

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH  
WATER DISTRICT  
OREGON**

**AUDIT REPORT**

**JUNE 30, 2021**

Prepared by  
**SIGNE GRIMSTAD**  
Certified Public Accountant  
530 NW 3rd, Suite E  
PO Box 1930  
Newport, Oregon 97365

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

**COMMISSIONERS**

President	Flurry Stone 5675 El Mar Ave. Lincoln City, OR 97367
Vice-President	John Grotvik PO Box 440 Gleneden Beach, OR 97388
Treasurer	Julie Shafer PO Box 252 Gleneden Beach, OR 97388
Secretary	Lucinda Woods PO Box 864 Gleneden Beach, OR 97388
Commissioner	Dave Mitchell 340 Shore Drive Lincoln City, OR 97367

**ADMINISTRATORS AND ATTORNEY**

Superintendent & Budget Officer	Mike Bauman
Recording Secretary	Hillary Corzilius
Office Manager	Patsy Ingram
Attorney & Registered Agent	Paul B. Osterlund PO Box 309 Toledo, OR 97391

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Kernville-Gleneden Beach-Lincoln Beach Water District  
Gleneden Beach, Oregon 97388

**Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of Kernville-Gleneden Beach-Lincoln Beach Water District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members:  
AICPA OSCP & OAIA

## Other Matters

### *Required Supplementary Information*

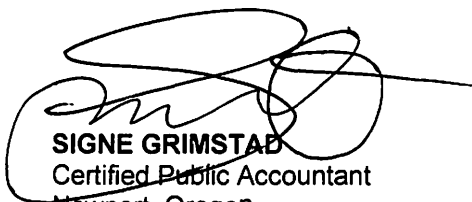
Accounting principles generally accepted in the United States of America require that the management's discussions and analysis, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information, budget and actual schedules and reconciliation to net position, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget and actual schedules and reconciliation to net position, are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated November 5, 2021 on my consideration of Kernville-Gleneden Beach-Lincoln Beach Water District's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.



**SIGNE GRIMSTAD**  
Certified Public Accountant  
Newport, Oregon  
November 5, 2021

## **Kernville-Gleneden Beach-Lincoln Beach Water District Management Discussion and Analysis (MD&A)**

As management of the Kernville-Gleneden Beach-Lincoln Beach Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Kernville-Gleneden Beach-Lincoln Beach Water District for the fiscal year ended June 30, 2021.

### **Financial Highlights**

- The Total Net Position of the District was \$12,491,197 with Capital Assets (Utility Plant in Service) at \$9,052,264 net of accumulated depreciation. Current Assets are \$3,901,375.
- The assets of the Kernville-Gleneden Beach-Lincoln Beach Water District exceeded its liabilities at the close of the most recent fiscal year by \$12,491,197 (Net Position). Of this amount, \$1,999,665 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- Capital Assets less related debt are \$8,901,360. General Obligation debt totals \$150,904.
- The District's change in Net Position was \$960,045 from June 30, 2020 to June 30, 2021.
- Total Operating Revenues for the fiscal year 2020-2021 were \$1,559,015 which is a \$64,069 increase over the prior year.
- Total Operating Expenses for the fiscal year 2020-2021 were \$1,272,398. This figure increased by \$90,915.
- Total liabilities were \$462,442 with long-term liabilities at \$137,455 and current liabilities at \$324,987.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Kernville-Gleneden Beach-Lincoln Beach Water District's basic financial statements. The District is a self-supporting entity and follows fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District's basic financial statements are comprised of three components; 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses and Changes in Net Position, and 3) Statement of Cash Flows. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the District is improving or deteriorating over time. This statement includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for evaluating the capital structures of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Net Position present information showing profitability and credit worthiness as well as how the District's net position changed during the most recent fiscal year. This statement shows income and expense from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The Statement of Cash Flow is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, non-capital financing activities, capital and related financing activities and investing activities. This statement also includes reconciliation to the Statement of Revenues, Expenses and Changes in Net Position. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It answers such questions as where did the cash come from, what was the cash used for and what was the change in cash balance during the reporting period.

