



**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

**ANNUAL FINANCIAL REPORT**

June 30, 2023



**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

AGENCY OFFICIALS

June 30, 2023

**BOARD OF DIRECTORS**

John Handler, Chair  
36000 Underhill Lane  
Nehalem, Oregon 97131

David Wilson, Vice Chair  
P.O. Box 247  
Manzanita, Oregon 97130

Jim Hickey  
P.O. Box 925  
Manzanita, Oregon 97130

Melissa Mumey (appointed 1/18/2023)  
P.O. Box 413  
Nehalem, Oregon 97130

Owen Nicholson (resigned 9/21/2022)  
P.O. Box 730  
Manzanita, Oregon 97130

Mike Sims  
P.O. Box 481  
Wheeler, Oregon 97147

**REGISTERED AGENT**

Bruce Halverson, Manager  
P.O. Box 219  
Nehalem, Oregon 97131

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nehalem Bay Wastewater Agency  
Nehalem, Oregon 97131

### **Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Nehalem Bay Wastewater Agency, Nehalem, Oregon as of June 30, 2023, and the respective changes in modified cash basis financial position, and cash flows thereof for the year then ended on the basis of accounting described in Note I.

### **Basis for Opinions**

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

### **Emphasis of Matter - Basis of Accounting**

We draw attention to Note I of the financial statements, which describes the basis of accounting. Nehalem Bay Wastewater Agency, Nehalem, Oregon, prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

### **Emphasis of Matter - Change in Accounting Principle**

As described in the notes to the financial statements, in the year ended June 30, 2023, the Agency adopted new accounting guidance: GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 202*, and Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

## **Responsibilities of Management 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, 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 misstatements, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nehalem Bay Wastewater Agency, Nehalem, Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nehalem Bay Wastewater Agency, Nehalem, Oregon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nehalem Bay Wastewater Agency, Nehalem, Oregon's basic financial statements. The individual fund financial statements and budgetary comparison information, if applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 our opinion, the individual fund financial statements and budgetary comparison information, if applicable, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated October 18, 2023 on our tests of the Agency's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By:   
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Glen O. Kearns, CPA

Albany, Oregon  
October 18, 2023

## **BASIC FINANCIAL STATEMENTS**



**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	Business-Type Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,184,815
Restricted assets	
Cash and cash equivalents	4,460,907
Capital assets not being depreciated	363,406
Capital assets being depreciated, net	7,470,156
Total assets	15,479,284
<b>NET POSITION</b>	
Net investment in capital assets	7,833,562
Restricted for system development	4,460,907
Unrestricted	3,184,815
Total net position	\$ 15,479,284

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

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business-Type Activities</u>
Business-type activities					
Wastewater services	\$ 1,779,025	\$ 1,294,211	\$ -	\$ -	\$ (484,814)
General revenues					
Property taxes					676,355
Investment earnings					<u>216,286</u>
Total general revenues					<u>892,641</u>
Change in net position					407,827
Net position - beginning, as restated					<u>15,071,457</u>
Net position - ending					<u>\$ 15,479,284</u>

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

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,754,433	\$ -	\$ 1,430,382	\$ 3,184,815
Restricted assets				
Cash and cash equivalents	-	4,460,907	-	4,460,907
Capital assets not being depreciated	363,406	-	-	363,406
Capital assets being depreciated, net	7,470,156	-	-	7,470,156
Total assets	9,587,995	4,460,907	1,430,382	15,479,284
<b>NET POSITION</b>				
Net investment in capital assets	7,833,562	-	-	7,833,562
Restricted for system development	-	4,460,907	-	4,460,907
Unrestricted	1,754,433	-	1,430,382	3,184,815
Total net position	\$ 9,587,995	\$ 4,460,907	\$ 1,430,382	\$ 15,479,284

