

Government Camp Sanitary District

GOVERNMENT CAMP, OREGON

Financial Statements and
Supplementary Information

Year ended June 30, 2023

Prepared by:

Lauka McGuire, P.C. | CERTIFIED PUBLIC ACCOUNTANTS

Government Camp Sanitary District

CLACKAMAS COUNTY, OREGON

Board of Directors
As of June 30, 2023

	Terms Expires
Andrew Tagliafico, Board Chair P.O. Box 522 Government Camp, Oregon 97028	June 30, 2023
Ed Rodgers, Jr., Vice Chair P.O. Box 249 Government Camp, Oregon 97028	June 30, 2023
Dan Mancuso P.O. Box 73 Government Camp, Oregon 97028	June 30, 2025
Brett Fischer P.O. Box 131 Government Camp, Oregon 97028	June 30, 2023
Cornelia Gunderson P.O. Box 177 Government Camp, Oregon 97028	June 30, 2025

Secretary

Ulla Brunette
P.O. Box 295
Government Camp, OR 97028

Government Camp Sanitary District

Clackamas County, Oregon

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Government Camp Sanitary District
Government Camp, Oregon

Opinion

We have audited the accompanying financial statements of the business-type activities of Government Camp Sanitary 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 our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Government Camp Sanitary District as of June 30, 2023, and the respective changes in financial positions 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Government Camp Sanitary District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Government Camp Sanitary District's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3-6 and pages 19-25, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Budgeting comparison 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental budget schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental budget schedules 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 other 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 supplemental budget schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, 2023 on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



for Lauka McGuire, PC
Portland, Oregon
December 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government Camp Sanitary District

Clackamas County, Oregon

For the Year Ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Government Camp Sanitary District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

Financial Highlights

The assets of Government Camp Sanitary District exceeded its liabilities at the close of the current fiscal year by \$4,604,163 (*net position*). Of this amount, \$543,064 is unrestricted, \$3,644,514 represents the net investment in capital assets, and \$416,585 is restricted for future system development and debt service. The unrestricted assets may be used to meet the District's ongoing obligations to citizens and creditors.

The District's total net position increased by \$84,585 in the fiscal year ending June 30, 2023 compared to \$117,202 for the fiscal year ending June 30, 2022. The significant changes from June 30, 2023 and 2022 included a \$25K decrease in system development charges for new and existing users and an increase of \$19K of interest earned on reserve accounts. Cash decreased \$56K, receivables increased \$17K, and prepaid expenses increased \$42K. Prepaid expenses included a \$40K deposit on a generator which will be purchased after year-end. Total operating expenses increased \$28K due to increases in collection system repairs, general maintenance, utilities, depreciation, and a decrease in master plan expenses.

A \$10K Special District grant was received and held to purchase a new generator. The generator will not be purchased until the subsequent fiscal year and therefore the grant income was deferred. Revenue will be recognized in the year the generator is purchased.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include: 1) fund financial statements, and 2) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Fund financial statements: The District is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District's annual report consists of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the current and long-term portions of assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed as a result of the current year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that do not affect cash until future periods.

Government Camp Sanitary District

Clackamas County, Oregon

For the Year Ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Cash Flows presents information showing how the District's cash changed as a result of the current year's operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method).

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

Supplementary information is also provided in this report concerning the District's budgetary information to demonstrate compliance with Oregon Budget Law.

Financial Analysis

Net position represents the amount of total assets over liabilities. Net position serves as a useful indicator of a government's accumulated financial position. Net position of the District was \$4,604,163 and \$4,519,578 for the years ended June 30, 2023 and 2022, respectively.

The largest portion of net position is the investment in capital assets of \$3,644,514 (after accumulated depreciation). The District uses these capital assets to provide services to its members households and businesses and consequently, these assets are not available for future spending.

Unrestricted assets represent 11.8%, restricted assets 9.0%, and capital assets 79.2% of total net assets.

