

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

**AUDIT REPORT**

**JUNE 30, 2023**

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  
GLENEDEN BEACH, OREGON**

**COMMISSIONERS**

President	Flurry Stone 5675 El Mar Ave. Lincoln City, OR 97367
Vice-President	John Grotvik PO Box 98 Gleneden Beach, OR 97388
Treasurer	Julie Shafer PO Box 252 Gleneden Beach, OR 97388
Secretary	Dave Mitchell 340 Shore Drive Lincoln City, OR 97367
Commissioner	Frank Covacevich 5465 Hacienda Ave. Lincoln City, OR 97367

**ADMINISTRATORS AND ATTORNEY**

Superintendent & Budget Officer	Mike Bauman
Recording Secretary	Nancy Noteboom
Office Manager	Danielle Hutton
Attorney & Registered Agent	Paul B. Osterlund PO Box 309 Toledo, OR 97391

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

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# GRIMSTAD & ASSOCIATE

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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Newport, OR 97365  
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Fax (541) 265-9255  
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Lincoln City Office:  
1349 NW 15<sup>th</sup> Street  
Lincoln City, OR 97367  
(541) 994-5252  
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Board of Commissioners  
Kernville-Gleneden Beach-Lincoln Beach Water District  
Gleneden Beach, Oregon 97388

### Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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 Kernville - Gleneden Beach - Lincoln Beach Water District as of June 30, 2023, 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.

### Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Kernville - Gleneden Beach - Lincoln Beach Water District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 Kernville - Gleneden Beach - Lincoln Beach Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 generally accepted auditing standards, I:

- 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 Kernville - Gleneden Beach - Lincoln Beach Water 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kernville - Gleneden Beach - Lincoln Beach Water District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Required Supplementary Information**

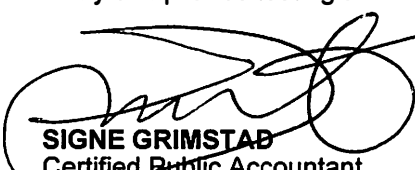
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards 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 management's discussion and analysis 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.

### **Supplementary 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for all funds and reconciliation to net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for all funds and 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 9, 2023 on my consideration of 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 compliance testing and not to provide an opinion on compliance.



**SIGNE GRIMSTAD**  
Certified Public Accountant  
Newport, Oregon  
November 9, 2023

## **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, 2023.

### **Financial Highlights**

- The Total Net Position of the District was \$14,271,011 with Capital Assets (Utility Plant in Service) at \$10,999,891 net of accumulated depreciation. Current Assets are \$3,569,232.
- The assets of the Kernville-Gleneden Beach-Lincoln Beach Water District exceeded its liabilities at the close of the most recent fiscal year by \$14,271,011 (Net Position). Of this amount, \$2,485,016 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- Capital Assets are \$11,033,162.
- The District's change in Net Position was \$934,751 from June 30, 2022 to June 30, 2023.
- Total Operating Revenues for the fiscal year 2022-2023 were \$1,649,512 which is a \$101,762 increase over the prior year.
- Total Operating Expenses for the fiscal year 2022-2023 were \$1,423,189. This is an increase of \$94,815.
- Total liabilities were \$331,383 with long-term liabilities at \$130,175 and current liabilities at \$201,208.

## **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 and operations for the fiscal year ending June 30 as follows:

### Statement of Net Position

<b>Assets</b>	<b>2023</b>	<b>2022</b>	<b>Variance</b>
Current & Other Assets	\$ 3,569,232	\$ 3,649,928	\$ (80,696)
Capital Assets, Net of Accum Dep	10,999,891	10,370,776	629,115
Lease Assets	33,271	34,103	(832)
Total Assets	<u>14,602,394</u>	<u>14,054,807</u>	<u>547,587</u>
<b>Liabilities</b>			
Current & Other	201,208	579,823	(378,615)
Long Term	130,175	138,724	(8,549)
Total Liabilities	<u>331,383</u>	<u>718,547</u>	<u>(387,164)</u>
<b>Net Position</b>			
Invested in Capital Assets	10,999,891	10,370,776	629,115
Restricted	786,104	786,112	(8)
Unrestricted	2,485,016	2,179,372	305,644
Total Net Position	<u>\$ 14,271,011</u>	<u>\$ 13,336,260</u>	<u>\$ 934,751</u>

