



**NEHALEM BAY WASTEWATER AGENCY**  
Nehalem, Oregon

**ANNUAL FINANCIAL REPORT**

**June 30, 2022**



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

AGENCY OFFICIALS

June 30, 2022

**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

Owen Nicholson  
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 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, 2022, 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 - Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2022, the Agency adopted new accounting guidance: GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 87, *Leases*, Statement No. 92, *Omnibus 2020*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. 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.

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 Nehalem Bay Wastewater Agency, Nehalem, Oregon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the Agency's proportionate share of the net pension/OPEB liability and Agency contributions, and budgetary comparison information on pages 5 through 9, and 42 through 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of the Agency's proportionate share of the net pension/OPEB liability and Agency contributions 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 management's discussion and analysis and schedules of the Agency's proportionate share of the net pension/OPEB liability and Agency contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **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 accompanying individual nonmajor fund financial statements, 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 nonmajor fund financial statements, 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 November 23, 2022 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:   
\_\_\_\_\_

Glen O. Kearns, CPA

Albany, Oregon  
November 23, 2022



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**INTRODUCTION**

As management of Nehalem Bay Wastewater Agency, Nehalem, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2022. It should be read in conjunction with the Agency's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2022, total net position of Nehalem Bay Wastewater Agency amounted to \$14,817,708. Of this amount, \$8,094,268 was invested in capital assets. The remaining balance included \$4,016,134 restricted for system development and \$2,707,306 of unrestricted net position.
- The Agency's total net position increased by \$68,177 during the current fiscal year.
- Overall revenues were \$1,933,084, which exceeded total expenses of \$1,864,907 by \$68,177.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Nehalem Bay Wastewater Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Both of the government-wide financial statements present functions of the Agency that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The business-type activities of the Agency include a wastewater service.

The government-wide financial statements can be found on pages 10 through 11 of this report.

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Nehalem Bay Wastewater Agency are proprietary funds.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Agency maintains three individual enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the proprietary funds statement of net position, statement of revenues, expenses, and changes in fund net position, and statement of cash flows for the General, System Development, and Improvement & Replacement Funds, all of which are considered to be major proprietary funds.

The basic proprietary fund financial statements can be found on pages 12 through 15 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 41 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedules of the Agency's proportionate share of the net pension/OPEB liability and Agency contributions, as well as the budgetary comparison information for the General Fund. This required supplementary information can be found on page 42 through 44 of this report.

The individual fund schedules are presented immediately following the required supplementary information on pages 45 through 46 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. At June 30, 2022, the Agency's assets exceeded liabilities by \$14,817,708.

A large portion of the Agency's net position reflects its investment in capital assets (e.g., land, buildings, and equipment). The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Agency's Net Position**

At the end of the current fiscal year, the Agency was able to report positive balances in all categories of net position. The Agency's net position increased by \$68,177 during the current fiscal year. This increase is primarily due to diligent cost management.

Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	<b>Business-Type Activities</b>	
	2022	2021
<b>Assets</b>		
Current and other assets	\$ 3,242,208	\$ 3,121,533
Restricted assets	3,998,414	3,683,664
Net capital assets	8,094,268	8,463,783
Total assets	15,334,890	15,268,980
<b>Total deferred outflows of resources</b>	178,132	177,153
<b>Liabilities</b>		
Current and other liabilities	60,355	23,950
Noncurrent liabilities	304,353	584,858
Total liabilities	364,708	608,808
<b>Total deferred inflows of resources</b>	330,606	87,794
<b>Net position</b>		
Net investment in capital assets	8,094,268	8,463,783
Restricted for system development	4,016,134	3,678,863
Unrestricted	2,707,306	2,606,885
Total net position	\$ 14,817,708	\$ 14,749,531

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Agency's Changes in Net Position**

The condensed statement of activities information shown below explains changes in net position.

**Changes in Net Position**

	<b>Business-Type Activities</b>	
	2022	2021
<b>Program revenues</b>		
Charges for services	\$ 1,463,121	\$ 1,372,608
Total program revenues	1,463,121	1,372,608
<b>General revenues</b>		
Property taxes	437,756	444,900
Investment earnings	32,207	47,974
Total general revenues	469,963	492,874
Total revenues	1,933,084	1,865,482
<b>Program expenses</b>		
Wastewater services	1,864,907	1,960,022
<b>Change in net position</b>	68,177	(94,540)
<b>Net position - beginning, as restated</b>	14,749,531	14,844,071
<b>Net position - ending</b>	\$ 14,817,708	\$ 14,749,531

**FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Proprietary Funds**

The Agency's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary funds amounted to \$14,817,708 at year-end. Of this amount, \$8,094,268 was invested in capital assets. The remaining balance included \$4,016,134 restricted for system development and \$2,707,306 of unrestricted net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the total net position of the General Fund amounted to \$9,551,705. Of this amount, \$8,094,268 was invested in capital assets and the remaining balance of \$1,457,437 was unrestricted.