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

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
Operating revenues				
User fees	\$ 1,084,346	\$ -	\$ -	\$ 1,084,346
Septage fees	1,839	-	-	1,839
Inspections, permits, and other fees	3,936	-	-	3,936
Miscellaneous	11,536	-	-	11,536
Total operating revenues	<u>1,101,657</u>	<u>-</u>	<u>-</u>	<u>1,101,657</u>
Operating expenses				
Wages and payroll costs	757,494	-	-	757,494
Administrative expenses	23,897	-	-	23,897
Board expenses	8,752	-	-	8,752
Contract services	7,984	-	-	7,984
Depreciation	515,755	-	-	515,755
Engineering and surveying	43,730	-	-	43,730
Insurance	45,814	-	-	45,814
Legal and audit	9,492	-	-	9,492
Office expenses	11,571	-	-	11,571
Operating and safety supplies	46,570	-	-	46,570
Repairs and maintenance	191,586	-	-	191,586
Utilities	74,033	-	-	74,033
Vehicle expenses	42,347	-	-	42,347
Total operating expenses	<u>1,779,025</u>	<u>-</u>	<u>-</u>	<u>1,779,025</u>
Operating income (loss)	<u>(677,368)</u>	<u>-</u>	<u>-</u>	<u>(677,368)</u>
Nonoperating revenues (expenses)				
Property taxes	676,355	-	-	676,355
System development charges	-	192,554	-	192,554
Investment earnings	53,812	123,333	39,141	216,286
Total nonoperating revenues (expenses)	<u>730,167</u>	<u>315,887</u>	<u>39,141</u>	<u>1,085,195</u>
Income (loss) before contributions and transfers	52,799	315,887	39,141	407,827
Transfers in	230,386	376,992	141,372	748,750
Transfers out	(518,364)	(230,386)	-	(748,750)
Change in net position	(235,179)	462,493	180,513	407,827
Total net position - beginning, as restated	<u>9,823,174</u>	<u>3,998,414</u>	<u>1,249,869</u>	<u>15,071,457</u>
Total net position - ending	<u>\$ 9,587,995</u>	<u>\$ 4,460,907</u>	<u>\$ 1,430,382</u>	<u>\$ 15,479,284</u>

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

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,101,657	\$ -	\$ -	\$ 1,101,657
Payments to employees	(757,494)	-	-	(757,494)
Payments to suppliers	(505,776)	-	-	(505,776)
Net cash provided (used) by operating activities	<u>(161,613)</u>	<u>-</u>	<u>-</u>	<u>(161,613)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Property taxes	<u>666,641</u>	<u>-</u>	<u>-</u>	<u>666,641</u>
Net cash provided (used) by noncapital financing activities	<u>666,641</u>	<u>-</u>	<u>-</u>	<u>666,641</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
System development charges	-	207,474	-	207,474
Acquisition and construction of capital assets	(24,663)	(230,386)	-	(255,049)
Transfer to other funds for capital purposes	(518,364)	-	-	(518,364)
Transfer from other funds for capital purposes	<u>-</u>	<u>376,992</u>	<u>141,372</u>	<u>518,364</u>
Net cash provided (used) by capital and related financing activities	<u>(543,027)</u>	<u>354,080</u>	<u>141,372</u>	<u>(47,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>53,812</u>	<u>123,333</u>	<u>39,141</u>	<u>216,286</u>
Net cash provided (used) by investing activities	<u>53,812</u>	<u>123,333</u>	<u>39,141</u>	<u>216,286</u>
Net increase (decrease) in cash and cash equivalents	15,813	477,413	180,513	673,739
Cash and cash equivalents - beginning	<u>1,738,620</u>	<u>3,983,494</u>	<u>1,249,869</u>	<u>6,971,983</u>
Cash and cash equivalents - ending	<u>\$ 1,754,433</u>	<u>\$ 4,460,907</u>	<u>\$ 1,430,382</u>	<u>\$ 7,645,722</u>

(Continued)

The accompanying notes are an integral part of these financial statements

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

(Continued)

	Business-Type Activities - Enterprise Funds			
	General	System Development	Improvement & Replacement	Totals
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (677,368)	\$ -	\$ -	\$ (677,368)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	515,755	-	-	515,755
Net cash provided (used) by operating activities	\$ (161,613)	\$ -	\$ -	\$ (161,613)
<b>Noncash investing, capital, and financing activities</b>				
Transfers of capital assets	\$ 230,386	\$ (230,386)	\$ -	\$ -

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Description of Government-Wide Financial Statements**

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

**B. Reporting Entity**

Nehalem Bay Wastewater Agency is a municipal corporation, created on May 27, 1970 under the laws of the State of Oregon (ORS Chapter 450) and provides wastewater disposal and treatment services in north Tillamook County, Oregon. The Agency's 75 miles of pipeline serves the Oregon coastal cities of Nehalem, Manzanita, Wheeler, and the surrounding area. The Agency is governed by a five-member board of directors elected by voters.