Government Camp Sanitary District's Net Position As of June 30,

	<u>2023</u>	<u>2022</u>
Assets:		
Cash, receivables, prepaids	\$ 587,495	\$ 625,819
Cash restricted	416,585	378,416
Capital assets, net of depreciation	3,644,514	3,578,348
Total assets	<u>4,648,594</u>	<u>4,582,583</u>
Liabilities:		
Total liabilities	<u>44,431</u>	<u>63,005</u>
Net position:		
Net investment in capital assets	3,644,514	3,578,348
Restricted for:		
System development	413,461	378,416
Debt service	3,124	
Unrestricted	<u>543,064</u>	<u>562,814</u>
Total net position	<u><u>\$ 4,604,163</u></u>	<u><u>\$ 4,519,578</u></u>

Government Camp Sanitary District

Clackamas County, Oregon
For the Year Ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis (continued)

Capital Assets

The District's investment in capital assets for its business-type activities as of June 30, 2023, amounts to \$3,644,514 (net of accumulated depreciation). Additional information on the District's capital assets can be found in Note 5 of the financial statements. A capital improvement project for pipe replacement was completed and \$203K was capitalized for the project. \$20K was spent on a new mixer. A new generator was purchased with final installation and training in July 2023. A \$40K deposit was paid with the remainder to be paid and recorded as an asset in the 2023-2024 year. The old generator will be sold.

Long-term Debt

As of June 30, 2019, the District had paid off its prior debt and had no long-term debt outstanding. As of June 30, 2023 the District was entering into a loan agreement with the DEQ for a \$55K long-term loan which was not funded or obligated until July 2023. The District budgeted a \$980K increase in debt for the 2022-2023 year but the transactions were not utilized and delayed to the 2023-2024 year.

Government Camp Sanitary District's Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
General revenues:		
Charges for services	\$ 536,244	\$ 561,594
Nonoperating revenues:		
Property taxes	68,373	66,436
Interest income	23,130	4,191
Total revenues	<u>627,747</u>	<u>632,221</u>
Operating Expenses:		
Costs of service	380,342	362,842
Depreciation	157,520	152,177
Total expenses	<u>543,162</u>	<u>515,019</u>
Change in net position	84,585	117,202
Net position, beginning of period	<u>4,519,578</u>	<u>4,402,376</u>
Net position, end of period	<u><u>\$ 4,604,163</u></u>	<u><u>\$ 4,519,578</u></u>

Government Camp Sanitary District

Clackamas County, Oregon
For the Year Ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of Revenues, Expenses, and Changes in Net Position shows how the District's net position changed during the years. In the case of the District, net position increased \$84,585 and \$117,202 for the years ended June 30, 2023 and 2022, respectively.

Charges for services decreased by \$25K (5%) during the year primarily due to decreased system development charges for new and existing users. There were five fewer new home charges than the prior year.

Operating expenses in total increased \$28K during the June 30, 2023 year-end with decreases in system master plan costs, inspections and cleaning, and increases in sewer line repairs from the prior year.

General fund expenditures for the biosolids disposal expenses were over budget and the total excess expenditures in the maintenance category of \$1,263 were applied to the contingency.

Economic Factors and Next Year's Budgets

The District's revenues are primarily derived from EDU fees and property tax collections which are not expected to change significantly next year. Property tax revenue is expected to increase up to 11%. The County appropriates revenues to the District throughout the year and the District did not experience any delays receiving fee revenues from the County.

In the preparation of the budget for the next year, the long-term impacts of the local economy were examined in conjunction with the business decisions made by the District. The District expects to follow the Master Plan for continuing maintenance and improvements and anticipates the 2023-2024 receipts and expenditures will include obtaining a \$1 million DEQ CWSRF loan and paying \$9K of loan payments in the year for the 20 year loan. Expenses include \$1 million of master plan equipment projects, \$154K of capital outlay expenses, and \$168K to be added to reserves for future expenses. Resolution #2023-219 authorized the \$1 million partially forgivable loan May 8, 2023.

Requests for Information

This financial report is designed to provide a general overview of Government Camp Sanitary District 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 financial information should be addressed to Government Camp Sanitary District, P.O. Box 25, Government Camp, Oregon 97028.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government Camp Sanitary District

Statement of Net Position

As of June 30, 2023

(See notes to the basic financial statements)

Assets

Current Assets

Cash and cash equivalents	\$ 492,320
Cash and cash equivalents - restricted	416,585
Accounts receivable	41,475
Property tax receivable	986
Undistributed taxes	2,062
Prepaid expenses	50,652
Total current assets	<u>1,004,080</u>

Noncurrent Assets

Capital assets-net	
Treatment system	2,660,938
Collection system	983,576
Total capital assets-net	<u>3,644,514</u>
Total Assets	<u>\$ 4,648,594</u>

Liabilities

Current Liabilities

Accounts payable	\$ 33,725
Payroll and related liabilities	706
Deferred grant revenue	10,000
Total Current Liabilities	<u>44,431</u>