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

## Statement of Net Position

Assets	2021	2020	Variance
Current & Other Assets	\$ 3,901,375	\$ 3,598,040	\$ 303,335
Capital Assets, Net of Accum Dep	9,052,264	8,467,816	584,448
Total Assets	<u>12,953,639</u>	<u>12,065,856</u>	<u>887,783</u>
<b>Liabilities</b>			
Current & Other	324,987	319,654	5,333
Long Term	137,455	215,054	(77,599)
Total Liabilities	<u>462,442</u>	<u>534,708</u>	<u>(72,266)</u>
<b>Net Position</b>			
Invested in Capital Assets	8,901,360	8,241,103	660,257
Restricted	1,590,172	2,010,115	(419,943)
Unrestricted	1,999,665	1,279,930	719,735
Total Net Position	<u>\$ 12,491,197</u>	<u>\$ 11,531,148</u>	<u>\$ 960,049</u>

## Statement of Revenues, Expenses and Changes in Net Position

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

<b>Operating Revenues</b>			
User Charges	\$ 1,114,177	\$ 1,075,763	\$ 38,414
Hookups	11,900	13,600	(1,700)
Name Chgs/T-ons	5,475	10,030	(4,555)
Contract Revenue	407,297	391,565	15,732
Misc.	20,166	3,988	16,178
Total Operating Revenue	<u>1,559,015</u>	<u>1,494,946</u>	<u>64,069</u>
<b>Operating Expenses</b>			
Payroll & Benefits	727,162	688,908	38,254
Maint & Repairs	47,235	5,007	42,228
General & Administrative	138,251	142,735	(4,484)
Professional Services	27,990	40,776	(12,786)
Materials & Supplies	156,905	130,965	25,940
Depreciation	174,855	173,092	1,763
Total Operating Expense	<u>1,272,398</u>	<u>1,181,482</u>	<u>90,915</u>
Operating Income (Loss)	<u>286,617</u>	<u>313,464</u>	<u>(26,847)</u>
<b>Non Operating Revenue (Expenses)</b>			
Interest Income	23,738	60,373	(36,635)
Interest Expense	(8,722)	(12,849)	4,127
Disposed asset	-	(4,664)	4,664
Property Taxes	629,282	603,949	25,333
Total Non Operating Rev (Exp)	<u>644,298</u>	<u>646,809</u>	<u>(2,511)</u>
Income Before Contributions	930,915	960,273	(29,358)
<b>Capital Contributions</b>			
Changes in Net Position	<u>29,134</u>	<u>33,296</u>	<u>(4,162)</u>
NET POSITION Beginning of Year	<u>11,531,148</u>	<u>10,537,579</u>	<u>993,569</u>
NET POSITION End of Year	<u>\$ 12,491,197</u>	<u>\$ 11,531,148</u>	<u>\$ 960,049</u>



## **Financial Analysis**

As noted earlier, the Statement of Net Position may serve, over time, as a useful indicator of a District's financial position. In the K-GB-LB Water District case, assets exceeded liabilities by \$12,491,197 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, equipment, reservoirs, pipelines and treatment plant) less related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to rate payers, consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resource needed to repay this debt must be provided from services to customers (ratepayers) or other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,999,665 may be used to meet the District's ongoing obligations to ratepayers and creditors.

## **Net Operating Activities**

Operating revenue was up from the prior year by \$64,069 due to usage. No unanticipated expenses were incurred this year. Payroll costs were up by \$38,254 and planned maintenance was up \$42,228.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The K-GB-LB Water District's investment in capital assets as of June 30, 2021 amounts to approximately \$9 million. This investment in capital assets includes land, buildings, reservoirs, pipelines, treatment plant, office and field equipment.

