,698</b> | <b>\$ 4,759,115</b> |

See notes to the basic financial statements

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

|   | General<br>Fund   | Capital Reserve<br>Fund | Total               |                     |
|---|-------------------|-------------------------|---------------------|---------------------|
|   |                   |                         | 2023                | 2022                |
| <b>OPERATING REVENUE</b>                |                   |                         |                     |                     |
| User fees                               | \$ 731,364        | \$                      | \$ 731,364          | \$ 669,400          |
| Other fees and charges                  | 16,433            |                         | 16,433              | 23,956              |
| System development charges              | 92,344            |                         | 92,344              | 212,257             |
| Total Operating Revenue                 | <u>840,141</u>    |                         | <u>840,141</u>      | <u>905,613</u>      |
| <b>OPERATING EXPENSES</b>               |                   |                         |                     |                     |
| Personnel services                      | 328,243           |                         | 328,243             | 290,864             |
| Materials and services                  | 200,625           |                         | 200,625             | 167,582             |
| Capital outlay                          | 2,287             |                         | 2,287               | 685                 |
| Depreciation                            | 305,114           |                         | 305,114             | 302,353             |
| Total Operating Expenses                | <u>836,269</u>    |                         | <u>836,269</u>      | <u>761,484</u>      |
| <b>OPERATING INCOME</b>                 | <u>3,872</u>      |                         | <u>3,872</u>        | <u>144,129</u>      |
| <b>NON-OPERATING REVENUE (EXPENSE)</b>  |                   |                         |                     |                     |
| Interest income                         | 43,784            | 594                     | 44,378              | 16,220              |
| Interest expense                        | (130,583)         |                         | (130,583)           | (136,701)           |
| Lease revenue                           | 11,777            |                         | 11,777              | 9,010               |
| Total Non-Operating Income (Expense)    | <u>(75,022)</u>   | <u>594</u>              | <u>(74,428)</u>     | <u>(111,471)</u>    |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>   | <u>(71,150)</u>   | <u>594</u>              | <u>(70,556)</u>     | <u>32,658</u>       |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                   |                         |                     |                     |
| Transfers in                            |                   | 30,000                  | 30,000              | 30,000              |
| Transfers out                           | (30,000)          |                         | (30,000)            | (30,000)            |
| Total Transfers                         | <u>(30,000)</u>   | <u>30,000</u>           |                     |                     |
| <b>CHANGE IN NET POSITION</b>           | <u>(101,150)</u>  | <u>30,594</u>           | <u>(70,556)</u>     | <u>32,658</u>       |
| <b>NET POSITION - BEGINNING OF YEAR</b> | <u>954,480</u>    | <u>237,082</u>          | <u>1,191,562</u>    | <u>1,158,904</u>    |
| <b>NET POSITION - END OF YEAR</b>       | <u>\$ 853,330</u> | <u>\$ 267,676</u>       | <u>\$ 1,121,006</u> | <u>\$ 1,191,562</u> |

See notes to the basic financial statements



# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2023 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