Net Position

Net investment in capital assets	3,644,514
Restricted for:	
Debt service	3,124
System development	413,461
Unrestricted	543,064
Total net position	<u>4,604,163</u>
Total Liabilities and Net Position	<u>\$ 4,648,594</u>

Government Camp Sanitary District

Statement of Revenues, Expenses, and Change in Net Position

For the year ended June 30, 2023

(See notes to the basic financial statements)

Operating Revenues

Sewer user fees	\$ 536,244
Total Operating Revenues	536,244

Operating Expenses

Personnel services	19,182
Materials and services	366,460
Depreciation	157,520
Total Operating Expenses	543,162

Total Net Operating Income	(6,918)
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Nonoperating Revenues (Expenses)

Property taxes	68,373
Interest income	23,130
Total Nonoperating Revenues (Expenses)	91,503

Change in Net Position	84,585
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Net Position, July 1, 2022	4,519,578
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Net Position, June 30, 2023	\$ 4,604,163
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Government Camp Sanitary District

Statement of Cash Flows

For the year ended June 30, 2023

(See notes to the basic financial statements)

Cash Flows From Operating Activities:	
Receipts from customers and users	\$ 522,219
Payments to employees and behalf of employees	(19,104)
Payments to suppliers	(427,464)
Net Cash Provided by Operating Activities	<u>75,651</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(223,686)
Net Cash Used by Capital and Related Financing Activities	<u>(223,686)</u>
Cash Flows from Noncapital Financing Activities:	
Property taxes	68,373
Net Cash Provided by Noncapital and Related Financing Activities	<u>68,373</u>
Cash Flows from Investing Activities:	
Interest received	23,130
Net Cash Provided by Investing Activities	<u>23,130</u>
Net Increase (decrease) in Cash and Equivalents	<u>(56,532)</u>
Cash and Equivalents, July 1, 2022	965,437
Cash and Equivalents, June 30, 2023	<u><u>\$ 908,905</u></u>
Reconciliation of Operating Income to Net Cash	
Provided (used) by Operating Activities:	
Operating income (loss)	\$ (6,918)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	157,520
Decrease in accounts receivable	(14,025)
Decrease in prepaid expenses	(42,352)
Increase in accounts payable	(18,652)
Decrease in accrued payroll and related liabilities	78
Total adjustments	<u>82,569</u>
Net cash provided by operating activities	<u><u>\$ 75,651</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Government Camp Sanitary District

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 NATURE OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Government Camp Sanitary District, Clackamas County, Oregon was organized pursuant to Chapter 450, Oregon Revised Statutes, for the purpose of providing sewerage works, including all facilities necessary for collecting, pumping, treating, and disposing of sanitary within its boundaries in the Government Camp, Oregon geographical area. It is further declared to be the policy of the District to provide and offer sewage disposal service for such areas adjacent to the District as may, in the judgment of the District, be feasibly served upon such terms, conditions, and rates as the District shall, from time to time, determine, to the extent provided by law. The District abides by the Rules and Regulations Ordinance 20 adopted July 2002 with the following objectives: (a) to advance public health and welfare; (b) to prevent the introduction of pollutants which will interfere with the operation of the sewage system or contaminate the resulting biosolids; (c) to prevent the introduction of pollutants which will pass through the sewage system, inadequately treated, into receiving waters or the atmosphere or otherwise be incompatible with the system; (d) to protect District personnel who may come into contact with sewage, biosolids and effluent in the course of their employment as well as protecting the general public; (e) to ensure that the District complies with its NPDES permit conditions, biosolids use and disposal requirements and other applicable federal and state laws; (t) to improve the opportunity to recycle and reclaim wastewaters and sludges from the system; and (g) to provide for the equitable distribution of the costs of the sewage system.

A five-member Board of Directors is elected by the District's voters and is authorized to transact all business on the District's behalf.

The District has no component units, related organizations, joint ventures, or jointly governed organizations.

Basis of Presentation – Fund Accounting

The District's accounting records are maintained on a fund basis for budgetary and legal purposes. However, for financial reporting purposes, the financial statements are presented as a unitary enterprise operation and are reported as a single enterprise fund in the basic financial statements.

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 controls.

Government Camp Sanitary District

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 NATURE OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Fund

The General Fund is the District's primary operating fund. It accounts for all financial resources for the general operations, except those required to be accounted for in another fund. Revenues consist of property taxes, sewer usage and related fee revenues, and interest from temporary investments. Expenditures include those necessary to carry on the sewer collection and treatment programs of the District and not applied to restricted or other special funds.