Major capital asset events during the current fiscal year included the following:

Capital Assets –

North Reservoir Project

- Phase 1 - Excavation
- Phase 2 - Design and Engineering

Reservoir Improvements and Upgrades Seismic

Emergency Road Access to Treatment Plant

Power to the North Reservoir

Continued Meter Replacement Program Area 4 & 7

Side Creek Bridge

## **Long Term Debt**

At the end of the current fiscal year, the K-GB-LB Water District has a total bonded debt outstanding of \$150,904 which is secured by revenue bonds payable from property tax revenue.

## **Economic Factors and Next Year's Budgets and Finance**

Capital projects schedule for the upcoming year:

- Continued Meter Replacement Project Area 5
- Complete Side Creek Bridge Project
- North Reservoir Project
  - Phase 3 - Construction

Due to the Covid Pandemic there could be delays or extended timelines in getting materials.

## **Request for Information**

The financial report is designed to provide a general overview of the Kernville-Gleneden Beach-Lincoln Beach Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Superintendent, K-GB-LB Water District, P.O. Box 96, Gleneden Beach, Oregon 97388.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
as of June 30, 2021

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 1,840,138
Cash and cash equivalents - restricted	1,590,172
Receivables	290,488
Prepaid expenses	6,336
Inventory	<u>174,241</u>

Total current assets 3,901,375

**Noncurrent assets**

Capital assets	
Land	39,681
Construction in progress	1,951,541
Plant and equipment (net of depreciation)	<u>7,061,042</u>

Total noncurrent assets 9,052,264

Total assets 12,953,639

**LIABILITIES**

**Current liabilities**

Accounts payable	199,465
Unearned revenue	5,775
Compensated absences, current portion	31,553
Accrued interest payable - payable from restricted	8,093
Current portion of long-term debt - payable from restricted	<u>80,101</u>

Total current liabilities 324,987

**Long-term liabilities**

Compensated absences, net of current portion	66,652
Long-term debt, net of current portion	<u>70,803</u>

Total long-term liabilities 137,455

Total liabilities 462,442

**NET POSITION**

Net investment in capital assets	8,901,360
Restricted	
Capital projects	1,118,764
System development charges	280,862
Debt service and Reserve	190,546
Unrestricted	<u>1,999,665</u>

Total net position \$ 12,491,197

See accompanying notes to financial statements

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS for the Year Ended June 30, 2021

<b>OPERATING REVENUES</b>	
Water service	\$ 1,114,177
Hookups	11,900
Name change/turn ons	5,475
Contract revenue	407,297
Miscellaneous income	<u>20,166</u>
Total operating revenues	<u>1,559,015</u>
<b>OPERATING EXPENSES</b>	
Payroll and benefits	727,162
Maintenance and repairs	47,235
General and administrative	138,251
Professional services	27,990
Supplies	156,905
Depreciation	<u>174,855</u>
Total operating expenses	<u>1,272,398</u>
<b>OPERATING INCOME (LOSS)</b>	<u>286,617</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property taxes	629,282
Interest income	23,738
Interest expense	<u>(8,722)</u>
Total nonoperating revenues (expenses)	<u>644,298</u>
Income (loss) before contributions	930,915
<b>CONTRIBUTIONS</b>	<u>29,134</u>
Changes in net position	960,049
NET POSITION - Beginning of year	<u>11,531,148</u>
NET POSITION - End of year	<u><u>\$ 12,491,197</u></u>

See accompanying notes to financial statements

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash receipts from customers	\$ 1,114,117
Cash receipts from contract revenue	407,297
Cash payments for goods and services	(326,010)
Cash payments for employees	<u>(727,162)</u>
Net cash provided (used) by operating activities	<u>468,242</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Property taxes	<u>635,069</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(759,304)
Principal paid on debt	(75,808)
Interest paid on debt	(12,788)
Capital contributed by customers	<u>29,134</u>
Net cash provided (used) by capital and related financing activities	<u>(818,766)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>23,738</u>
-------------------------	---------------

Net increase (decrease) in cash and cash equivalents 308,283

**Cash and cash equivalents - Beginning of year** 3,122,027

(restricted \$1,466,205)