**BUDGETARY HIGHLIGHTS**

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

**CAPITAL ASSETS**

The Agency's investment in capital assets for its business-type activities as of June 30, 2022 amounted to \$8,094,268, net of accumulated depreciation. This investment in capital assets includes land and easements, buildings and sewer system, equipment, vehicles, and office equipment. Depreciation expense for the year amounted to \$511,313.

Additional information on the Agency's capital assets can be found on pages 25 through 26 of this report.

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

At the time these financial statements were prepared and audited, the Agency was aware of the following circumstances that could affect its future financial health:

- The Agency relies on its 2014-2034 facility master plan as a guide and as always will operate with fiscal responsibility; we will continue to prioritize and complete these projects without the need of bonds or loans.
- The cost of health insurance has a projected increase of 4.5% as reported by SDIS for 2022-2023.
- The budget assumptions used to prepare the budget for 2022-2023 included a 5% cost of living increase based on the West Urban Region CPU-I of 8.1% rounded down.
- In the continuing effort to keep employee costs down, the Agency will continue to use the local contractors to perform needed sewer repairs, construction and televising of the sewer system.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Bruce Halverson, Manager, Nehalem Bay Wastewater Agency, P.O. Box 219, Nehalem, Oregon 97131.

## **BASIC FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION

June 30, 2022

	Business-Type Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,977,040
Accounts receivable	214,083
Liens receivable	10,816
Interest receivable	2,480
Property taxes receivable	16,484
Prepaid expenses	21,305
Total current assets	3,242,208
Restricted assets	
Cash and cash equivalents	3,998,414
Capital assets not being depreciated	133,020
Capital assets being depreciated, net	7,961,248
Total assets	15,334,890
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	178,132
<b>LIABILITIES</b>	
Current liabilities	
Payroll liabilities	16,028
Compensated absences	44,327
Total current liabilities	60,355
Noncurrent liabilities	
Net pension liability	262,440
OPEB medical liability	41,913
Total noncurrent liabilities	304,353
Total liabilities	364,708
<b>DEFERRED INFLOWS OF RESOURCES</b>	330,606
<b>NET POSITION</b>	
Net investment in capital assets	8,094,268
Restricted for system development	4,016,134
Unrestricted	2,707,306
Total net position	\$ 14,817,708

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



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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
Business-type activities				
Wastewater services	\$ 1,864,907	\$ 1,463,121	\$ -	\$ (401,786)
General revenues				
Property taxes				437,756
Investment earnings				32,207
Total general revenues				469,963
Change in net position				68,177
Net position - beginning, as restated				14,749,531
Net position - ending				\$ 14,817,708

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

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

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,727,171	\$ -	\$ 1,249,869	\$ 2,977,040
Accounts receivable	214,083	-	-	214,083
Liens receivable	8,016	2,800	-	10,816
Interest receivable	2,480	-	-	2,480
Property taxes receivable	16,484	-	-	16,484
Intergovernmental receivable	-	14,920	-	14,920
Prepaid expenses	21,305	-	-	21,305
Total current assets	<u>1,989,539</u>	<u>17,720</u>	<u>1,249,869</u>	<u>3,257,128</u>
Restricted assets				
Cash and cash equivalents	-	3,998,414	-	3,998,414
Capital assets not being depreciated	133,020	-	-	133,020
Capital assets being depreciated, net	7,961,248	-	-	7,961,248
Total assets	<u>10,083,807</u>	<u>4,016,134</u>	<u>1,249,869</u>	<u>15,349,810</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>178,132</u>	<u>-</u>	<u>-</u>	<u>178,132</u>
<b>LIABILITIES</b>				
Current liabilities				
Payroll liabilities	16,028	-	-	16,028
Intergovernmental payable	14,920	-	-	14,920
Compensated absences	44,327	-	-	44,327
Total current liabilities	<u>75,275</u>	<u>-</u>	<u>-</u>	<u>75,275</u>
Noncurrent liabilities				
Net pension liability	262,440	-	-	262,440
Net OPEB medical liability	41,913	-	-	41,913
Total noncurrent liabilities	<u>304,353</u>	<u>-</u>	<u>-</u>	<u>304,353</u>
Total liabilities	<u>379,628</u>	<u>-</u>	<u>-</u>	<u>379,628</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>330,606</u>	<u>-</u>	<u>-</u>	<u>330,606</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,094,268	-	-	8,094,268
Restricted for system development	-	4,016,134	-	4,016,134
Unrestricted	1,457,437	-	1,249,869	2,707,306
Total net position	<u>\$ 9,551,705</u>	<u>\$ 4,016,134</u>	<u>\$ 1,249,869</u>	<u>\$ 14,817,708</u>