|  | General<br>Fund     | Capital Reserve<br>Fund | Total               |                     |
|--|---------------------|-------------------------|---------------------|---------------------|
|  |                     |                         | 2023                | 2022                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                     |                         |                     |                     |
| Cash received from customers   | \$ 824,150          | \$                      | \$ 824,150          | \$ 919,694          |
| Cash paid for goods and services   | (194,559)           |                         | (194,559)           | (160,772)           |
| Cash paid to employees   | (328,070)           |                         | (328,070)           | (291,705)           |
| Net cash provided by operating activities                                      | <u>301,521</u>      |                         | <u>301,521</u>      | <u>467,217</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                     |                         |                     |                     |
| Acquisition of capital assets  | (77,762)            |                         | (77,762)            | (60,310)            |
| Principal reduction of capital debt  | (144,994)           |                         | (144,994)           | (139,108)           |
| Interest paid on capital debt  | (136,215)           |                         | (136,215)           | (142,103)           |
| Net cash used in capital and related financing activities                      | <u>(358,971)</u>    |                         | <u>(358,971)</u>    | <u>(341,521)</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                        |                     |                         |                     |                     |
| Lease income   | 11,777              |                         | 11,777              | 9,010               |
| Transfers  | (30,000)            | 30,000                  |                     |                     |
| Net cash provided by (used in) non-capital and related financing activities    | <u>(18,223)</u>     | <u>30,000</u>           | <u>11,777</u>       | <u>9,010</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                     |                         |                     |                     |
| Interest income received   | 43,784              | 594                     | 44,378              | 16,220              |
| NET INCREASE (DECREASE) IN CASH  | (31,889)            | 30,594                  | (1,295)             | 150,926             |
| CASH AND INVESTMENTS - Beginning of year                                       | <u>1,316,578</u>    | <u>237,082</u>          | <u>1,553,660</u>    | <u>1,402,734</u>    |
| CASH AND INVESTMENTS - End of year   | <u>\$ 1,284,689</u> | <u>\$ 267,676</u>       | <u>\$ 1,552,365</u> | <u>\$ 1,553,660</u> |
| <b>Reconciliation of operating income to net cash flows from operations:</b>   |                     |                         |                     |                     |
| Operating income   | \$ 3,872            | \$                      | \$ 3,872            | \$ 144,129          |
| <b>Adjustments to reconcile operating loss to cash provided by operations:</b> |                     |                         |                     |                     |
| Depreciation   | 305,114             |                         | 305,114             | 302,353             |
| <b>Changes in assets and liabilities:</b>                                      |                     |                         |                     |                     |
| Accounts receivable  | (8,607)             |                         | (8,607)             | 13,349              |
| Accounts payable   | 8,353               |                         | 8,353               | 7,495               |
| Accrued payroll expenses   | 173                 |                         | 173                 | (841)               |
| Deferred inflows of resources  | (7,384)             |                         | (7,384)             | 732                 |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES                                    | <u>\$ 301,521</u>   | <u>\$ -</u>             | <u>\$ 301,521</u>   | <u>\$ 467,217</u>   |

See notes to the basic financial statements

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***The District***

Oregon Water Wonderland Unit II Sanitary District (the District) was formed October 1, 1975. The District is located in Deschutes County, Oregon, and serves an area of approximately 700 acres with an estimated 1,014 residential lots. As of June 30, 2023, 870 of the lots were connected to the system. The primary focus of the District is to provide sanitary services to patrons within the District boundary.

The District operates as a special water sanitary district and provides sanitary services to residential customers. The District is operated as an enterprise in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental agencies. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost, including depreciation, of providing services to the public is financed primarily through user charges.

#### ***Financial Reporting Entity***

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of Government Accounting Standards Board's (GASB's) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, there were no other entities found to be includable in the District's reporting entity. The District was not includable in any other reporting entity.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ***Basis of Accounting***

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. Grants and similar revenues are recognized if all eligibility requirements imposed by the provider have been met.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (e.g. total assets net of total liabilities and deferred inflow of resources) are segregated into investment in capital assets, assigned and unassigned components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

#### ***Fund Types and Major Funds***

All activities of the District are accounted for within two proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenue of the District is from assessments on water rights. Operating expenses for the proprietary fund include the cost of field maintenance, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *General Fund* is used to finance the general operations of the District and subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are user fees and System Development Charge (SDC) fees.

The *Capital Reserve Fund* is used to accumulate funds for future equipment and improvement purchases.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ***Cash and Cash Equivalents***

For financial reporting and purposes of the *statement of cash flows*, cash includes demand deposits and highly liquid investments with a maturity of three months or less at the time of purchase.

The District maintains separate bank accounts for its funds. Oregon Revised Statutes authorize the District to invest in obligations of the United States Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements and the State of Oregon Local Government Investment Pool. Such investments are stated at cost which approximates fair value. Interest income is allocated to the funds based on actual cash balances.

#### ***Capital Assets***

Capital assets include property, buildings and improvements and equipment. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

Buildings, equipment and sanitary systems are depreciated using the straight-line method over the estimated useful life of the asset. Estimated useful lives are fifteen to fifty years for buildings and the District's system and five to seven years for equipment.