**Cash and cash equivalents - End of year** \$ 3,430,310

(restricted \$1,590,172)

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

Operating income (loss)	\$ 286,617
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	174,855
(Increase) decrease in operating assets	
Receivables	(27,361)
Inventory	26,522
Increase (decrease) in operating liabilities	
Accounts payable	2,937
Compensated absences	3,644
Unearned revenue	<u>1,028</u>
Net cash provided (used) by operating activities	<u><u>\$ 468,242</u></u>

See accompanying notes to financial statements

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Kernville-Gleneden Beach-Lincoln Beach Water District (District) prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The more significant of the District's accounting policies are described below.

**Reporting Entity**

The District is a municipal corporation and therefore is exempt from federal taxes. It operates under the laws of the State of Oregon for the purpose of providing water service to customers within the boundaries of the District. There are five commissioners elected for terms of four years. The elections are held on odd numbered years with terms expiring on a staggered basis.

There are various other governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

**Basis of Accounting and Presentation**

The District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resource measurement focus using the accrual basis of accounting utilizing accounting principles applicable to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

Governmental financial statements generally include both government-wide and fund financial statements. However, the District is a special-purpose government engaged only in business-type activities and such organizations present only the financial statements required for enterprise funds.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate accounting entity with a self balancing set of accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements of this report into one proprietary fund.

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The District's investment policies are governed by Oregon statutes. The statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Restricted Assets**

Assets whose use is restricted for capital projects, debt service, SDC improvements and replacements or by other agreements are segregated on the statement of net position. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Inventory**

Inventory is valued at cost, which approximates net realizable value, using the first-in/first-out (FIFO) method.

**Capital Assets**

All purchased capital assets are valued at cost where historical records are available and at estimated cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Capital assets are defined in the District's capitalization policy as having a historic cost in excess of \$2,500 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Water System	10 - 75 years
Equipment	5 - 20 years

**Compensated Absences**

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

**Net Position**

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt (revenue bonds and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposing legal mandates. Unrestricted consists of all other net assets not included in the above categories.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Operating Revenues, Non-Operating Revenues and Operating Expenses**

The District has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing water.

Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization.

Non-operating revenues are revenues of the District not directly attributable to the services provided. Non-operating revenues for the District include property taxes, investment interest, capital contributions, and gain (loss) on sale of capital assets.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Note 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget Law and Practice**

Pursuant to Oregon Local Budget Law, Oregon Revised Statutes Chapter 294.305 through 294.770, the District manages its operations through fund accounting. An operating budget is adopted prior to each fiscal year for all funds. The budget is adopted on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available to finance expenditures of the current period). Expenses are generally recognized when the related liability has been incurred. The exception is interest on general long-term debt, which is recognized when due.

The Board adopts the budget and by resolution makes appropriations by major functional categories for all funds for the next fiscal year. Appropriations lapse at the end of the fiscal year, June 30.

Major functional categories identify the legal level of budgetary control above which expenditures are not authorized. The major functional categories are personnel services, materials and services, capital outlay, debt service, interfund transfers, and operating contingency. The Board of Commissioners may select a lower level of appropriations than the budget committee in which case the legal level of appropriation is stated in the appropriation resolution. The expenditure budget for the year is adopted through the appropriation resolution and only the Board may adjust appropriations. During the current year, the District approved appropriation transfers.

*Deficit Fund Equity*

The Debt Service Fund reflects a deficit fund balance; however when it is combined with all funds of the District for an enterprise presentation, there is no deficit.