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
Operating revenues				
User fees	\$ 1,232,844	\$ -	\$ -	\$ 1,232,844
Septage fees	2,007	-	-	2,007
Inspections, permits, and other fees	3,609	-	-	3,609
Miscellaneous	39,147	-	-	39,147
Total operating revenues	<u>1,277,607</u>	<u>-</u>	<u>-</u>	<u>1,277,607</u>
Operating expenses				
Wages and payroll costs	654,209	-	-	654,209
Administrative expenses	17,328	-	-	17,328
Board expenses	15,581	-	-	15,581
Contract services	21,371	-	-	21,371
Depreciation	511,313	-	-	511,313
Engineering and surveying	35,642	-	-	35,642
Insurance	45,336	-	-	45,336
Legal and audit	9,250	-	-	9,250
Office expenses	9,335	-	-	9,335
Operating and safety supplies	44,847	-	-	44,847
Repairs and maintenance	223,190	159,144	7,655	389,989
Utilities	66,456	-	-	66,456
Vehicle expenses	44,250	-	-	44,250
Total operating expenses	<u>1,698,108</u>	<u>159,144</u>	<u>7,655</u>	<u>1,864,907</u>
Operating income (loss)	<u>(420,501)</u>	<u>(159,144)</u>	<u>(7,655)</u>	<u>(587,300)</u>
Nonoperating revenues (expenses)				
Property taxes	435,355	-	-	435,355
System development charges	-	187,915	-	187,915
Investment earnings	8,691	17,915	5,601	32,207
Total nonoperating revenues (expenses)	<u>444,046</u>	<u>205,830</u>	<u>5,601</u>	<u>655,477</u>
Income (loss) before contributions and transfers	23,545	46,686	(2,054)	68,177
Transfers in	135,563	374,400	140,400	650,363
Transfers out	(514,800)	(83,815)	(51,748)	(650,363)
Change in net position	(355,692)	337,271	86,598	68,177
Total net position - beginning, as restated	<u>9,907,397</u>	<u>3,678,863</u>	<u>1,163,271</u>	<u>14,749,531</u>
Total net position - ending	<u>\$ 9,551,705</u>	<u>\$ 4,016,134</u>	<u>\$ 1,249,869</u>	<u>\$ 14,817,708</u>

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

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

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,284,761	\$ -	\$ -	\$ 1,284,761
Payments to employees	(655,761)	-	-	(655,761)
Payments to suppliers	(503,816)	(142,248)	(6,565)	(652,629)
Net cash provided (used) by operating activities	<u>125,184</u>	<u>(142,248)</u>	<u>(6,565)</u>	<u>(23,629)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Property taxes	450,377	-	-	450,377
Net cash provided (used) by noncapital financing activities	<u>450,377</u>	<u>-</u>	<u>-</u>	<u>450,377</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
System development charges	-	148,498	-	148,498
Acquisition and construction of capital assets	(6,235)	(83,815)	(51,748)	(141,798)
Transfer to other funds for capital purposes	(514,800)	-	-	(514,800)
Transfer from other funds for capital purposes	-	374,400	140,400	514,800
Net cash provided (used) by capital and related financing activities	<u>(521,035)</u>	<u>439,083</u>	<u>88,652</u>	<u>6,700</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	8,691	17,915	5,601	32,207
Net cash provided (used) by investing activities	<u>8,691</u>	<u>17,915</u>	<u>5,601</u>	<u>32,207</u>
Net increase (decrease) in cash and cash equivalents	63,217	314,750	87,688	465,655
Cash and cash equivalents - beginning	<u>1,663,954</u>	<u>3,683,664</u>	<u>1,162,181</u>	<u>6,509,799</u>
Cash and cash equivalents - ending	<u>\$ 1,727,171</u>	<u>\$ 3,998,414</u>	<u>\$ 1,249,869</u>	<u>\$ 6,975,454</u>

(Continued)

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

(Continued)