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

<b>Operating Revenues</b>			
User Charges	\$ 1,160,344	\$ 1,098,604	\$ 61,740
Hookups	18,700	17,000	1,700
Name Chgs/T-ons	7,190	4,595	2,595
Contract Revenue	450,996	423,363	27,633
Misc.	12,286	4,188	8,098
Total Operating Revenue	<u>1,649,516</u>	<u>1,547,750</u>	<u>101,766</u>
<b>Operating Expenses</b>			
Payroll & Benefits	866,555	832,709	33,846
Maint & Repairs	87,811	30,261	57,550
General & Administrative	159,799	160,940	(1,141)
Professional Services	33,238	36,229	(2,991)
Materials & Supplies	79,244	99,083	(19,839)
Depreciation	196,542	169,152	27,390
Total Operating Expense	<u>1,423,189</u>	<u>1,328,374</u>	<u>94,815</u>
<b>Operating Income (Loss)</b>	<u>226,323</u>	<u>219,376</u>	<u>6,947</u>
<b>Non Operating Revenue (Expenses)</b>			
Interest Income	77,244	17,254	59,990
Property Taxes	585,402	567,067	18,335
Total Non Operating Rev (Exp)	<u>662,646</u>	<u>584,067</u>	<u>78,325</u>
Income Before Contributions	888,969	803,443	85,526
<b>Capital Contributions</b>	<u>45,782</u>	<u>41,620</u>	<u>4,162</u>
Changes in Net Position	934,751	845,063	89,688
NET POSITION Beginning of Year	13,336,260	12,491,197	845,063
NET POSITION End of Year	<u>\$ 14,271,011</u>	<u>\$ 13,336,260</u>	<u>\$ 934,751</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 \$14,271,011 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 \$2,485,016 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 \$101,766 due largely to a rise in water usage. No unanticipated expenses were incurred this year. Payroll costs were up by \$33,846 and planned maintenance was up \$57,550.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The K-GB-LB Water District's investment in capital assets as of June 30, 2023 amounts to approximately \$11 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**

##### **Continued Meter Replacement Program**

##### **Side Creek Bridge**

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

The District has implemented a rate increase starting in fiscal year 2023-2024 to fund increased operating expenses and need for District Improvements.

Capital projects schedule for the upcoming year:

Continuation of Meter Replacement Program.

Purchase of a new Backhoe and Dump Truck with the Tax Levy.

## **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, 2023**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 2,253,167
Cash and cash equivalents - restricted	766,528
Receivables	286,942
Prepaid expenses	6,336
Inventory	<u>256,259</u>
Total current assets	<u>3,569,232</u>

**Noncurrent assets**

<b>Capital assets</b>	
Land	39,681
Construction in progress	1,993,494
Plant and equipment (net of depreciation)	8,966,716
Lease asset	<u>33,271</u>
Total noncurrent assets	<u>11,033,162</u>
Total assets	<u>14,602,394</u>

**LIABILITIES**

**Current liabilities**

Accounts payable	189,102
Unearned revenue	6,240
Compensated absences, current portion	5,000
Current portion of operating lease	<u>866</u>
Total current liabilities	<u>201,208</u>

**Long-term liabilities**

Compensated absences, net of current portion	97,770
Lease liability, net	<u>32,405</u>
Total long-term liabilities	<u>130,175</u>
Total liabilities	<u>331,383</u>

**NET POSITION**

Net investment in capital assets	10,999,891
Restricted	
Capital projects	438,383
System development charges	347,721
Unrestricted	<u>2,485,016</u>
Total net position	<u>\$ 14,271,011</u>