**C. Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for all proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds. Separate financial statements for proprietary funds are presented. The emphasis of fund financial statements is on major enterprise funds, each displayed in a separate column. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The Agency reports the following major proprietary funds:

Enterprise Funds

*General Fund* - The General Fund is the primary operating fund of the Agency. It is used to account for all general operating revenue and expenses for the operation of the Agency's wastewater disposal system.



**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

*System Development Fund* – The System Development Fund accounts for resources accumulated for system improvements, enhancements, and expansions. Revenues are primarily from the system development charge imposed on new system connections, investment earnings, and transfers from the General Fund.

*Improvement & Replacement Fund* – The Improvement & Replacement Fund accounts for the accumulation of resources for the purchase of major equipment and vehicles. Revenues are primarily from investment earnings and transfers from the General Fund.

During the course of operations, the Agency has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activity column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in business-type activities are eliminated.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below. In the government-wide financial statements and the fund financial statements, business-type activities and enterprise funds are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected).

Certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in the financial statements. If the District utilized the basis of accounting recognized as generally accepted, the government-wide financial statements and fund financial statements would be presented on the accrual basis of accounting.

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2023

**F. Budgetary Information**

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

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

**G. Assets, Liabilities, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The Agency'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.

**2. Investments**

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

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**3. Capital Assets**

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

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office equipment	3-15
Equipment	3-20
Buildings and sewer system	3-50
Vehicles	5-10

**4. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**2. Property Taxes**

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

**3. Proprietary Fund Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the General Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

**I. Use of Estimates**

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

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

**A. Deposits and Investments**

Nehalem Bay Wastewater Agency maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds hold separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. The Agency participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury.

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State’s Annual Comprehensive Financial Report (ACFR). A copy of the State’s ACFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2023. Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	Level 2
Investments	
Oregon Local Government Investment Pool	\$ 7,683,860

Credit Risk

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

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 7,683,860

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

Custodial Credit Risk - Deposits

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

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The Agency holds accounts at US Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2023, the Agency's total deposits of \$81,759 were fully insured by the FDIC.

Deposits

The Agency's deposits and investments at June 30, 2023 are as follows:

Cash on hand	\$ 250
Checking accounts (bank overdraft)	(38,388)
Total investments	<u>7,683,860</u>
Total deposits and investments	<u>\$ 7,645,722</u>

**NEHALEM BAY WASTEWATER AGENCY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Cash and investments by fund:

Business-type activities - unrestricted	
General Fund	\$ 1,754,433
Improvement & Replacement Fund	<u>1,430,382</u>
Total business-type activities - unrestricted	<u>3,184,815</u>
Business-type activities - restricted	
System Development Fund	<u>4,460,907</u>
Total cash and investments	<u>\$ 7,645,722</u>

Amounts reported as restricted cash are restricted by state law for system development.

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and easements	\$ 90,880	\$ -	\$ -	\$ 90,880
Construction in progress	<u>42,140</u>	<u>230,386</u>	<u>-</u>	<u>272,526</u>
Total capital assets not being depreciated	<u>133,020</u>	<u>230,386</u>	<u>-</u>	<u>363,406</u>
Capital assets being depreciated				
Buildings and sewer system	19,192,961	8,000	-	19,200,961
Equipment	1,153,334	16,663	-	1,169,997
Vehicles	195,767	-	-	195,767
Office equipment	<u>185,881</u>	<u>-</u>	<u>-</u>	<u>185,881</u>
Total capital assets being depreciated	<u>20,727,943</u>	<u>24,663</u>	<u>-</u>	<u>20,752,606</u>
Less accumulated depreciation for				
Buildings and sewer system	(11,700,034)	(454,449)	-	(12,154,483)
Equipment	(813,496)	(44,368)	-	(857,864)
Vehicles	(113,842)	(9,281)	-	(123,123)
Office equipment	<u>(139,323)</u>	<u>(7,657)</u>	<u>-</u>	<u>(146,980)</u>
Total accumulated depreciation	<u>(12,766,695)</u>	<u>(515,755)</u>	<u>-</u>	<u>(13,282,450)</u>
Total capital assets being depreciated, net	<u>7,961,248</u>	<u>(491,092)</u>	<u>-</u>	<u>7,470,156</u>
Business-type activities capital assets, net	<u>\$ 8,094,268</u>	<u>\$ (260,706)</u>	<u>\$ -</u>	<u>\$ 7,833,562</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Business-type activities	
Wastewater services	<u>\$ 515,755</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Business-type activities			
Land and easements	\$ 90,880	\$ -	\$ 90,880
Construction in progress	272,526	-	272,526
Buildings and sewer system	19,200,961	(12,154,483)	7,046,478
Equipment	1,169,997	(857,864)	312,133
Vehicles	195,767	(123,123)	72,644
Office equipment	185,881	(146,980)	38,901
Total capital assets	<u>\$ 21,116,012</u>	<u>\$ (13,282,450)</u>	<u>\$ 7,833,562</u>