#### ***Compensated Absences***

The District's full-time employees are allowed to accumulate earned but unused personal leave. A liability for the unused leave is reported on the Statement of Net Position. Accrued personal leave payable is recorded at actual accrued hours times current pay rates plus related fringe benefits, as an expense when earned.

#### ***Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### *Deferred Inflows of Resources – Continued*

Revenues received but not earned is the District's sole amount that qualifies for this treatment and is reported in the Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available.

#### *Accounts Receivable*

Assessed and uncollected receivables for water service can be attached as an enforceable lien on customer property. No allowance for doubtful accounts is considered necessary for the assessment accounts receivable. The District uses the direct write-off method for recognition of bad debts associated with assessments. Delinquent accounts are submitted to the County Assessor each year and are collected by the Deschutes County Tax Collector.

An allowance for doubtful accounts has been recorded for uncollected connection fees. In this case, a lien on the related property is held with the District, but no payments have been made. The District will recognize this revenue in the case that the property is sold. See Note 3 for additional information.

#### *Lease Receivables*

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the District, reduced by principal payments received.

#### *Budgetary Controls*

The District budgets all funds in accordance with the Oregon Revised Statutes which set forth local budget law procedures. A budget is prepared for each fund on the accrual basis of accounting, modified for principal payments on debt, capitalized expenditures and the recording of depreciation expense, a basis which is not consistent with generally accepted accounting principles. The District's Board of Directors authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. For each fund, personnel services, materials and services, operations and maintenance, capital outlay, debt service and transfers, are the levels of control over appropriations. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ***Budgetary Controls – Continued***

With the approval of the Board of Directors, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Board of Directors.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Comparative Information***

The basic financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a complete financial statement presentation. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

#### ***New Accounting Pronouncements***

The District adopted the provisions of GASB Statement No. 92, *Omnibus 2020*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing, and insurance related activities of public entity risk pools, fair value of investments and derivative instruments. This pronouncement did not impact the preparation of these financial statements.

The District adopted the provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This pronouncement did not impact the preparation of these financial statements.

GASB Statement No. 96, *Subscription-based information technology arrangements*, became effective for fiscal year 2022-2023. In implementing this new accounting pronouncement, the District determined there were no arrangements meeting the scope of this pronouncement.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 2 – CASH AND INVESTMENTS

The District's investment of cash funds is regulated by the Oregon Revised Statutes. Under these guidelines, cash funds may be invested in bank accounts of deposit, general obligation issues of the United States and its agencies, and certain states and certain guaranteed investments issued by banks and the State of Oregon Local Government Investment Pool. During the year, the District did not purchase any repurchase agreements or reverse repurchase agreements.

Cash and investments at June 30, 2023, consisted of the following:

**Balance Sheet Classification:**

|  |                  |
|--|------------------|
| Unrestricted cash                                  | \$ 33,520        |
| Unrestricted equity in pooled investments          | <u>560,336</u>   |
| Unrestricted cash and equity in pooled investments | <u>593,856</u>   |
| Restricted equity in pooled investments            | <u>958,509</u>   |
| Total cash and equity in pooled investment:        | <u>1,552,365</u> |

**Deposits:**

|  |               |
|--|---------------|
| Bank demand deposits                   | 33,370        |
| Cash on hand                           | <u>150</u>    |
| Total demand deposits and cash on hand | <u>33,520</u> |

**Investments:**

|   |                     |
|---|---------------------|
| Oregon short-term fund (Local Government Investment Pool) | 1,251,169           |
| Money market investment                                   | <u>267,676</u>      |
| Total investments   | <u>1,518,845</u>    |
| Total investments and deposit:                            | <u>\$ 1,552,365</u> |

*Custodial credit risk:* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 2 – CASH AND INVESTMENTS – CONTINUED

The aggregate Oregon public fund collateral pledged at June 30, 2023, was \$2,129,179,925 for reported public funds of \$3,402,861,770. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

*Deposits with Financial Institutions:* The District's deposits with financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The District's policy, in compliance with state statutes, requires that deposits be covered by the Federal Deposit Insurance Corporation (FDIC) and deposited in a qualified depository for public funds. Certain financial institutions have pledged they will cover deposits of public funds in any one of the group's banks, the banks that have joined this group have been identified by the State Treasurer. The District only deposits funds in banks that have been approved by the Office of the State Treasurer. At June 30, 2023, the carrying amount of the District's deposits in the financial institution was \$301,196 and the balance per the bank statements was \$304,522. These amounts are above FDIC insurance limits and not deemed to be in compliance with District policy at year-end.