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, 2023**

<b>OPERATING REVENUES</b>	
Water service	\$ 1,160,344
Hookups	18,700
Name change/turn ons	7,190
Contract revenue	450,996
Miscellaneous income	<u>12,282</u>
Total operating revenues	<u>1,649,512</u>
<b>OPERATING EXPENSES</b>	
Payroll and benefits	866,555
Maintenance and repairs	87,811
General and administrative	159,799
Professional services	33,238
Supplies	79,244
Depreciation	<u>196,542</u>
Total operating expenses	<u>1,423,189</u>
<b>OPERATING INCOME (LOSS)</b>	<u>226,323</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property taxes	585,402
Interest income	77,244
Total nonoperating revenues (expenses)	<u>662,646</u>
Income (loss) before contributions	888,969
<b>CONTRIBUTIONS</b>	<u>45,782</u>
Changes in net position	934,751
NET POSITION - Beginning of year	<u>13,336,260</u>
NET POSITION - End of year	<u><u>\$ 14,271,011</u></u>

See accompanying notes to financial statements

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
for the Year Ended June 30, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	1,160,344
Cash receipts from contract revenue	450,996
Cash payments for goods and services	(786,371)
Cash payments for employees	<u>(866,555)</u>
Net cash provided (used) by operating activities	<u>(41,586)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	<u>585,402</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(821,473)
Capital contributed by customers	<u>45,782</u>
Net cash provided (used) by capital and related financing activities	<u>(775,691)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>77,244</u>
Net increase (decrease) in cash and cash equivalents	(154,631)
<b>Cash and cash equivalents - Beginning of year</b> (restricted \$1,149,336)	<u>3,174,326</u>
<b>Cash and cash equivalents - End of year</b> (restricted \$766,528)	<u><u>\$ 3,019,695</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 226,323
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	196,542
(Increase) decrease in operating assets	
Receivables	(19,501)
Inventory	(58,622)
Increase (decrease) in operating liabilities	
Accounts payable	(378,075)
Compensated absences	(7,651)
Unearned revenue	<u>(602)</u>
Net cash provided (used) by operating activities	<u><u>\$ (41,586)</u></u>

See accompanying notes to financial statements

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

**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  
GLENEDEN BEACH, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

**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.

**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.

**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.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

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

**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

**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.



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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

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

*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.

**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	\$2,253,167
Cash and cash equivalents - restricted	766,528
Total	<u>\$3,019,695</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	153,877
Investment - external investment pool	2,865,518
Total	<u>\$3,019,695</u>

**Restricted Cash**

	<u>Balance</u>
Capital Projects Fund	\$ 405,859
Systems Development Funds	360,669
Total	<u>\$ 766,528</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 \$154,101, 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  
GLENEDEN BEACH, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

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

**Investments**

As of June 30 the District held the following investments:

Local Government Investment Pool	<u>Fair Value</u> <u>\$ 2,865,518</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.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

**Note 4 - RECEIVABLES**

Receivables at June 30, consist of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Property taxes	\$ 20,592	\$ 0	\$ 20,592
Accounts receivable	266,350	0	266,350
Total receivables	<u>\$ 286,942</u>	<u>\$ 0</u>	<u>\$ 286,942</u>

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>
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 39,681	\$ 0	\$ 0	\$ 39,681
Construction in progress	3,116,904	778,015	(1,901,425)	1,993,494
Total cap. assets not being dep.	<u>3,156,585</u>	<u>778,015</u>	<u>(1,901,425)</u>	<u>2,033,175</u>
<b>Capital assets being depreciated</b>				
Equipment	505,375	47,642	(21,692)	531,325
Water system	10,264,720	1,901,425	0	12,166,145
Total depreciable at historical cost	<u>10,770,095</u>	<u>1,949,067</u>	<u>(21,692)</u>	<u>12,697,470</u>
<b>Accumulated depreciation</b>				
Equipment	381,535	31,160	21,692	391,003
Water system	3,174,369	165,382	0	3,339,751
Total accumulated depreciation	<u>3,555,904</u>	<u>196,542</u>	<u>21,692</u>	<u>3,730,754</u>
Total depreciable, net	<u>7,214,191</u>	<u>1,752,525</u>	<u>0</u>	<u>8,966,716</u>
Capital assets, net	<u>\$10,370,766</u>	<u>\$2,530,540</u>	<u>\$ (1,901,425)</u>	<u>\$10,999,891</u>

Depreciation for the current year is \$196,542.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

**Note 6 - LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	\$ 110,421	\$ 1,220	\$ 8,871	\$ 102,770	\$ 5,000

**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 \$58,651.

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, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* became effective. This statement provides guidance for accounting for liabilities related to retiree healthcare and other non-pension postemployment benefits (OPEB). At June 30, 2022, 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.