	Business-Type Activities - Enterprise Funds			Totals
	General	System Development	Improvement & Replacement	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (420,501)	\$ (159,144)	\$ (7,655)	\$ (587,300)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	511,313	-	-	511,313
(Increase) decrease in:				
Accounts receivable	7,444	-	-	7,444
Intergovernmental receivable/ payable	16,896	16,896	-	33,792
Prepaid expenses	11,874	-	1,090	12,964
Deferred outflows	(979)			
Increase (decrease) in:				
Deferred revenue	2,111	-	-	2,111
Deferred inflows	240,701	-	-	240,701
Payroll liabilities	(7,497)	-	-	(7,497)
Compensated absences	44,327	-	-	44,327
Net pension and OPEB liability	(280,505)	-	-	(280,505)
Net cash provided (used) by operating activities	<u>\$ 125,184</u>	<u>\$ (142,248)</u>	<u>\$ (6,565)</u>	<u>\$ (22,650)</u>
<b>Noncash investing, capital, and financing activities</b>				
Transfers of capital assets	<u>\$ 135,562</u>	<u>\$ -</u>	<u>\$ (51,748)</u>	<u>\$ 83,814</u>

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, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

*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.

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

June 30, 2022

*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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

**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.



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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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, Deferred Outflows/Inflows of Resources, 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**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**3. Accounts Receivable**

Receivables of the enterprise funds are recorded as revenue when earned. No allowance for uncollectible accounts has been established, as management deems all receivables collectible.

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**5. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as *interfund receivables and payables*. Long-term interfund loans (noncurrent portion) are reported as *advances from and to other funds*. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

**6. 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

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

June 30, 2022

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

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

**8. 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.

**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. Uncollected property taxes are shown as assets in the governmental funds.

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

June 30, 2022

**3. Pensions**

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (credit), information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by 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.

The Agency has also established a deferred compensation plan under Internal Revenue Code Section 457. This plan is available to all employees and is administered by independent plan administrators.

**4. 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.

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

June 30, 2022

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. 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, 2022.

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	<u>Level 2</u>
Investments	
Oregon Local Government Investment Pool	<u>\$ 6,994,373</u>

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

June 30, 2022

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, 2022, the Agency had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 6,994,373

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.

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

June 30, 2022

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, 2022, the Agency's total deposits of \$120,197 were fully insured by the FDIC.

Deposits

The Agency's deposits and investments at June 30, 2022 are as follows:

Cash on hand	\$	250
Checking accounts		30,831
Total investments		<u>6,944,373</u>
 Total deposits and investments	 \$	 <u><u>6,975,454</u></u>

Cash and investments by fund:

Business-type activities - unrestricted		
General Fund	\$	1,727,171
Improvement & Replacement Fund		<u>1,249,869</u>
 Total business-type activities - unrestricted		 <u>2,977,040</u>
 Business-type activities - restricted		
System Development Fund		<u>3,998,414</u>
 Total cash and investments	 \$	 <u><u>6,975,454</u></u>

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

**B. Deferred Outflows/Inflows of Resources**

Deferred outflows/inflows of resources for the year ended June 30, 2022 are summarized below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 155,047	\$ (280,021)
Net OPEB medical liability	23,085	(4,790)
Unearned revenue	<u>-</u>	<u>(45,795)</u>
 Total (subsequent to post-MD contributions)	 <u><u>\$ 178,132</u></u>	 <u><u>\$ (330,606)</u></u>

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

June 30, 2022

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and easements	\$ 90,880	\$ -	\$ -	\$ 90,880
Construction in progress	35,905	6,235	-	42,140
Total capital assets not being depreciated	126,785	6,235	-	133,020
Capital assets being depreciated				
Buildings and sewer system	19,192,961	-	-	19,192,961
Equipment	1,058,595	94,739	-	1,153,334
Vehicles	154,944	40,823	-	195,767
Office equipment	185,881	-	-	185,881
Total capital assets being depreciated	20,592,381	135,562	-	20,727,943
Less accumulated depreciation for				
Buildings and sewer system	(11,243,455)	(456,579)	-	(11,700,034)
Equipment	(775,878)	(37,618)	-	(813,496)
Vehicles	(104,382)	(9,460)	-	(113,842)
Office equipment	(131,667)	(7,656)	-	(139,323)
Total accumulated depreciation	(12,255,382)	(511,313)	-	(12,766,695)
Total capital assets being depreciated, net	8,336,999	(375,751)	-	7,961,248
Business-type activities capital assets, net	\$ 8,463,784	\$ (369,516)	\$ -	\$ 8,094,268