*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 invests in a highly liquid sweep account with daily maturities. Fair value of these investments is not expected to vary greatly as interest rates change. The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond the limits provided in state statutes.

*Investments:* The District participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), a non-SEC regulated, open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council under the governance of the Oregon Start-Term Fund Board. The LGIP is audited annually by the Oregon Secretary of State, Audits Division. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the District's share of fair value is reflected below:

| <u>Investment</u>                | <u>Fair Value</u> |
|----------------------------------|-------------------|
| Local Government Investment Pool | \$ 1,251,169      |

*Credit risk:* State law limits investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities. The District has no investment policy that would further limit its investment choices. At June 30, 2023, the District was in compliance with the above state limitations. The State of Oregon Local Government Investment Pool is unrated.



# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 2 – CASH AND INVESTMENTS – CONTINUED

*Custodial credit risk – Investments:* Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the State of Oregon's name.

*Foreign currency risk:* Oregon Revised Statutes prohibit investments that are not U.S. dollar-denominated; therefore, the District is not exposed to this risk.

*Fair Value Measurements:* GASB Statement No. 72, Fair Value Measurement and Application, specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and; Level 3 inputs are significant unobservable inputs. The District has no investments that are measured using Level 1 or 3 inputs. The investment in the Local Government Investment Pool is classified as a Level 2 investment.

*Restricted cash and equity pooled investments:* Cash and equity pooled investments that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded as current assets on our balance sheet.

The District's restricted cash balances consist of minimum balance requirements related to debt agreements and funds restricted for system development. The June 30, 2023, balance included cash collateral required to be held against loans from the United States Department of Agriculture (USDA).

Restricted cash balances as of June 30, 2023, were as follows:

|                       |    |                |
|-----------------------|----|----------------|
| Restricted for:       |    |                |
| USDA Note #8          | \$ | 39,930         |
| USDA Note #9          |    | 12,280         |
| USDA Note #11         |    | 115,850        |
| USDA Note #13         |    | 120,440        |
| SDC Reimbursement Fee |    | 442,766        |
| SDC Improvement Fee   |    | <u>227,243</u> |
| Total Restricted Cash | \$ | <u>958,509</u> |

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

### NOTE 3 – ACCOUNTS RECEIVABLE

The District records user fees, connection fees and liens due from the county as accounts receivable. An allowance for doubtful accounts is recorded for the uncollected connection fees. A detail of the District's accounts receivable as of June 30, 2023, is as follows:

|  |    |         |
|--|----|---------|
| User fees  | \$ | 93,209  |
| Liens - Due from County                                    |    | 18      |
| Connection fees, net of allowance<br>for doubtful accounts |    | 28,785  |
| Accounts receivable, net of allowance                      | \$ | 122,012 |

Of the \$93,209 in user fees accounts receivable, \$16,154 was over sixty days old as of June 30, 2023.

### NOTE 4 – LEASE RECEIVABLE

|   | Balance at<br>July 1, 2022 | Addition | Decrease | Balance at<br>June 30, 2023 |
|---|----------------------------|----------|----------|-----------------------------|
| Cell Tower Lease; interest at 4.0%, principal and interest of \$1,392 monthly and increasing 10% every 5 years, due June 2035 | \$ 187,283                 | \$       | \$ 9,377 | \$ 177,906                  |
|   | \$ 187,283                 | \$       | \$ 9,377 | \$ 177,906                  |