**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021

**Note 3 - DEPOSITS AND INVESTMENTS**

Cash, cash equivalents and investments as of June 30 are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>
Cash and cash equivalents	\$1,840,138
Cash and cash equivalents - restricted	<u>1,590,172</u>
Total	<u><u>\$3,430,310</u></u>

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

	<u>Balance</u>
Cash on hand	\$ 300
Deposits with financial institutions	127,143
Investment - external investment pool	<u>3,302,867</u>
Total	<u><u>\$3,430,310</u></u>

**Restricted Cash**

	<u>Balance</u>
Capital Projects Fund	\$ 1,118,764
Systems Development Funds	280,862
Debt Service and Reserve Funds	<u>190,546</u>
Total	<u><u>\$ 1,590,172</u></u>

The District is maintaining a restricted fund for capital projects, system development improvements, and for system development reimbursements. A separate reserve fund is also maintained for catastrophes per FmHA bond ordinance requirements. The District has met its minimum balance, therefore interest earnings from this fund are assigned to the General Fund.

**Deposits**

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$127,143, all covered by FDIC. See *Custodial Credit Risk*.

*Custodial Credit Risk*

As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District has no exposure to custodial credit risk for deposits with financial institutions.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021

**Note 3 - DEPOSITS AND INVESTMENTS - Continued**

**Investments**

As of June 30 the District held the following investments:

	<u>Fair Value</u>
Local Government Investment Pool	<u>\$3,302,867</u>

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council. At the end of the fiscal year, the fair value of the District's deposits with the LGIP approximately equals the value of the pool shares. Investments in the LGIP are available upon demand (one day).

*Credit risk*

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The District's investment is in compliance with State statutes. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

A copy of the State's Comprehensive Annual Financial Report may be obtained online at [www.ost.state.or.us](http://www.ost.state.or.us) or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

*Concentration of Credit Risk*

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

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021

**Note 4 - RECEIVABLES**

Receivables at June 30, consist of the following:

		<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
Property taxes	\$	0	\$	33,877	\$ 33,877
Accounts receivable		<u>256,611</u>		<u>0</u>	<u>256,611</u>
Total receivables		<u>\$ 256,611</u>		<u>\$ 33,877</u>	<u>\$ 290,488</u>

**Accounts Receivable**

Uncollected water receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible has been established.

**Property Taxes**

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Restricted property taxes are for servicing debt and capital projects.

**Note 5 - CAPITAL ASSETS**

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

	<u>7/1 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30 Balance</u>
Capital assets not being depreciated				
Land and improvements	\$ 39,681	\$ 0	\$ 0	\$ 39,681
Construction in progress	<u>1,712,832</u>	<u>723,329</u>	<u>484,620</u>	<u>1,951,541</u>
Total cap. assets not being dep.	<u>1,752,513</u>	<u>723,329</u>	<u>484,620</u>	<u>1,991,222</u>
Capital assets being depreciated				
Equipment	497,336	32,012	23,973	505,375
Water system	<u>9,453,837</u>	<u>488,582</u>	<u>0</u>	<u>9,942,419</u>
Total depreciable at historical cost	<u>9,951,173</u>	<u>520,594</u>	<u>23,973</u>	<u>10,447,794</u>
Accumulated depreciation				
Equipment	349,149	31,031	23,973	356,207
Water system	<u>2,886,721</u>	<u>143,824</u>	<u>0</u>	<u>3,030,545</u>
Total accumulated depreciation	<u>3,235,870</u>	<u>174,855</u>	<u>23,973</u>	<u>3,386,752</u>
Total depreciable, net	<u>6,715,303</u>	<u>345,739</u>	<u>0</u>	<u>7,061,042</u>
Capital assets, net	<u>\$ 8,467,816</u>	<u>\$ 1,069,068</u>	<u>\$ 484,620</u>	<u>\$ 9,052,264</u>

Depreciation for the current year is \$174,855.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021

**Note 6 - LONG-TERM DEBT**

**General Obligation Bond**

In 1992 the District issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. This bond is a direct obligation and pledges the full faith and credit of the government. The bond has terms as follows:

	<u>Year of maturity</u>	<u>Annual interest rate</u>	<u>Annual payment</u>
GO Bonds	2023	5.625%	<u>\$ 88,596</u>

USDA has a debt service reserve requirement and that is met in the FMHA Reserve fund with a balance of \$93,800.