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

Business-type activities	
Wastewater services	\$ 511,313



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

June 30, 2022

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	42,140	-	42,140
Buildings and sewer system	19,192,961	(11,700,034)	7,492,927
Equipment	1,153,334	(813,496)	339,838
Vehicles	195,767	(113,842)	81,925
Office equipment	185,881	(139,323)	46,558
Total capital assets	\$ 20,860,963	\$ (12,766,695)	\$ 8,094,268

**D. Interfund Transfers**

Interfund transfers during the year consisted of:

	System Development Fund	Transfers in: Improvement and Replacement Fund	Total
Transfers out:			
General Fund	\$ 374,400	\$ 140,400	\$ 514,800

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

**E. 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.

**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.

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

June 30, 2022

**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, 2021, there were 941 participating employers.

*Plan Membership*

As of June 30, 2021, there were 13,991 active plan members, 129,357 retired plan members or their beneficiaries currently receiving benefits, 9,103 inactive plan members entitled to but not yet receiving benefits, for a total of 152,451 Tier One members.

For Tier Two members, as of June 30, 2021, there were 29,322 active plan members, 18,832 retired plan members or their beneficiaries currently receiving benefits, 13,498 inactive plan members entitled to but not yet receiving benefits, for a total of 61,652.

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.

*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.

**NEHALEM BAY WASTEWATER AGENCY**  
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June 30, 2022

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 a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

*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.

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June 30, 2022

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.

*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.

**NEHALEM BAY WASTEWATER AGENCY**  
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**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, 2019 actuarial valuation, which became effective July 1, 2020. 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.

Employer contributions for the year ended June 30, 2022 were \$55,989.

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

June 30, 2022

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 July 1, 2019, through June 30, 2021, 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, 2019
Measurement Date	June 30, 2021
Experience Study	2018, published July 24, 2019
<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

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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 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2021 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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June 30, 2022

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

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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 2021 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/CAFR/2021-ACFR.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2021

<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%	20.8%
Public Equity	27.5%	37.5%	32.5%	29.4%
Real Estate	9.5%	15.5%	12.5%	10.5%
Private Equity	14.0%	21.0%	17.5%	25.1%
Alternatives Portfolio	7.5%	17.5%	15.0%	9.5%
Opportunity Portfolio <sup>1</sup>	0.0%	5.0%	0.0%	2.3%
Risk Parity	0.0%	2.5%	2.5%	2.4%
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 6/30/2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2022, the Agency reported a liability of \$262,440 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Agency's proportion was 0.00219313%. For the year ended June 30, 2021, the Agency recognized pension expense of \$21,779. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,566	\$ -
Changes of assumptions	65,697	(691)
Net difference between projected and actual earnings on investments	-	(194,283)
Changes in proportionate share	9,860	(59,473)
Differences between employer contributions and employer's proportionate share of system contributions	-	(25,574)
Total (prior to post-MD contributions)	100,123	(280,021)
Contributions subsequent to the MD	54,924	-
Total (subsequent to post-MD contributions)	\$ 155,047	\$ (280,021)

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2021 measurement period is 5.4 years. Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
Employer subsequent fiscal years:	
1st Fiscal Year	\$ (32,687)
2nd Fiscal Year	(38,786)
3rd Fiscal Year	(47,345)
4th Fiscal Year	(61,846)
5th Fiscal Year	767

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

June 30, 2022

*Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a higher discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate.

Agency's proportionate share of the net pension liability (asset):

1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
\$ 515,370	\$ 262,440	\$ 50,830

*Changes Subsequent to the Measurement Date*

On July 15, 2021, Portland Public Schools issued pension obligation bonds resulting in a lump-sum deposit to a new side account with PERS totaling \$398,665,572. On August 13, 2021, 22 school district employers issued pension obligation bonds resulting in lump-sum deposits to new side accounts with PERS totaling \$654,583,738. On August 31, 2021, five community college employers issued pension obligation bonds resulting in lump-sum deposits to new side accounts totaling \$212,080,721. On September 28, 2021, one school district employer issued pension obligation bonds resulting in a lumpsum deposit to a new side account totaling \$73,908,669. On July 23, 2021, the PERS Board voted to set the assumed rate of return to 6.9 percent, down from 7.2 percent. The PERS Board reviews the assumed rate in odd-numbered years as part of the board's adoption of actuarial methods and assumptions. The rate was then adopted in an administrative rule at the PERS Board's October 1, 2021, meeting. The new assumed rate will be reflected in the December 31, 2021 actuarial valuation for funding, and decreases in the assumed rate typically increase the system's unfunded actuarial liability as well as employer contribution rates. The new assumed rate was applied by the actuaries to the Net Pension Liability and Net OPEB Liability as of June 30, 2021.