Future maturities are as follows:

| Year Ended June 30, | Principal  | Interest  | Total      |
|---------------------|------------|-----------|------------|
| 2024                | \$ 9,759   | \$ 6,939  | \$ 16,698  |
| 2025                | 10,157     | 6,541     | 16,698     |
| 2026                | 12,272     | 6,096     | 18,368     |
| 2027                | 12,772     | 5,596     | 18,368     |
| 2028                | 13,292     | 5,076     | 18,368     |
| 2029-2033           | 80,882     | 16,468    | 97,350     |
| 2034-2035           | 38,772     | 1,636     | 40,408     |
|                     | \$ 177,906 | \$ 48,352 | \$ 226,258 |

Deferred inflows of resources mirror the principal payment maturities as described above. Deferred inflow of resources related to leases receivable are amortized and recognized to revenue on a straight-line basis.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 5 – CAPITAL ASSETS

The District uses estimated useful lives for its capital assets between five and forty years. Changes in the District’s capital assets during the year were as follows:

|                                      | <u>Balance<br/>July 1, 2022</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Balance<br/>June 30, 2023</u> |
|--------------------------------------|---------------------------------|---------------------|------------------|----------------------------------|
| Capital assets not being depreciated |                                 |                     |                  |                                  |
| Land                                 | \$ 443,807                      | \$                  | \$               | \$ 443,807                       |
| Capital assets being depreciated     |                                 |                     |                  |                                  |
| Buildings                            | 1,076,365                       | 2,800               |                  | 1,079,165                        |
| Sewer system                         | 6,123,249                       | 60,330              |                  | 6,183,579                        |
| Machinery and equipment              | <u>1,408,013</u>                | <u>14,632</u>       |                  | <u>1,422,645</u>                 |
| Total capital assets                 | <u>9,051,434</u>                | <u>77,762</u>       |                  | <u>9,129,196</u>                 |
| Accumulated depreciation             |                                 |                     |                  |                                  |
| Buildings                            | (426,710)                       | (26,024)            |                  | (452,734)                        |
| Sewer system                         | (4,502,905)                     | (234,699)           |                  | (4,737,604)                      |
| Equipment                            | <u>(1,223,577)</u>              | <u>(44,391)</u>     |                  | <u>(1,267,968)</u>               |
| Total accumulated depreciation       | <u>(6,153,192)</u>              | <u>(305,114)</u>    |                  | <u>(6,458,306)</u>               |
| Capital assets, net                  | <u>\$ 2,898,242</u>             | <u>\$ (227,352)</u> | <u>\$ -</u>      | <u>\$ 2,670,890</u>              |

### NOTE 6 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft or damages to and destruction of assets; errors and omissions; injury to employees; and natural disasters for which the District participates in the Special District Insurance Services (SDIS) formed in 1985 by the Special Districts Association of Oregon (SDAO). SDIS is a public entity risk pool currently operating as a common risk management and insurance program for approximately 900 special districts in the state of Oregon. SDIS is self-sustaining through member contributions and reinsures through commercial companies for excess of certain claims amounts. The District’s coverage includes \$5,000,000 of general liability insurance, among others, which are reviewed periodically and there has not been a significant reduction in coverage from the prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, and there is no liability for claims that have been accrued as of June 30, 2023.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 7 – LONG-TERM DEBT

On July 30, 2007, the District issued four revenue bonds for the financing of the sewer project constructed in a prior year. The total obligation was a USDA Rural Development loan of \$4,728,300. The four loans have thirty-year repayment terms at 4.125% and 4.25% interest with annual payments of principal and interest totaling \$281,210. The loan agreement requires a reserve to be established of \$28,850 per year for the first ten years until the reserve equals \$288,500. The reserve balance as of June 30, 2023, was \$288,500. The unobligated net revenues of the sewer utility system of the District are pledged.