Capital Project Fund (unrestricted)

The capital project fund is a type of special revenue fund that is used to record the resources and expenditures needed to finance the building or acquisition of capital facilities that are nonrecurring major expenditure items. Resources can include the proceeds from the sale of general obligation bonds, tax revenue from specific purpose local option taxes, grants, transfers from other funds, or other revenues authorized for financing capital projects. The capital project fund is normally established when a capital project or series of projects is authorized. It is dissolved when the project is completed. The primary resources are from approved general fund transfers and 82.6% of system development fees and fund transfers, and interest earnings. Its major expenditures are for treatment and collection system capital improvements and new system expansion.

System Development Fund (SDC fund) (restricted funds)

The System Development Fund is a reserve fund to accumulate money for financing the cost of certain service, project, property or equipment that the district can legally perform or acquire. The reserve fund is a way to save money from year to year. Expenditures can be appropriated and made directly from the reserve fund. At least every 10 years after the establishment of the reserve fund, the governing body reviews the fund to decide if it should be continued or abolished. Any unexpended or unobligated balance left in the fund when it is abolished can be transferred to the general fund or any other fund designated by the governing body. Money in a reserve fund can only be used for the purpose for which the fund was established. Expenditures for that purpose may be budgeted and appropriated directly from the reserve fund. Transfers may not be made from a reserve fund unless the fund that receives the transfer uses the money for a purpose consistent with the purpose of the reserve fund. Interfund loans can be made from the reserve fund. The primary resources are from system development charges (SDC). 11.4% of SDC fees are set aside for the collection plant and 82.6% are set aside for capital improvements and transferred to the capital project fund. 6% are SDC fees are set aside for compliance costs.

Debt Service Fund (restricted funds)

The debt service fund is a reserve fund to accumulate money for financing the debt repayment of future debt obligations.

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

Government Camp Sanitary District

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 NATURE OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The District's financial statements are prepared 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 District's funds are accounted for using the accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are recorded. This measurement focus is directly linked to full accrual accounting, under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash inflows and outflows.

The District defines "operating revenue" as all revenues related to providing sanitary services charged to customers, along with related development fees, connection fees, and miscellaneous related items. "Nonoperating revenue" includes all revenues not meeting this description and includes grant revenues, investment income, and property taxes.

Unavailable or unearned revenues arise when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. The Government-Wide Statement of Net Position reports unearned revenue for user fees received in advance.

Cash and Investments

It is the District's policy to maintain cash held in bank deposit accounts for general fund operations and limits transfers of cash for capital projects and system development reserves to the separate pooled investment accounts. Transfers to the pooled accounts are budgeted and approved on an annual basis.

The District's cash reserves and investments are deposited in the County's Local Government Investment Pool (the Pool). The District's cash and investments that are included in the pooled account are not invested in specific, identifiable securities. The District's share of County pooled cash and investments can be drawn upon demand, and therefore, the entire amount on deposit with the County is considered cash equivalents. Interest earned on pooled investments is allocated monthly based on the average daily cash balance of the District in relation to total investments in the pool. It is not practical to determine the investment risk, collateral, or insurance coverage for the District's share of these pooled investments. State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

Government Camp Sanitary District

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 NATURE OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Accounts receivable represent amounts due for charges for sanitary service and system development fees.

Uncollected charges for sanitary service and system development fees become liens on the related real property, and are collected at such time as the property is sold; for this reason, no provision for uncollectible sewer and system development fees has been made in the financial statements. Any potential uncollectible amounts are immaterial.

Undistributed Tax Collections

Undistributed tax collections are taxes collected by the county tax collector before year-end, but not made available to the District until after year-end.

Property Taxes Receivable

Property taxes receivable represents ad valorem property taxes uncollected at year-end. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is paid by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. An allowance for uncollectible property taxes is not deemed necessary because uncollected taxes become a lien on the property.

Capital Assets

Capital assets, which include property and equipment, are stated at cost, or at estimated historic cost. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation is provided on the straight-line method over the following estimated useful lives:

Treatment plant	40 years
Equipment	10 years
Vehicles	5 years

Generally accepted accounting principles require governments to report and depreciate new infrastructure effective with the beginning of the year of implementation. Infrastructure assets include roads, bridges, and underground pipes. In reporting as a proprietary fund, the District has always reported such assets in its treatment plant and collection system capital asset categories. For this reason, no adjustment to include infrastructure is required in the District's financial statements.