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

**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. The OR Dept. of Aviation reserves the right to review and adjust the as described in Administrative Rule governing rates and charges, OAR Chapter 738 Division 10. rent to be adjusted annually to reflect any increase in the Consumer Price index (CPI), using the published US City Average for the most recent December. The base CPI-U "US City Average" factor is 241.353, based on the published rate for November 2016.

Leased asset and liability activity for the year ended June 30:

	7/01			6/30
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Real Estate lease	\$ 37,984	\$ 0	\$ 0	\$ 37,984
Less -accumulated amortization	<u>(3,880)</u>	<u>(833)</u>	<u>0</u>	<u>(4,713)</u>
Leased assets, net	<u>\$ 34,104</u>	<u>\$ (833)</u>	<u>\$ 0</u>	<u>\$ 33,271</u>
Lease liability	<u>\$ 34,104</u>	<u>\$ (833)</u>	<u>\$ 0</u>	<u>\$ 33,271</u>

Amortization expense of \$800 and interest expense of \$1,396 were charged to operations.

Future maturities of the lease liability are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 866	\$ 1,331
2025	900	1,296
2026	937	1,260
2027	974	1,223
2028	1,013	1,184
2029-33	5,705	5,278
2034-38	6,941	4,042
2039-43	8,445	2,537
2044-47	<u>7,490</u>	<u>748</u>
Total	<u>\$ 33,271</u>	<u>\$ 18,899</u>

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

**NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2023**

**Note 9 - OTHER INFORMATION**

**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**

The District has evaluated subsequent events through November 9, 2023, the date which the financial statements were available to be issued.

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

**SUPPLEMENTAL SECTION**

**KERVILLE-GLENEDEN BEACH-LINCOLN BEACH WATER DISTRICT  
GLENEDEN BEACH, 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, 2023**

**GENERAL FUND**

	Original	Final Budget	Actual	Variance
<b>REVENUES</b>				
Water sales	\$ 1,035,000	\$ 1,035,000	\$ 1,160,344	\$ 125,344
Hookups	0	0	18,700	18,700
Name changes/turn ons	5,000	5,000	7,190	2,190
Interest on investments	10,000	10,000	76,886	66,886
Contract revenue	450,996	450,996	450,996	0
Miscellaneous	1,000	1,000	12,282	11,282
<b>Total revenues</b>	<u>1,501,996</u>	<u>1,501,996</u>	<u>1,726,398</u>	<u>224,402</u>
<b>EXPENDITURES</b>				
Personnel services	815,863	905,863	870,354	35,509
Materials and services	455,835	455,835	391,575	64,260
Professional services	39,000	39,000	23,900	15,100
Capital outlay	290,000	290,000	223,547	66,453
Contingency	150,000	60,000	0	60,000
<b>Total expenditures</b>	<u>1,750,698</u>	<u>1,750,698</u>	<u>1,509,376</u>	<u>241,322</u>
Excess (def) of revenues over expenditures	(248,702)	(248,702)	217,022	465,724
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	32,186	32,186	32,186	0
Excess (def) of revenue over expenditures and other financing sources (uses)	(216,516)	(216,516)	249,208	465,724
Unappropriated ending fund balance	(86,274)	(86,274)	0	86,274
<b>FUND BALANCE - Beginning of year (Budget basis)</b>	302,790	302,790	1,411,024	1,108,234
Equity transfer	0	0	3,656	(3,656)
<b>FUND BALANCE - End of year (Budget basis)</b>	<u>\$ 0</u>	<u>\$ 0</u>	1,663,888	<u>\$ 1,663,888</u>
<b>GAAP ADJUSTMENTS - Reconciled to June 30, 2022</b>			11,139,124	
Compensated absences			7,651	
Inventory			58,622	
Capital asset activity				
Capital assets acquisition			825,657	
Depreciation			(196,542)	
<b>FUND BALANCE - End of Year (GAAP basis)</b>			<u>\$ 13,502,056</u>	