USDARD (US Dept. of Agriculture Rural Development) computes interest to the day payment is received. This causes a variation in the amount of each installment payment that USDARD charges as interest; therefore, the portion of each annual payment that the USDARD will apply to bond repayment and interest is an estimate.

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

	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>	<u>Interest Expense</u>
GO Bond	\$1,270,000	<u>\$ 226,713</u>	<u>\$ 0</u>	<u>\$ 75,809</u>	<u>\$ 150,904</u>	<u>\$ 80,101</u>	<u>\$ 12,788</u>

**Future Maturities of Long-Term Debt**

Below is a summary of annual debt requirements to maturity:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
2022	\$ 80,101	\$ 8,495	\$ 88,596
2023	70,803	3,962	74,765
Total	<u>\$ 150,904</u>	<u>\$ 12,457</u>	<u>\$ 163,361</u>

**Note 7 - RETIREMENT PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits a portion of salary to be deferred into future years when there is retirement, termination, death, or an unforeseeable emergency. It is administered by independent plan administrators through administrative service agreements. The District's administrative involvement is limited to transmitting amounts withheld from payroll and contributions by the District to the plan administrator who performs investing function. The District's expense for the year was \$42,691.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021

**Note 7 - RETIREMENT PLAN** - Continued

The District does not have any liability for losses under the plan, but does have the duty to administer the plan in a prudent manner. In accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the plan's assets are not included in the accompanying balance sheet.

**Post Employment Benefits**

For the year ended June 30, 2021, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective. This statement provides guidance for accounting for liabilities related to retiree healthcare and other non-pension postemployment benefits (OPEB). At June 30, 2021, the District's net OPEB liability/(asset) and deferred inflows and outflows were determined by Management not to be material to the financial statements taken as a whole. Accordingly, no assets or liabilities relating to OPEB have been reported on the government-wide statements.

**Note 8 - LEASE AGREEMENT**

*Intergovernmental Agreement*

The District has a commercial lease agreement with the State of Oregon - Siletz Bay State Airport for real estate under the 40'x60' building built and owned by the District. The agreement signed in April of 2017, is for twenty-five years, renewable for an additional term of five years. Yearly rent will be adjusted for any increase in the Consumer Price Index (CP-U), US City Average. If State of Oregon Aviation adjusts the rent, Aviation shall notify the District not less than sixty days prior to the date upon which the adjusted rent is due.

Below is the schedule of future lease payments as follows under the present rate:

<u>Year End</u>	<u>Balance</u>
2022	2,196
2023	2,196
2024	2,196
2025	2,196
2026	2,196
2027-31	10,980
2032-36	10,980
2037-41	10,980
2042	<u>2,196</u>
Total	<u>\$ 46,116</u>

This schedule will be updated when notification is received on an increase.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2021**

**Note 9 - OTHER INFORMATION**

**Tax Abatement**

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose information about those agreements. The District has not entered into any tax abatement agreements as of the end of the fiscal year; therefore, there are no amounts to disclose.

**Commitments and Contingencies**

*Intergovernmental Agreement*

In October of 2018, the District entered into a thirty year contract with Lower Siletz Water District to provide water services. The contract calls for 150,000 gallons per day, with Lower Siletz paying one and one-half times the rate charged for services from a 4" meter to other Kernville customers.

**Risk Management**

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; torts; errors and omissions; injuries to employees; and natural disaster. The District purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Evaluation of Subsequent Events**

In the beginning of March 2020, the COVID-19 virus was declared a global pandemic and later in the same month the Oregon governor issued Executive Order No. 20-12 which directed Oregonians to "Stay Home, Save Lives". It is anticipated communities will be severely impacted with the temporarily closing of businesses. The District anticipates an increases of expenses and is monitoring possible impact on revenue sources. However, effective August 27, 2021, a new statewide outdoor masks requirement was required to help stop the spread of the highly contagious Delta variant.

The District has evaluated subsequent events through November 5, 2021, the date which the financial statements were available to be issued.