Government Camp Sanitary District

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 NATURE OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Position

Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following three categories:

- Net investment in capital assets – consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consist of net positions with constraints placed on them regarding system development requirements or debt service requirements.
- Unrestricted net position – all other net position that does not meet either of the above criteria.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Basis of Accounting

While the District reports financial position, results of operations, and changes in net position in conformity with generally accepted accounting principles, the District's budgetary basis of accounting differs from GAAP in that the budget is prepared on the modified cash basis of accounting.

The budgetary schedules provided in the supplementary information section of this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Government Camp Sanitary District

Notes to Financial Statements
For the year ended June 30, 2023

State Constitutional Property Tax Limit

The State of Oregon has a constitutional limit on property taxes for government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. Property taxes levied for the payment of bonded indebtedness are exempt from the limitation, provided such funds are either authorized by a specific provision of the Oregon Constitution or approved by voters of the District for capital construction or improvements.

NOTE 3 CASH AND INVESTMENTS

Deposits and investments

Deposits with financial institutions include bank demand deposits and investments in the State Treasurer's Investment Pool.

As of June 30, 2023, the District's cash and investments are comprised of the following:

Demand Deposits: Checking	\$	143,252
State Treasurer's Investment Pool		765,653
		<hr/>
	\$	908,905
Cash and investments by fund:		
Funds restricted for system development & debt service	\$	416,585
Funds unrestricted:		
General fund	\$	93,714
Capital reserve fund		398,606
		<hr/>
Cash and equivalents - unrestricted	\$	492,320

ORS 293.726 requires that Treasury apply the prudent investor rule in the management of the pool. That standard requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each invest fund's investment portfolio as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund. The Oregon Investment Council, with advice from Treasury and the OSTF Board, has adopted specific rules for investing the OSTF. The OSTF Portfolio Rules are available online at www.oregon.gov/lqip. Financial statements are available by contacting the Oregon State Treasurer's Office and OSTF annual financial statements are available online at www.orgon.gov/treasury/public-financial-services website. Interest is accrued daily on each pool account based on an account's closing balance and a variable interest rate set by Treasury. Interest for an entire calendar month is paid as dividends to pool accounts on the last business day of that month.

Government Camp Sanitary District

Notes to Financial Statements

For the year ended June 30, 2023

NOTE 3 **CASH AND INVESTMENTS** *(continued)*

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Oregon Revised Statutes require investments to not exceed a maturity of eighteen months, except when the local government has adopted a written policy that was submitted to and reviewed by the Oregon Short-Term Fund Board. The District follows applicable state statutes for its investments.

Credit risk

State statutes govern the District's investment policy to limit exposure as to credit rating. Permissible investments for governmental funds include general obligations of the United States Government and its agencies; obligations of the States of Oregon, California, Idaho, and Washington that have a rating at settlement of AA or better; A-1 rated commercial paper and banker's acceptances; Aa rated corporate bonds; time deposits; repurchase agreements; and the State of Oregon Local Government Investment Pool. The District's only investment is in the LGIP, which is not rated as to credit risk.

Custodial credit risk

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2023, none of the District's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

NOTE 4 **RISK MANAGEMENT**

The District 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 District carries commercial insurance. The District has not exceeded the claims limitation on its insurance policies for the last three years.

Government Camp Sanitary District

Notes to Financial Statements

For the year ended June 30, 2023

NOTE 5 CAPITAL ASSETS

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

	June 30, 2022	Additions	Deletions	June 30, 2023
Capital Assets Being Depreciated:				
Treatment Plant	\$ 5,174,510	\$ 20,110		\$ 5,194,620
Collection System	1,462,588	203,576		1,666,164
Vehicles	67,964	-		67,964
Total Capital Assets Being Depreciated	<u>6,705,062</u>	<u>223,686</u>	<u>-</u>	<u>6,928,748</u>
Less Accumulated Depreciation for:				
Treatment Plant	(2,404,067)	(129,616)	-	(2,533,683)
Collection System	(654,683)	(27,904)	-	(682,587)
Vehicles	(67,964)	-	-	(67,964)
Total Accumulated Depreciation	<u>(3,126,714)</u>	<u>(157,520)</u>	<u>-</u>	<u>(3,284,234)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,578,348</u>	<u>(66,166)</u>	<u>-</u>	<u>\$ 3,644,514</u>
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Net	<u>\$ 3,578,348</u>	<u>\$ (66,166)</u>	<u>-</u>	<u>\$ 3,644,514</u>