**C. Other Post-Employment Benefits (GASB 75) - Agency Medical Benefit Plan**

**1. Other Post-Employment Benefit (OPEB) Agency Medical Benefit Plan (the Plan)**

*General Information about the OPEB Plan*

Name of OPEB Plan

The Agency provides a post-employment health benefits program for employees who have retired early from the Agency. Covered employees under the plan are eligible to receive Agency-paid benefits until reaching the age of eligibility for Medicare benefits.

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Benefits accrue at 4% per year of service and terminate at death. The program was established by Resolution 10-98. Eligible employees had completed ten years of service to the Agency upon adoption of the resolution.

Description of Benefit Terms

*Plan Benefits – Implicit Medical Benefit*

Plan benefits are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 243. ORS stipulated that for the purpose of establishing health care premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the Agency's implicit employer contributions.

The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

*Medical Benefit Membership and Eligibility*

All employee of the Agency retiring from active service with a pension benefit are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage.

*Medical Benefit Duration and Amount*

Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

*Participant Statistics*

As of July 1, 2021, there were 6 active participants and 1 retired member in the Medical Benefit plan. The average age of active and retired participants is 52.3 and 64, respectively.

The Agency did not establish an irrevocable trust (or equivalent arrangement) to account for this plan.

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June 30, 2022

*Funding Policy*

The benefits from this program are paid by the Agency on a self-pay basis and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation on the part of the Agency to fund these benefits in advance.

Actuarial Methods and Assumptions:

The Agency engaged an actuary to perform an evaluation as of July 1, 2021 using age entry normal, level percent of salary Actuarial Cost Method.

The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Valuation Date	July 1, 2021
Measurement Date/Fiscal Year Ends	June 30, 2022 and June 30, 2023
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Salary Increases	3.40 percent
General Inflation Rate	2.4 percent
Discount Rate	2.16 percent for June 30, 2022 reporting date

Mortality rates were based on the RP=2000 Active/Healthy white-collar male and female tables, as appropriate and were projected on a generational basis using Scale BB for males and females.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Current medical and vision premiums were modeled using an average monthly premium of \$931 for retirees and \$931 for spouses. Dental premiums were modeled using average monthly premiums of \$52 for retirees and \$46 for spouses.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

*Changes in Medical Benefit OPEB Liability*

Total OPEB Liability at June 30, 2021	\$	<u>33,591</u>
Changes for the year:		
Service costs and changes in assumptions		2,303
Interest		780
Economic/demographic gains or losses		9,595
Change in assumptions		(3,194)
Benefit payments		<u>(1,162)</u>
Net changes		<u>8,322</u>
Total OPEB Liability at June 30, 2022	\$	<u>41,913</u>

*Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates*

The following presents the net OPEB liability, calculated using the discount rate of 3.50%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate.

<u>June 30 Disclosure</u>	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB Liability	\$ 43,576	\$ 41,913	\$ 40,273

The following presents the net OPEB liability, calculated using the trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>June 30 Disclosure</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 39,466	\$ 41,913	\$ 44,632

At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,072	\$ (1,510)
Changes in assumptions	3,720	(3,280)
Benefit payments	<u>11,293</u>	<u>-</u>
Total	<u>\$ 23,085</u>	<u>\$ (4,790)</u>

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

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Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

<u>Employer subsequent fiscal years:</u>	<u>Deferred Outflow/ (Inflow) of Resources (prior to post- measurement date contributions)</u>
1st Fiscal Year	\$ 1,291
2nd Fiscal Year	1,291
3rd Fiscal Year	1,332
4th Fiscal Year	1,445
5th Fiscal Year	1,295
Thereafter	348

**D. Restatement**

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

<u>Government-Wide Restatement</u>	<u>Business-Type Activities</u>
Net Position - beginning, as originally reported	\$ 14,969,943
To correct construction in progress	(254,766)
To correct accruals carried over	34,354
Net Position - beginning, as restated	\$ 14,749,531
<u>GAAP Restatement</u>	<u>General Fund</u>
Net Position - beginning, as originally reported	\$ 10,127,809
To correct construction in progress	(254,766)
To correct accruals carried over	34,354
Net Position - beginning, as restated	\$ 9,907,397

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

June 30, 2022

<u>Budget Basis Restatement</u>	<u>General Fund</u>
Net Position - beginning, as originally reported	\$ 1,706,283
To correct accruals carried over	<u>34,354</u>
Net Position - beginning, as restated	<u>\$ 1,740,637</u>

**E. New Pronouncements**

For the fiscal year ended June 30, 2022, the Agency implemented the following new accounting standards:

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension/OPEB plans and employee benefit plans other than pension/OPEB plans, as fiduciary component units in fiduciary fund financial statement; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meets the definition of a pension plan and for benefits provided through those plans.