**C. Interfund Transfers**

Interfund transfers during the year consisted of:

	System Development Fund	Transfers in: Improvement and Replacement Fund	Total
Transfers out:			
General Fund	<u>\$ 376,992</u>	<u>\$ 141,372</u>	<u>\$ 518,364</u>

The primary purpose of transfers in was for funding capital improvements and future equipment purchases.

**D. Restricted Net Position**

The amounts reported on the statement of net position identified as restricted net position are comprised of amounts restricted for system development.



**NEHALEM BAY WASTEWATER AGENCY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**III. OTHER INFORMATION**

**A. Risk Management**

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

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan (Plan) for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2022, there were 939 participating employers.

*Plan Membership*

As of June 30, 2022, there were 11,413 active plan members, 129,376 retired plan members or their beneficiaries currently receiving benefits, 8,372 inactive plan members entitled to but not yet receiving benefits, for a total of 149,161 Tier One members. For Tier Two members, as of June 30, 2022, there were 27,056 active plan members, 20,720 retired plan members or their beneficiaries currently receiving benefits, 13,335 inactive plan members entitled to but not yet receiving benefits, for a total of 61,111. As of June 30, 2021, there were 136,785 active plan members, 8,311 retired plan members or their beneficiaries currently receiving benefits, 7,520 inactive plan members entitled to but not yet receiving benefits, and 18,263 inactive plan members not eligible for refund or retirements, for a total of 170,879 OPSRP Pension Program members.

*Plan Benefits*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and Internal Revenue Code Section 401(a).

**Tier One/Tier Two Retirement Benefit (Chapter 238)** - OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living-adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan is closed to new members hired on or after August 29, 2003.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

*Pension Benefits*

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

*Disability Benefits*

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

**NEHALEM BAY WASTEWATER AGENCY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

*Benefit Changes after Retirement*

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

**OPSRP Defined Benefit Pension Program (OPSRP DB)** - This Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

*Pension Benefits*

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

*Death Benefits*

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits*

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

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June 30, 2023

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

**OPSRP Individual Account Program (OPSRP IAP)** - Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

*Pension Benefits*

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP), may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

*Contributions*

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2020 actuarial valuation, which became effective July 20, 2021. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the Agency has opted to pick-up the contributions on behalf of its employees.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Employer contributions for the year ended June 30, 2023 were \$51,985.

Annual Comprehensive Financial Report (ACFR)

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700, or can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

Actuarial Valuations

The employer contribution rates effective June 30, 2022 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 20, 2021
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent

**NEHALEM BAY WASTEWATER AGENCY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2020 Experience Study, which reviewed experience for the four-year period ended December 31, 2020. There were no differences between the assumptions and plan provisions used for June 30, 2022 measurement date calculations compared to those shown above.

*Actuarial Methods and Assumptions*

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**Nehalem, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Depletion Date Projection*

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2022 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2022

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation<sup>2</sup></u>
Debt Securities	15.0%	25.0%	20.0%	19.8%
Public Equity	25.0%	35.0%	30.0%	21.2%
Real Estate	7.5%	17.5%	12.5%	13.6%
Private Equity	15.0%	27.5%	20.0%	28.0%
Risk Parity	0.0%	3.5%	2.5%	2.0%
Real Assets	2.5%	10.0%	7.5%	7.9%
Diversifying Strategies	2.5%	10.0%	7.5%	4.9%
Opportunity Portfolio <sup>1</sup>	0.0%	5.0%	0.0%	2.6%
Total			100.0%	100.0%

<sup>1</sup>Opportunity Portfolio is an investment strategy, and it may be invested up to 5% of total Fund assets.