As part of the budget preparation and adoption, the District anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. Interfund balances result from the time lag between the date a transaction for interfund goods and services or reimbursable expenditures/expenses are recorded and the date the payment between funds are made. Due from/to other fund amounts for the year ended June 30, 2023 are comprised of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 49,538
System Development Fund	49,538	-
Totals	<u>\$ 49,538</u>	<u>\$ 49,538</u>

Government Camp Sanitary District

Notes to Financial Statements

For the year ended June 30, 2023

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS *(continued)*

Interfund transfers for the year ended June 30, 2023 are comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 338,178
Capital Projects Fund	348,918	-
System Development Fund	-	13,864
Debt Service Fund	3,124	
Totals	<u>\$ 352,042</u>	<u>\$ 352,042</u>

NOTE 7 COMMITMENTS AND CONTINGENT LIABILITIES

Service Contracts

The District maintains service contracts with providers who provide operating management and planning for the District. A 20 year master plan is developed, monitored, and implemented to make sound decisions for future management and improvement of the sanitary sewer system. The primary objective of the plan is to evaluate the condition of the existing sanitary system, evaluate the capacity requirements of the system, and to project capital improvements to be included for planning. Services are performed on an internal cost reimbursement basis and included in the materials and services operating expenses on the financial statements.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2023, the date the financial statements were available for release. Subsequent to year end, a \$55K DEQ loan was obtained as part of the Oregon Department of Environmental Quality Clean Water State Revolving Fund. The loan will be repaid beginning in February 2025 and maturing in 2044.

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

SUPPLEMENTARY INFORMATION

Government Camp Sanitary District

Notes to Supplementary Information
For the year ended June 30, 2023

See accountant's Audit Report

Budgetary Information

An annual budget for the General Fund is adopted on a basis consistent with Oregon Revised Statutes. All annual appropriations lapse at June 30.

While the District's financial statements report only a single proprietary fund, the District is required to maintain four separate governmental funds to comply with Oregon budgetary requirements. This information is presented as supplemental information following the financial section. The following is a description of the budgetary process.

A budget is prepared for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in Oregon Local Budget Law. Expenditure budgets are appropriated by major function for each fund. These appropriations establish the level of control for each fund. Appropriations lapse at year-end. Expenditures cannot legally exceed appropriations.

The budget is adopted, appropriations are made, and the tax levy is declared no later than June 30. After budget approval, the Board may approve supplemental appropriations and appropriations transfers between levels of control if an occurrence, condition, or need exists that was not known at the time the budget was adopted. No modifications were made to the adopted budget during the fiscal year ended June 30, 2023.

The following supplementary Schedules for the District are prepared on a budgetary basis which differs from accounting principles generally accepted in the United States of America as follows;

- Capital outlay is reflected as an expenditure;
- Contributed capital, other than non-current assets, is reflected as revenue;
- Depreciation is not recorded;
- Advances from other funds are not recorded;
- Special assessment and property tax revenue is recognized as it becomes measurable and available;
- Expenses related to uncollectible accounts receivable are not recorded.

Government Camp Sanitary District

Combining Balance Sheet - Governmental Funds

As of June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	System Development Fund	Total Funds
Assets					
Current Assets					
Cash and cash equivalents	\$ 143,252	\$ 3,124	\$ 398,606	\$ 363,923	\$ 908,905
Accounts receivable	41,475	-	-	-	41,475
Property tax receivable	986	-	-	-	986
Undistributed tax collections	2,062	-	-	-	2,062
Due from other funds	(49,538)	-	-	49,538	-
Total Assets	\$ 138,237	\$ 3,124	\$ 398,606	\$ 413,461	\$ 953,428
Liabilities					
Current Liabilities					
Accounts payable & deferred grant	\$ 43,725	\$ -	\$ -	\$ -	\$ 43,725
Payroll and related liabilities	706	-	-	-	706
Unearned revenue - taxes	3,048	-	-	-	3,048
Unearned revenue - sewer fees	41,475	-	-	-	41,475
Total Liabilities	88,954	-	-	-	88,954
Fund Balances					
Restricted for:					
Debt service	-	3,124	-	-	3,124
System development	-	-	-	413,461	413,461
Assigned - capital projects	-	-	398,606	-	398,606
Unassigned	49,283	-	-	-	49,283
Total Fund Balance	49,283	3,124	398,606	413,461	864,474
Total Liabilities and Fund Balances	\$ 138,237	\$ 3,124	\$ 398,606	\$ 413,461	\$ 953,428
Fund balance					\$ 864,474
Adjustments to convert fund basis to GAAP basis:					
Capital assets, net of depreciation					3,644,514
Prepaid expenses					50,652
Unavailable revenue - sewer fees					41,475
Unavailable revenue - taxes					3,048
Net position, GAAP basis					\$ 4,604,163