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. 89, Accounting for Interest Cost Incurred before the End of a Construction Period - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2021 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

**F. Subsequent Events**

Management has evaluated subsequent events through November 23, 2022, which was the date that the financial statements were available to be issued.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULES OF THE AGENCY'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET) AND AGENCY CONTRIBUTIONS

**OREGON PERS SYSTEM**

**Schedule of the Agency's Proportionate Share of the Net Pension Liability (Asset)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability (asset)	0.0021931%	0.0025260%	0.0026646%	0.0026216%	0.0022949%	0.0023821%	0.0020521%	0.0019744%
Agency's proportionate share of the net pension liability (asset)	\$ 262,440	\$ 551,267	\$ 460,910	\$ 397,130	\$ 309,356	\$ 357,612	\$ 177,821	\$ (44,753)
Agency's covered-employee payroll	\$ 424,838	\$ 474,944	\$ 448,235	\$ 402,363	\$ 337,025	\$ 374,854	\$ 349,854	\$ 328,849
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62%	116%	103%	99%	92%	95%	51%	-14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	87.60%	75.79%	80.20%	82.07%	83.12%	80.53%	91.88%	103.59%

**Schedule of Agency Contributions**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 55,989	\$ 52,998	\$ 43,541	\$ 27,247	\$ 35,622	\$ 21,720	\$ 19,719	\$ 36,023
Contributions in relation to the contractually required contribution	<u>(55,989)</u>	<u>(52,998)</u>	<u>(43,541)</u>	<u>(27,247)</u>	<u>(35,622)</u>	<u>(21,720)</u>	<u>(19,719)</u>	<u>(36,023)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 447,014	\$ 431,408	\$ 457,375	\$ 457,909	\$ 453,909	\$ 429,619	\$ 368,967	\$ 370,081
Contributions as a percentage of covered-employee payroll	13%	12%	10%	6%	8%	5%	5%	10%

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

SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)  
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

**AGENCY MEDICAL BENEFIT PLAN**

Schedule of Changes	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total Medical Benefit Pension Liability - beginning</b>	\$ 33,591	\$ 29,268	\$ 25,453
Changes for the year:			
Service costs and changes in assumptions	2,303	1,940	1,596
Interest	780	1,086	1,037
Change in assumptions	(3,194)	1,674	(2,587)
Economic/ demographic gains or losses	9,595	-	4,306
Benefit Payments	<u>(1,162)</u>	<u>(377)</u>	<u>(537)</u>
Net changes for the year	<u>8,322</u>	<u>4,323</u>	<u>3,815</u>
<b>Total Medical Benefit Pension Liability - ending</b>	<u>\$ 41,913</u>	<u>\$ 33,591</u>	<u>\$ 29,268</u>
Agency's covered-employee payroll	\$ 447,014	\$ 431,408	\$ 457,375
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	9.38%	7.79%	6.40%

**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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Current year taxes	\$ 450,732	\$ (30,568)	\$ 420,164	\$ -	\$ 420,164
Prior year taxes	15,000	191	15,191	-	15,191
User fees	1,263,600	(3,268)	1,260,332	(27,488)	1,232,844
RV dump site fees	2,500	(493)	2,007	-	2,007
Permits and inspections	2,000	961	2,961	-	2,961
Lab tests	1,000	(352)	648	-	648
Investment earnings	25,000	(16,309)	8,691	-	8,691
Miscellaneous	15,500	23,647	39,147	-	39,147
Total revenues	<u>1,775,332</u>	<u>(26,191)</u>	<u>1,749,141</u>	<u>(27,488)</u>	<u>1,721,653</u>
<b>EXPENSES</b>					
Current					
Personnel services	736,862	(30,718)	706,144	(51,935)	654,209
Materials and services	1,946,850	(1,408,029)	538,821	(6,235)	532,586
Capital outlay	3,000	(3,000)	-	-	-
Depreciation	-	-	-	511,313	511,313
Contingency	426,420	(426,420)	-	-	-
Total expenses	<u>3,113,132</u>	<u>(1,868,167)</u>	<u>1,244,965</u>	<u>453,143</u>	<u>1,698,108</u>
Excess (deficiency) of revenues over (under) expenses	<u>(1,337,800)</u>	<u>1,841,976</u>	<u>504,176</u>	<u>(480,631)</u>	<u>23,545</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	135,563	135,563
Transfers out	<u>(514,800)</u>	<u>-</u>	<u>(514,800)</u>	<u>-</u>	<u>(514,800)</u>
Total other financing sources (uses)	<u>(514,800)</u>	<u>-</u>	<u>(514,800)</u>	<u>135,563</u>	<u>(379,237)</u>
Change in net position	(1,852,600)	1,841,976	(10,624)	(345,068)	(355,692)
Net position - beginning, as restated	<u>1,000,000</u>	<u>740,637</u>	<u>1,740,637</u>	<u>8,166,760</u>	<u>9,907,397</u>
Net position - ending	<u>\$ (852,600)</u>	<u>\$ 2,582,613</u>	<u>\$ 1,730,013</u>	<u>\$ 7,821,692</u>	<u>\$ 9,551,705</u>