<sup>2</sup> Based on the actual investment value at 6/30/2022.

<sup>3</sup> October 2021, the Alternative Portfolio was split into Real Assets and Diversifying Strategies.



**NEHALEM BAY WASTEWATER AGENCY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**C. New Pronouncements**

For the fiscal year ended June 30, 2023, the Agency implemented the following new accounting standards:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements* - This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to lease implementation, public-private and public-public partnerships and availability payment arrangements, and subscription-based information technology arrangements.

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The Agency will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to financial guarantees and classification of derivatives.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

**NEHALEM BAY WASTEWATER AGENCY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**D. Restatement**

The Agency's previously issued financial statements have been restated as follows:

<u>Government-Wide Basis</u>	<u>Business-Type Activities</u>	
Net Position - beginning, as originally reported	\$	14,817,709
To adjust to modified cash basis		<u>253,748</u>
Net Position - beginning, as restated	<u>\$</u>	<u>15,071,457</u>
<u>Report Basis</u>	<u>General Fund</u>	<u>System Development Fund</u>
Net Position - beginning, as originally reported	\$ 9,551,706	\$ 4,016,134
To adjust to modified cash basis	<u>271,468</u>	<u>(17,720)</u>
Net Position - beginning, as restated	<u>\$ 9,823,174</u>	<u>\$ 3,998,414</u>

**E. Commitments**

During the year ended June 30, 2023, the Agency signed a contract with Xylem Water Solutions for a total of \$138,082, of which \$83,767 remained outstanding at year end.

**F. Subsequent Events**

Management has evaluated subsequent events through October 18, 2023, which was the date that the financial statements were available to be issued.

**OTHER SUPPLEMENTARY INFORMATION**

**INDIVIDUAL FUND SCHEDULES**

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
<b>REVENUES</b>					
Current year taxes	\$ 455,850	\$ 210,977	\$ 666,827	\$ -	\$ 666,827
Prior year taxes	15,000	(5,472)	9,528	-	9,528
User fees	1,272,348	(188,002)	1,084,346	-	1,084,346
RV dump site fees	2,500	(661)	1,839	-	1,839
Permits and inspections	2,000	1,108	3,108	-	3,108
Lab tests	1,000	(172)	828	-	828
Investment earnings	10,000	43,812	53,812	-	53,812
Miscellaneous	15,000	(3,464)	11,536	-	11,536
Total revenues	<u>1,773,698</u>	<u>58,126</u>	<u>1,831,824</u>	<u>-</u>	<u>1,831,824</u>
<b>EXPENSES</b>					
Current					
Personnel services	884,492	(126,998)	757,494	-	757,494
Materials and services	908,250	(377,811)	530,439	(24,663)	505,776
Capital outlay	3,500	(3,500)	-	-	-
Depreciation	-	-	-	515,755	515,755
Contingency	259,592	(259,592)	-	-	-
Total expenses	<u>2,055,834</u>	<u>(767,901)</u>	<u>1,287,933</u>	<u>491,092</u>	<u>1,779,025</u>
Excess (deficiency) of revenues over (under) expenses	<u>(282,136)</u>	<u>826,027</u>	<u>543,891</u>	<u>(491,092)</u>	<u>52,799</u>
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Land sales	500	(500)	-	-	-
Transfers in	-	-	-	230,386	230,386
Transfers out	(518,364)	-	(518,364)	-	(518,364)
Total other financing sources (uses)	<u>(517,864)</u>	<u>(500)</u>	<u>(518,364)</u>	<u>230,386</u>	<u>(287,978)</u>
Change in net position	(800,000)	825,527	25,527	(260,706)	(235,179)
Net position - beginning, as restated	<u>1,000,000</u>	<u>727,171</u>	<u>1,727,171</u>	<u>8,096,003</u>	<u>9,823,174</u>
Net position - ending	<u>\$ 200,000</u>	<u>\$ 1,552,698</u>	<u>\$ 1,752,698</u>	<u>\$ 7,835,297</u>	<u>\$ 9,587,995</u>