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH  
WATER DISTRICT  
OREGON**

**SUPPLEMENTAL SECTION**

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

**DESCRIPTION OF BUDGETARY FUNDS**

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary Comparison schedules include the following funds:

**General Fund**

The fund is used to account for the financial resources of the District that are not accounted for in any other fund. Principal sources of revenue are water sales, service fees and interest. Primary expenditures are for system maintenance and general administration.

**Capital Projects Fund**

The fund is used to account for proceeds from a local option tax levy approved by the voters effective with the 2017-18 fiscal year. Tax levy proceeds are restricted to water system improvements.

**Debt Service Fund**

The fund is used to account for the accumulation of resources for, and the payment of debt principal and interest. The principal sources of revenue are property taxes and interest.

**FmHA Reserve Fund**

The fund is used to account for the accumulation of a reserve for the payment of debt principal and interest.

**SDC Improvement Fund**

The fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The primary revenue source is system development charges.

**SDC Reimbursement Fund**

The fund is used to account for financial resources to be used for improvement reimbursement of capital facilities. The primary revenue source is system development charges.



**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**GENERAL FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Water sales	\$ 1,013,000	\$ 1,114,177	\$ 101,177
Hookups	0	11,900	11,900
Name changes/turn ons	4,000	5,475	1,475
Interest on investments	12,000	23,577	11,577
Contract revenue	407,297	407,297	0
Interest on investments	1,000	20,166	19,166
Total revenues	1,437,297	1,582,592	145,295
<b>EXPENDITURES</b>			
Personnel services	746,773	723,518	23,255
Materials and services	389,910	341,142	48,768
Professional services	43,000	27,990	15,010
Capital outlay	281,000	260,896	20,104
Contingency	75,000	0	75,000
Total expenditures	1,535,683	1,353,546	182,137
Excess (def) of revenues over expenditures	(98,386)	229,046	327,432
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds	15,000	0	15,000
Excess (def) of revenues and expenses over other financing sources (uses)	(113,386)	229,046	342,432
Unappropriated ending fund balance	(23,455)	0	23,455
FUND BALANCE - Beginning of year (Budget basis)	136,841	1,010,081	873,240
FUND BALANCE - End of year (Budget basis)	\$ 0	1,239,127	\$ 1,239,127
GAAP ADJUSTMENTS - Reconciled to June 30, 2020		9,255,150	
Compensated absences		(3,644)	
Inventory		(26,522)	
Capital asset activity			
Capital assets acquisition		759,303	
Depreciation		(174,855)	
FUND BALANCE - End of Year (GAAP basis)		\$ 11,048,559	

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**CAPITAL PROJECTS FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 485,000	\$ 544,163	\$ 59,163
Interest income	100	161	61
Total revenues	485,100	544,324	59,224
<b>EXPENDITURES</b>			
System improvements	560,000	464,015	95,985
Excess (def) of revenues over expenditures	(74,900)	80,309	155,209
Unappropriated ending fund balance	(218,100)	0	218,100
<b>FUND BALANCE</b>			
Beginning of year (Budget basis)	293,000	1,049,290	756,290
End of year (Budget basis)	\$ 0	\$ 1,129,599	\$ 1,129,599

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**DEBT SERVICE FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Current property taxes	\$ 87,000	\$ 82,174	\$ (4,826)
Delinquent property taxes	500	2,920	2,420
Interest on investments	0	25	25
 Total revenues	 87,500	 85,119	 (2,381)
<b>EXPENDITURES</b>			
Bond issue principal	75,843	75,808	35
Bond issue interest	12,753	12,788	(35)
 Total expenditures	 88,596	 88,596	 0
 Excess (def) of revenues over expenditures	 (1,096)	 (3,477)	 (2,381)
 Unappropriated ending fund balance	 (88,596)	 0	 88,596
 FUND BALANCE - Beginning of year (Budget basis)	 89,692	 104,794	 15,102
 FUND BALANCE - End of year (Budget basis)	 \$ 0	 101,317	 \$ 101,317
 GAAP ADJUSTMENTS - Reconciled to June 30, 2020		 (238,871)	
Long-Term Debt Activity			
Interest accrued		4,066	
Principal payments		75,810	
 FUND BALANCE - End of Year (GAAP basis)		 \$ (57,678)	