Changes in the long-term debt is summarized as follows:

|                   | Balance at<br>July 1, 2022 | New Issues  | Principal Matured<br>and Paid | Interest Matured<br>and Paid | Balance at<br>June 30, 2023 | Due Within<br>One Year |
|-------------------|----------------------------|-------------|-------------------------------|------------------------------|-----------------------------|------------------------|
| USDA Rural Notes: |                            |             |                               |                              |                             |                        |
| Note #8           | \$ 460,507                 | \$ -        | \$ 20,934                     | \$ 18,996                    | \$ 439,573                  | \$ 21,798              |
| Note #9           | 136,262                    |             | 6,129                         | 5,791                        | 130,133                     | 6,389                  |
| Note #11          | 1,285,479                  |             | 57,821                        | 54,633                       | 1,227,658                   | 60,279                 |
| Note #13          | 1,336,375                  |             | 60,110                        | 56,796                       | 1,276,265                   | 62,665                 |
|                   | <u>\$ 3,218,623</u>        | <u>\$ -</u> | <u>\$ 144,994</u>             | <u>\$ 136,216</u>            | <u>\$ 3,073,629</u>         | <u>\$ 151,131</u>      |

Future maturities for each of the USDA Rural Development loans are as follows:

| USDA Rural Development Loan #8 |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|
| Year Ended June 30,            | Principal         | Interest          | Total             |
| 2024                           | \$ 21,798         | \$ 18,132         | \$ 39,930         |
| 2025                           | 22,697            | 17,233            | 39,930            |
| 2026                           | 23,633            | 16,297            | 39,930            |
| 2027                           | 24,608            | 15,322            | 39,930            |
| 2028                           | 25,623            | 14,307            | 39,930            |
| 2029-2033                      | 144,868           | 54,782            | 199,650           |
| 2034-2038                      | 176,346           | 23,303            | 199,649           |
|                                | <u>\$ 439,573</u> | <u>\$ 159,376</u> | <u>\$ 598,949</u> |

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – LONG-TERM DEBT – CONTINUED**

**USDA Rural Development Loan #9**

| <u>Year Ended June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|----------------------------|-------------------|------------------|-------------------|
| 2024                       | \$ 6,389          | \$ 5,531         | \$ 11,920         |
| 2025                       | 6,661             | 5,259            | 11,920            |
| 2026                       | 6,944             | 4,976            | 11,920            |
| 2027                       | 7,239             | 4,681            | 11,920            |
| 2028                       | 7,547             | 4,373            | 11,920            |
| 2029-2033                  | 42,827            | 16,773           | 59,600            |
| 2034-2038                  | 52,526            | 6,865            | 59,391            |
|                            | <u>\$ 130,133</u> | <u>\$ 48,458</u> | <u>\$ 178,591</u> |

**USDA Rural Development Loan #11**

| <u>Year Ended June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2024                       | \$ 60,279           | \$ 52,175         | \$ 112,454          |
| 2025                       | 62,840              | 49,614            | 112,454             |
| 2026                       | 65,511              | 46,943            | 112,454             |
| 2027                       | 68,295              | 44,159            | 112,454             |
| 2028                       | 71,198              | 41,256            | 112,454             |
| 2029-2033                  | 404,033             | 158,237           | 562,270             |
| 2034-2038                  | 495,502             | 64,766            | 560,268             |
|                            | <u>\$ 1,227,658</u> | <u>\$ 457,150</u> | <u>\$ 1,684,808</u> |

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – LONG-TERM DEBT – CONTINUED**

| <b>USDA Rural Development Loan #13</b> |                     |                   |                     |
|--|---------------------|-------------------|---------------------|
| <b>Year Ended June 30,</b>             | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
| 2024                                   | \$ 62,665           | \$ 54,241         | \$ 116,906          |
| 2025                                   | 65,328              | 51,578            | 116,906             |
| 2026                                   | 68,104              | 48,802            | 116,906             |
| 2027                                   | 70,999              | 45,907            | 116,906             |
| 2028                                   | 74,016              | 42,890            | 116,906             |
| 2029-2033                              | 420,027             | 181,627           | 601,654             |
| 2034-2038                              | 515,126             | 67,330            | 582,456             |
|  | <b>\$ 1,276,265</b> | <b>\$ 492,375</b> | <b>\$ 1,768,640</b> |

**NOTE 8 – RETIREMENT PLAN**

The District has established a standard 457(b) Plan for its employees, all of whom are eligible to participate in the Plan. Employees may contribute the maximum allowed under IRS limitations, including an age-based catch-up contribution each year. Employees must begin receiving benefits when they reach age 70.5. The District will match up to \$9,000 of an employee’s contributions each year. During the year ended June 30, 2023, the District’s contribution to the plan was \$9,050.