## OTHER SUPPLEMENTARY INFORMATION

### NEHALEM BAY WASTEWATER AGENCY

Nehalem, Oregon

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

#### SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
<b>REVENUES</b>					
System development charges	\$ 114,966	\$ 77,588	\$ 192,554	\$ -	\$ 192,554
Investment earnings	<u>15,000</u>	<u>108,333</u>	<u>123,333</u>	<u>-</u>	<u>123,333</u>
Total revenues	<u>129,966</u>	<u>185,921</u>	<u>315,887</u>	<u>-</u>	<u>315,887</u>
<b>EXPENSES</b>					
Capital outlay	<u>1,525,000</u>	<u>(1,294,614)</u>	<u>230,386</u>	<u>(230,386)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	<u>(1,395,034)</u>	<u>1,480,535</u>	<u>85,501</u>	<u>230,386</u>	<u>315,887</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	376,992	-	376,992	-	376,992
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,386)</u>	<u>(230,386)</u>
Total other financing sources (uses)	<u>376,992</u>	<u>-</u>	<u>376,992</u>	<u>(230,386)</u>	<u>146,606</u>
Change in net position	(1,018,042)	1,480,535	462,493	-	462,493
Net position - beginning	<u>2,500,000</u>	<u>1,498,414</u>	<u>3,998,414</u>	<u>-</u>	<u>3,998,414</u>
Net position - ending	<u>\$ 1,481,958</u>	<u>\$ 2,978,949</u>	<u>\$ 4,460,907</u>	<u>\$ -</u>	<u>\$ 4,460,907</u>

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

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

IMPROVEMENT & REPLACEMENTS FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Investment earnings	\$ 5,000	\$ 34,141	\$ 39,141	\$ -	\$ 39,141
<b>EXPENSES</b>					
Capital outlay	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(15,000)	54,141	39,141	-	39,141
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>141,372</u>	<u>-</u>	<u>141,372</u>	<u>-</u>	<u>141,372</u>
Change in net position	126,372	54,141	180,513	-	180,513
Net position - beginning	<u>900,000</u>	<u>349,869</u>	<u>1,249,869</u>	<u>-</u>	<u>1,249,869</u>
Net position - ending	<u>\$ 1,026,372</u>	<u>\$ 404,010</u>	<u>\$ 1,430,382</u>	<u>\$ -</u>	<u>\$ 1,430,382</u>

## **OTHER FINANCIAL SCHEDULES**

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

EXPENSES	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2023	2022
Personnel services				
5001 - Salaries	\$ -	\$ 14,682	\$ 14,682	\$ -
5006 - General manager	117,625	(108)	117,517	-
5007 - System worker II	75,828	164	75,992	68,750
5008 - Paid Overtime	12,000	(12,000)	-	-
5010 - System worker II	72,204	153	72,357	69,105
5011 - Technician I	62,376	(54)	62,322	59,391
5012 - System worker II	72,204	913	73,117	69,387
5013 - Executive assistant	74,620	87	74,707	67,878
5014 - Office Assistant	62,376	(62,376)	-	-
5103 - Social security	34,052	(4,539)	29,513	27,684
5115 - Medicare tax	7,964	(1,062)	6,902	6,475
5104 - Worker's compensation	7,130	(2,113)	5,017	10,627
5101 - Unemployment tax	550	(41)	509	543
5102 - Health and accident insurance	219,779	(59,478)	160,301	157,812
5105 - Retirement contributions	65,784	(1,226)	64,558	55,989
Total personnel services	884,492	(126,998)	757,494	593,641
Materials and services				
Utilities				
5201 - Electricity	48,000	2,557	50,557	46,788
5202 - Water	9,000	1,514	10,514	7,897
5203 - Garbage	1,000	(30)	970	831
5204 - Telephone	12,000	(3,598)	8,402	8,954
5206 - Propane	4,000	(410)	3,590	1,986
Total utilities	74,000	33	74,033	66,456
Administrative expenses				
5307 - Bank and one call fees	6,000	2,676	8,676	5,995
5302 - Schools and training	10,000	(5,461)	4,539	1,450
5303 - Elections, notices, and advertisi	2,500	(1,180)	1,320	1,648
5304 - Travel, auto, and mileage	3,000	(2,112)	888	288
5306 - Taxes, licenses, permits, and du	12,000	(3,526)	8,474	7,947
5309 - Software/computer expense	30,000	(22,016)	7,984	21,371
Total administrative expenses	63,500	(31,619)	31,881	38,699

(Continued)



**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

(Continued)