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**FmHA RESERVE FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>	0	0	0
Excess (def) of revenues over expenditures	0	0	0
Reserved for future expenditures	(93,800)	0	93,800
FUND BALANCE - Beginning of year (Budget basis)	93,800	93,800	0
FUND BALANCE - End of year (Budget basis)	\$ 0	\$ 93,800	\$ 93,800

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**SDC IMPROVEMENT FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Collections - improvement	\$ 2,744	\$ 20,153	\$ 17,409
<b>EXPENDITURES</b>			
System improvements	100,000	9,121	90,879
Excess (def) of revenues over expenditures	(97,256)	11,032	108,288
Reserved for future expenditures	(2,744)	0	2,744
<b>FUND BALANCE</b>			
Beginning of year (Budget/GAAP basis)	100,000	144,005	44,005
End of year (Budget/GAAP basis)	\$ 0	\$ 155,037	\$ 155,037

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

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

**SDC REIMBURSEMENT FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Collections - reimbursement	\$ 1,283	\$ 8,981	\$ 7,698
<b>EXPENDITURES</b>			
System improvements	80,000	0	80,000
Excess (def) of revenues over expenditures	(78,717)	8,981	87,698
Reserved for future expenditures	(1,283)	0	1,283
<b>FUND BALANCE</b>			
Beginning of year (Budget/GAAP basis)	80,000	112,899	32,899
End of year (Budget/GAAP basis)	\$ 0	\$ 121,880	\$ 121,880

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
OREGON**

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY  
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION for the Year Ended June 30, 2021

	Total Revenues	Total Expenditures	Net
<b>Budgetary Basis</b>			
General Fund	\$ 1,582,592	\$ 1,353,546	\$ 229,046
Capital Projects Fund	544,324	464,015	80,309
Debt Service Fund	85,119	88,596	(3,477)
SDC Improvement Fund	20,153	9,121	11,032
SDC Reimbursement Fund	8,981	0	8,981
 Total budgetary basis	 \$ 2,241,169	 \$ 1,915,278	 325,891
<b>Add (Deduct) Items to Reconcile to Net</b>			
<b>Income on a Financial Reporting Basis - GAAP</b>			
Long-term debt activity - principal			75,810
Capital asset activity			
Capital asset acquisition			759,303
Depreciation			(174,855)
Interest accrued			4,066
Inventory			(26,522)
Compensated absences			(3,644)
 Changes in net position			 960,049
 NET POSITION - Beginning of year			 11,531,148
 NET POSITION - End of year			 \$ 12,491,197

**KERNVILLE-GLENEDEN BEACH-LINCOLN BEACH  
WATER DISTRICT  
OREGON**

**COMPLIANCE SECTION**



**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

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**Independent Auditor's Report**  
**Required by Oregon State Regulations**

To Board of Commissioners  
Kernville-Gleneden Beach-Lincoln Beach Water District  
Gleneden Beach, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of the Kernville-Gleneden Beach-Lincoln Beach Water District (District), which comprise the statement of net position as of June 30, 2021, and the related statements of revenue, expense, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued my report thereon dated November 5, 2021.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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

- Accounting records and related internal control structure.
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Programs funded from outside sources.

In connection with my testing nothing came to my attention that caused me to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

## Internal Control Over Financial Reporting


In planning and performing my audit of the financial statements, I considered Kernville-Gleneden Beach-Lincoln Beach Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kernville-Gleneden Beach-Lincoln Beach Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Kernville-Gleneden Beach-Lincoln Beach Water District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of This Report

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



**SIGNE GRIMSTAD**  
Certified Public Accountant  
Newport, Oregon  
November 5, 2021