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS**

*Plan Description.* The District does not have a formal post-employment benefits plan for any employee groups. However, the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the District does not pay any portion of the retirees’ healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the District due to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

*Funding Policy.* Although the District does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The District will then pay healthcare insurance premiums for all retirees at the blended rate for the appropriate classification.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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### NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

For the year ended June 30, 2023, the District made no contributions to the Plan and there were no retiree payments. There are currently two active employees who receive health care benefits. The average single member monthly contribution per employee for group health coverage for the year ended June 30, 2023, was \$903. The District has not conducted an actuarial study to determine its liability under this plan, as it is deemed immaterial to the financial statements as a whole as of June 30, 2023.

### NOTE 10 – INTERFUND TRANSFERS

The District made the following transfer associated with funding for future equipment and improvement purchases.

|                      | <u>Transfer Out</u>         | <u>Transfer In</u> |
|----------------------|-----------------------------|--------------------|
| General Fund         | \$ 30,000                   | \$                 |
| Capital Reserve Fund | <u>                    </u> | <u>30,000</u>      |
|                      | <u>\$ 30,000</u>            | <u>\$ 30,000</u>   |

### NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 15, 2023, the date the financial statements were available to be issued. On October 5, 2023, the District issued Sewer System Revenue Refunding Bonds in the amount of \$2,835,000 to refund outstanding loans of the Sewer System. These bonds were issued at a premium of \$204,138 and mature in 2038.

**OTHER SUPPLEMENTARY INFORMATION**



# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

### BUDGET AND ACTUAL

#### GENERAL FUND

YEAR ENDED JUNE 30, 2023

|  | Original<br>Budgeted<br>Amounts | Final Budgeted<br>Amounts | Actual<br>Amounts   | Variance<br>Over (Under)<br>Budget |
|--|---------------------------------|---------------------------|---------------------|------------------------------------|
| <b>Revenues</b>  |                                 |                           |                     |                                    |
| User fees  | \$ 672,000                      | \$ 672,000                | \$ 731,364          | \$ 59,364                          |
| Other fees and charges   | 20,000                          | 20,000                    | 16,433              | (3,567)                            |
| System development charges   | 59,905                          | 59,905                    | 92,344              | 32,439                             |
| Lease revenue  | 16,698                          | 16,698                    | 19,098              | 2,400                              |
| Interest on investments  | 15,000                          | 15,000                    | 36,463              | 21,463                             |
| Total revenues   | <u>783,603</u>                  | <u>783,603</u>            | <u>895,702</u>      | <u>112,099</u>                     |
| <b>Expenditures</b>  |                                 |                           |                     |                                    |
| Personnel services   | 338,420                         | 368,420                   | 328,243             | (40,177)                           |
| Materials and services   | 241,000                         | 241,000                   | 200,625             | (40,375)                           |
| Capital outlay   | 140,000                         | 110,000                   | 80,049              | (29,951)                           |
| Debt services  | 281,210                         | 281,210                   | 281,210             |                                    |
| Operating contingency  | 10,000                          | 10,000                    |                     | (10,000)                           |
| Total expenditures   | <u>1,010,630</u>                | <u>1,010,630</u>          | <u>890,127</u>      | <u>(120,503)</u>                   |
| Excess of revenues over (under) expenditures   | <u>(227,027)</u>                | <u>(227,027)</u>          | <u>5,575</u>        | <u>232,602</u>                     |
| <b>Other financing uses</b>  |                                 |                           |                     |                                    |
| Interfund transfer out   | <u>(30,000)</u>                 | <u>(30,000)</u>           | <u>(30,000)</u>     |                                    |
| Total other financing uses   | <u>(30,000)</u>                 | <u>(30,000)</u>           | <u>(30,000)</u>     |                                    |
| Net change in fund balance   | (257,027)                       | (257,027)                 | (24,425)            | 232,602                            |
| Fund balance - Beginning of year   | <u>1,445,064</u>                | <u>1,445,064</u>          | <u>1,405,407</u>    | <u>(39,657)</u>                    |
| Fund balance - End of year   | <u>\$ 1,188,037</u>             | <u>\$ 1,188,037</u>       | <u>\$ 1,380,982</u> | <u>\$ 192,945</u>                  |
| Net change in fund balance - budgetary basis above   |                                 |                           | \$ (24,425)         |                                    |
| Amounts reported for budgetary basis in the statement of Revenues, Expenditures and Changes in Net Position are different because:   |                                 |                           |                     |                                    |
| Budgetary basis records capital outlay as expenditures. However, in the Statement of Revenues, Expenditures and Changes in Net Position, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. |                                 |                           |                     |                                    |
| - Capital asset additions  |                                 |                           | 77,762              |                                    |
| - Depreciation expense   |                                 |                           | (305,114)           |                                    |
| Repayment of long-term debt principal is an expenditure on the budgetary basis. However, the repayment reduces long-term debt in the Statement of Revenues, Expenditures and Changes in Net Position.  |                                 |                           |                     |                                    |
|  |                                 |                           | 144,994             |                                    |
| Accrued interest reported in the Statement of Revenues, Expenses and Changes in Net Position does not require the use of current financial resources and, therefore, is not reported as an expense for budgetary purposes.                               |                                 |                           |                     |                                    |
|  |                                 |                           | 5,633               |                                    |
| Statement of Revenues, Expenditures and Changes in Net Position, page 11.  |                                 |                           | <u>\$ (101,150)</u> |                                    |