Government Camp Sanitary District

Combining Schedule of Revenues, Expenses, and Changes in Fund Balances- Government Funds

For the year ended June 30, 2023

	<i>General Fund</i>	<i>Debt Service Fund</i>	<i>Capital Projects Fund</i>	<i>System Development Fund</i>	<i>Total Funds</i>
Revenues:					
Current taxes	\$ 65,594	\$ -	\$ -	\$ -	\$ 65,594
Prior taxes	6,379	-	-	-	6,379
Sewer fees	479,963	-	-	-	479,963
System development fees	-	-	-	38,534	38,534
Inspection fees	130	-	-	-	130
Interest income	8	-	12,746	10,375	23,129
Total Revenues	552,074	-	12,746	48,909	613,729
Expenditures:					
Personnel services	19,182	-	-	-	19,182
Materials and services	307,985	-	-	-	307,985
Capital outlay	-	-	324,518	-	324,518
Debt service	-	-	-	-	-
Total Expenditures	327,167	-	324,518	-	651,685
Excess of Revenues Over Expenditures	224,907	-	(311,772)	48,909	(37,956)
Other Financing Sources (Uses)					
Transfers in (out)	(338,178)	3,124	348,918	(13,864)	-
Net Change in Fund Balances	(113,271)	3,124	37,146	35,045	(37,956)
Fund Balances, July 1, 2022	162,554	-	361,460	378,416	902,430
Fund Balances, June 30, 2023	\$ 49,283	\$ 3,124	\$ 398,606	\$ 413,461	\$ 864,474
Net change in fund balances					\$ (37,956)
Adjustments to convert fund basis to GAAP basis					
Depreciation for the current period					(157,520)
Capital asset additions					264,461
Change in prepaid expenses					1,577
Change in unavailable revenues					14,023
Change in net position, GAAP basis					<u>\$ 84,585</u>

Government Camp Sanitary District
Schedule of Revenues, Expenditures, and Change in Fund Balance
Compared with Budget (non-GAAP basis)

General Fund

For the year ended June 30, 2023

	<i>Original and Final Budget Amount</i>	<i>Actual</i>	<i>Variance with Budget Amount</i>
Revenues:			
Current taxes	\$ 68,476	\$ 65,594	\$ (2,882)
Prior taxes	6,110	6,379	269
Sewer fees	493,556	479,963	(13,593)
Inspection fees	100	130	30
Interest income	6	8	2
Total Revenues	<u>568,248</u>	<u>552,074</u>	<u>(16,174)</u>
Expenditures:			
Personnel services			
Salaries and payroll taxes	23,500	19,182	4,318
Total personnel services	<u>23,500</u>	<u>19,182</u>	<u>4,318</u>
Materials and services			
Administrative			
Administrative - miscellaneous	1,200	1,887	(687)
Audit and accounting fees	8,600	8,800	(200)
Bank charges	100	140	(40)
Director fees	1,260	1,110	150
Education and public relation	500	-	500
Election supplies	100	51	49
Electricity, propane, oil	35,000	39,992	(4,992)
Garbage	500	189	311
Insurance premiums	19,000	19,582	(582)
Legal fees	10,000	5,168	4,832
Office supplies	5,500	4,593	907
Professional services	2,000	1,242	758
Puttman reimbursable cost	1,500	1,467	33
Sewer line inspections	200	700	(500)
Total administrative	<u>85,460</u>	<u>84,921</u>	<u>539</u>
Maintenance			
Biosolids disposal	30,000	30,094	(94)
Off site lab testing	17,000	17,047	(47)
Plant mechanical	41,000	22,336	18,664
Plant operations	114,233	132,614	(18,381)
Plant supplies	5,000	5,361	(361)
Sludge truck	3,000	306	2,694
Snow removal	6,300	8,775	(2,475)
Total maintenance	<u>216,533</u>	<u>216,533</u>	<u>-</u>
Total materials and services	<u>301,993</u>	<u>301,454</u>	<u>539</u>
Contingency	30,000	6,531	23,469
Total Expenditures	<u>355,493</u>	<u>327,167</u>	<u>28,326</u>
Excess of Revenues Over Expenditures	<u>212,755</u>	<u>224,907</u>	<u>12,152</u>
Other Financing Sources (Uses)			
Transfers in	-	41,890	41,890
Transfers out	(250,000)	(380,068)	(130,068)
Total other financing sources (uses)	<u>(250,000)</u>	<u>(338,178)</u>	<u>(88,178)</u>
Net Change in Fund Balance	<u>(37,245)</u>	<u>(113,271)</u>	<u>(76,026)</u>
Fund Balance, July 1, 2022	<u>55,263</u>	<u>162,554</u>	<u>107,291</u>
Fund Balance, June 30, 2023	<u>\$ 18,018</u>	<u>\$ 49,283</u>	<u>\$ 31,265</u>