**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, 2023**

**CAPITAL PROJECTS FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 530,000	\$ 581,746	\$ 51,746
Interest income	100	358	258
Total revenues	530,100	582,104	52,004
<b>EXPENDITURES</b>			
System improvements	596,000	595,597	403
Excess (def) of revenues over expenditures	(65,900)	(13,493)	52,407
Unappropriated ending fund balance	(300,100)	0	300,100
<b>FUND BALANCE</b>			
Beginning of year (Budget basis)	366,000	438,382	72,382
End of year (Budget basis)	\$ 0	\$ 424,889	\$ 424,889

**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, 2023**

**DEBT SERVICE 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
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(4,705)	(4,705)	0
Excess of (def) revenues over expenditures and other financing	(4,705)	(4,705)	0
<b>FUND BALANCE - Beginning of year (Budget basis)</b>	4,705	8,361	3,656
Equity transfer	0	(3,656)	(3,656)
<b>FUND BALANCE - End of year (Budget basis)</b>	\$ 0	\$ 0	\$ 0

**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, 2023**

**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
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out	(27,481)	(27,481)	0
Excess (def) of revenues and expenses over other financing sources (uses)	(27,481)	(27,481)	0
<b>FUND BALANCE - Beginning of year (Budget basis)</b>	27,481	27,481	0
<b>FUND BALANCE - End of year (Budget basis)</b>	\$ 0	\$ 0	\$ 0

**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, 2023**

**SDC IMPROVEMENT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Collections - improvement	\$ 0	\$ 31,669	\$ 31,669
<b>EXPENDITURES</b>			
System improvements	<u>150,000</u>	<u>9,948</u>	<u>140,052</u>
Excess (def) of revenues over expenditures	(150,000)	21,721	171,721
Reserved for future expenditures	(20,000)	0	20,000
<b>FUND BALANCE</b>			
Beginning of year (Budget/GAAP basis)	<u>170,000</u>	<u>177,177</u>	<u>7,177</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 198,898</u>	<u>\$ 198,898</u>

**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, 2023**

**SDC REIMBURSEMENT FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Collections - reimbursement	\$ 0	\$ 14,113	\$ 14,113
<b>EXPENDITURES</b>			
System improvements	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Excess (def) of revenues over expenditures	(20,000)	14,113	34,113
Reserved for future expenditures	(102,000)	0	102,000
<b>FUND BALANCE</b>			
Beginning of year (Budget/GAAP basis)	<u>122,000</u>	<u>134,710</u>	<u>12,710</u>
End of year (Budget/GAAP basis)	<u>\$ 0</u>	<u>\$ 148,823</u>	<u>\$ 148,823</u>

**KERNVILLE-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, 2023**

	Total Revenues	Total Expenditures	Net
<b>Budgetary Basis</b>			
General Fund	\$ 1,758,584	\$ 1,509,376	\$ 249,208
Capital Projects Fund	582,104	595,597	(13,493)
Debt Service Fund	0	4,705	(4,705)
SDC Improvement Fund	31,669	9,948	21,721
SDC Reimbursement Fund	14,113	0	14,113
FmHA Reserve Fund	0	27,481	(27,481)
 Total budgetary basis	 \$ 2,386,470	 \$ 2,147,107	 239,363
 <b>Add (Deduct) Items to Reconcile to Net</b>			
<b>Income on a Financial Reporting Basis - GAAP</b>			
Capital asset activity			
Capital asset acquisition			825,657
Depreciation			(196,542)
Inventory			58,622
Compensated absences			7,651
 Changes in net position			 934,751
 NET POSITION - Beginning of year			 13,336,260
 NET POSITION - End of year			 \$ 14,271,011

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

**COMPLIANCE SECTION**



# GRIMSTAD & ASSOCIATE

Certified Public Accountants

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

Newport Office:  
PO Box 1930  
530 NW 3<sup>rd</sup> St. Suite E  
Newport, OR 97365  
(541) 265-5411  
Fax (541) 265-9255  
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Lincoln City Office:  
1349 NW 15<sup>th</sup> Street  
Lincoln City, OR 97367  
(541) 994-5252  
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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, 2023, 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 9, 2023.

### 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 financial statements. 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:

- 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 9, 2023