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL CAPITAL RESERVE FUND YEAR ENDED JUNE 30, 2023

|   | Original<br>Budgeted<br>Amounts | Final Budgeted<br>Amounts | Actual<br>Amounts | Variance<br>Over (Under)<br>Budget |
|---|---------------------------------|---------------------------|-------------------|------------------------------------|
| Revenues  |                                 |                           |                   |                                    |
| Interest on investments   | \$ 400                          | \$ 400                    | \$ 594            | \$ 194                             |
| Total revenues  | 400                             | 400                       | 594               | 194                                |
| Excess of revenues over expenditures                                      | 400                             | 400                       | 594               | 194                                |
| Other financing uses  |                                 |                           |                   |                                    |
| Interfund transfer in   | 30,000                          | 30,000                    | 30,000            |                                    |
| Total other financing uses  | 30,000                          | 30,000                    | 30,000            |                                    |
| Net change in fund balance  | 30,400                          | 30,400                    | 30,594            | 194                                |
| Fund balance - Beginning of year  | 236,414                         | 236,414                   | 237,082           | 668                                |
| Fund balance - End of year  | \$ 266,814                      | \$ 266,814                | \$ 267,676        | \$ 862                             |
| Net change in fund balance - budgetary basis above                        |                                 |                           | \$ 30,594         |                                    |
| Statement of Revenues, Expenditures and Changes in Net Position, page 11. |                                 |                           | \$ 30,594         |                                    |

**INDEPENDENT AUDITORS' REPORT**

**REQUIRED BY STATE REGULATIONS**

**INDEPENDENT AUDITORS' REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors  
Oregon Water Wonderland Unit II Sanitary District  
Bend, Oregon

We have audited the basic financial statements of Oregon Water Wonderland Unit II Sanitary District (the District), as of and for the year ended June 30, 2023, and have issued our report thereon dated December 15, 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 the District'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 162-10-000 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 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:

- **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**
- **Programs funded from outside sources**
- **Authorized investment of surplus funds (ORS Chapter 294)**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

**INDEPENDENT AUDITORS' REPORT  
REQUIRED BY OREGON STATE REGULATIONS – CONTINUED**

We reviewed the District's procedures for preparation, adoption and execution of its budget for the year ended June 30, 2023, and found them to be in compliance with statutory requirements, with the following exception:

- A budget committee meeting notice was not properly published.

In connection with our testing nothing came to our attention, other than the above exception, that caused us to believe that the 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.

***OAR 162-10-0230 Internal Control***

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Control deficiencies in internal control will be reported to management in a separate letter.

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

PRICE FRONK & CO.  
Certified Public Accountants & Consultants

By:  \_\_\_\_\_  
Heather A. McMeekin – a partner

December 15, 2023