Government Camp Sanitary District

Schedule of Revenues, Expenditures, and Change in Fund Balance Compared with Budget (non-GAAP basis)

Capital Projects Fund

For the year ended June 30, 2023

	<i>Original and Final Budget Amount</i>	<i>Actual</i>	<i>Variance with Budget Amount</i>
Revenues:			
Earnings on investments	\$ 1,000	\$ 12,746	\$ 11,746
Total Revenues	1,000	12,746	11,746
Expenditures:			
Capital outlay	1,158,313	324,515	833,798
Contingency	30,000	3	29,997
Total Expenditures	1,188,313	324,518	863,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,187,313)	(311,772)	875,541
Other Financing Sources (Uses)			
Transfers in	910,182	390,808	(519,374)
Transfers out	-	(41,890)	(41,890)
Total other financing sources (uses)	910,182	348,918	(561,264)
Net Change in Fund Balance	(277,131)	37,146	314,277
Fund Balance, July 1, 2022	533,419	361,460	(171,959)
Fund Balance, June 30, 2023	\$ 256,288	\$ 398,606	\$ 142,318

Government Camp Sanitary District

Schedule of Revenues, Expenditures, and Change in Fund Balance

Compared with Budget (non-GAAP basis)

System Development Fund

For the year ended June 30, 2023

	<i>Original and Final Budget Amount</i>	<i>Actual</i>	<i>Variance with Budget Amount</i>
Revenues:			
System development fees	\$ 11,722	38,534	\$ 26,812
Earnings on investments	1,500	10,375	8,875
Total Revenues	<u>13,222</u>	<u>48,909</u>	<u>35,687</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>13,222</u>	<u>48,909</u>	<u>35,687</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(9,682)	(13,864)	(4,182)
Total other financing sources (uses)	<u>(9,682)</u>	<u>(13,864)</u>	<u>(4,182)</u>
Net Change in Fund Balance	<u>3,540</u>	<u>35,045</u>	<u>31,505</u>
Fund Balance, July 1, 2022	<u>349,070</u>	<u>378,416</u>	<u>29,346</u>
Fund Balance, June 30, 2023	<u>\$ 352,610</u>	<u>\$ 413,461</u>	<u>\$ 60,851</u>

Government Camp Sanitary District

Schedule of Revenues, Expenditures, and Change in Fund Balance Compared with Budget (non-GAAP basis)

Debt Service Fund

For the year ended June 30, 2023

	<i>Original and Final Budget Amount</i>	<i>Actual</i>	<i>Variance with Budget Amount</i>
Revenues:			
Earnings on investments	\$ 500	\$ -	\$ (500)
Total Revenues	500	-	(500)
Excess (deficiency) of Revenues Over (Under) Expenditures			
	500	-	(500)
Other Financing Sources (Uses)			
Transfers in	980,000	3,124	-
Transfers out	(980,500)	-	980,500
Total other financing sources (uses)	(500)	3,124	980,500
Net Change in Fund Balance	-	3,124	980,000
Fund Balance, July 1, 2022	-	-	-
Fund Balance, June 30, 2023	\$ -	\$ 3,124	\$ 980,000

GOVERNMENT CAMP SANITARY DISTRICT INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the Government Camp Sanitary District, Government Camp, Oregon (District) as of and for the year ended June 30, 2023 and have issued our report thereon dated December 9, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- 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 District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 9, 2023.

Purpose of this Report

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



Teresa McGuire, CPA
Lauka McGuire, PC
Portland, Oregon
December 9, 2023