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2023	2022
<b>EXPENSES (Continued)</b>				
Materials and services (continued)				
Office expenses				
5402 - Professional clothing	\$ 2,500	\$ (143)	\$ 2,357	\$ 1,894
5401 - Office supplies	10,000	(4,225)	5,775	4,551
5403 - Safety supplies	10,000	(6,755)	3,245	4,736
5404 - Postage	6,000	(204)	5,796	4,784
5405 - Lab supplies	4,000	(1,644)	2,356	1,034
5406 - Chemicals	50,000	(14,588)	35,412	28,178
5407 - Disaster preparedness	75,000	(64,300)	10,700	9,005
Total office expenses	157,500	(91,859)	65,641	54,182
Outside services				
5501 - Legal	5,000	(4,508)	492	-
5502 - Audit	10,250	(1,250)	9,000	9,250
5505 - Survey and engineering	30,000	4,466	34,466	35,642
5506 - Contract services	70,000	(60,736)	9,264	-
Total outside services	115,250	(62,028)	53,222	44,892
Maintenance and repairs				
5601 - Vehicle operation	50,000	(7,653)	42,347	44,250
5603 - Buildings and grounds	115,000	(73,089)	41,911	63,487
5605 - Collection system	100,000	(35,109)	64,891	65,974
5606 - Lift stations	75,000	(28,491)	46,509	69,655
5607 - Treatment plant	100,000	(44,562)	55,438	30,309
Total maintenance and repairs	440,000	(188,904)	251,096	273,675
Board of directors				
5701 - Board expenses	6,000	(2,798)	3,202	15,364
5702 - Travel and lodging	4,000	(110)	3,890	-
5704 - School and training	2,000	(1,310)	690	217
Total board of directors	12,000	(4,218)	7,782	15,581

(Continued)

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

(Continued)

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2023	2022
<b>EXPENSES (Continued)</b>				
Materials and services (continued)				
Insurance				
5801 - Liability and property	\$ 46,000	\$ (186)	\$ 45,814	\$ 45,336
5802 - Claims deductible	5,000	(5,000)	-	-
5992 - Health insurance reserve	<u>3,500</u>	<u>(2,530)</u>	<u>970</u>	<u>-</u>
Total insurance	<u>54,500</u>	<u>(7,716)</u>	<u>46,784</u>	<u>45,336</u>
Total materials and services	<u>916,750</u>	<u>(386,311)</u>	<u>530,439</u>	<u>538,821</u>
Capital outlay	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingency	<u>259,592</u>	<u>(259,592)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 2,064,334</u>	<u>\$ (775,431)</u>	<u>\$ 1,287,933</u>	<u>\$ 1,132,462</u>

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2023

EXPENSES	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2023	2022
Capital outlay				
Treatment plant improvements	\$ -	\$ -	\$ -	\$ 143,072
Outside services	360,000	(183,929)	176,071	7,924
System improvements	<u>1,165,000</u>	<u>(1,110,685)</u>	<u>54,315</u>	<u>91,962</u>
 Total expenses	 <u>\$ 1,525,000</u>	 <u>\$ (1,294,614)</u>	 <u>\$ 230,386</u>	 <u>\$ 242,958</u>

**NEHALEM BAY WASTEWATER AGENCY**  
**Nehalem, Oregon**

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

IMPROVEMENT & REPLACEMENT FUND

For the Year Ended June 30, 2023

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2023	2022
<b>EXPENSES</b>				
Capital outlay				
Equipment	\$ -	\$ -	\$ -	\$ 6,564
State/federal compliance	20,000	(20,000)	-	1,091
Building improvements	-	-	-	10,924
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 20,000</u>	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ 18,579</u>

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



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

Board of Directors  
Nehalem Bay Wastewater Agency  
Nehalem, Oregon 97131

We have audited the basic financial statements of Nehalem Bay Wastewater Agency as of and for the year ended June 30, 2023 and have issued our report thereon dated October 18, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether Nehalem Bay Wastewater Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

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

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

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

In connection with our testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

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

In planning and performing our audit, we considered Nehalem Bay Wastewater Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nehalem Bay Wastewater Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nehalem Bay Wastewater Agency's internal control over financial reporting. However, we noted certain matters that we have reported to management of the Agency in a separate letter dated October 18, 2023.

This report is intended solely for the information and use of the board of directors and management of Nehalem Bay Wastewater Agency and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC  
October 18, 2023