**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

SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
<b>REVENUES</b>					
System development charges	\$ 102,192	\$ 85,723	\$ 187,915	\$ -	\$ 187,915
Investment earnings	<u>24,240</u>	<u>(6,325)</u>	<u>17,915</u>	<u>-</u>	<u>17,915</u>
Total revenues	<u>126,432</u>	<u>79,398</u>	<u>205,830</u>	<u>-</u>	<u>205,830</u>
<b>EXPENSES</b>					
Capital outlay	<u>1,098,000</u>	<u>(855,041)</u>	<u>242,959</u>	<u>(83,815)</u>	<u>159,144</u>
Excess (deficiency) of revenues over (under) expenses	<u>(971,568)</u>	<u>934,439</u>	<u>(37,129)</u>	<u>83,815</u>	<u>46,686</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	374,400	-	374,400	-	374,400
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,815)</u>	<u>(83,815)</u>
Total other financing sources (uses)	<u>374,400</u>	<u>-</u>	<u>374,400</u>	<u>(83,815)</u>	<u>290,585</u>
Change in net position	(597,168)	934,439	337,271	-	337,271
Net position - beginning	<u>2,500,000</u>	<u>1,178,863</u>	<u>3,678,863</u>	<u>-</u>	<u>3,678,863</u>
Net position - ending	<u>\$ 1,902,832</u>	<u>\$ 2,113,302</u>	<u>\$ 4,016,134</u>	<u>\$ -</u>	<u>\$ 4,016,134</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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Investment earnings	\$ 7,800	\$ (2,199)	\$ 5,601	\$ -	\$ 5,601
<b>EXPENSES</b>					
Capital outlay	<u>101,600</u>	<u>(42,197)</u>	<u>59,403</u>	<u>(51,748)</u>	<u>7,655</u>
Excess (deficiency) of revenues over (under) expenses	(93,800)	39,998	(53,802)	51,748	(2,054)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	140,400	-	140,400	-	140,400
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,748)</u>	<u>(51,748)</u>
Total other financing sources (uses)	<u>140,400</u>	<u>-</u>	<u>140,400</u>	<u>(51,748)</u>	<u>88,652</u>
Change in net position	46,600	39,998	86,598	-	86,598
Net position - beginning	<u>900,000</u>	<u>263,271</u>	<u>1,163,271</u>	<u>-</u>	<u>1,163,271</u>
Net position - ending	<u>\$ 946,600</u>	<u>\$ 303,269</u>	<u>\$ 1,249,869</u>	<u>\$ -</u>	<u>\$ 1,249,869</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, 2022

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2022	2021
<b>EXPENSES</b>				
Personnel services				
5006 - General manager	\$ 112,020	\$ 483	\$ 112,503	\$ 109,799
5007 - System worker II	68,772	(22)	68,750	67,418
5008 - Paid Overtime	12,000	(12,000)	-	-
5010 - System worker II	68,772	333	69,105	68,034
5011 - Technician I	59,412	(21)	59,391	58,227
5012 - System worker II	67,953	1,434	69,387	64,739
5013 - Executive assistant	67,680	198	67,878	63,191
5103 - Social security	28,310	(626)	27,684	26,747
5115 - Medicare tax	6,621	(146)	6,475	6,256
5104 - Worker's compensation	6,800	3,827	10,627	5,167
5101 - Unemployment tax	500	43	543	415
5102 - Health and accident insurance	181,720	(23,908)	157,812	144,675
5105 - Retirement contributions	56,302	(313)	55,989	52,998
Total personnel services	<u>736,862</u>	<u>(30,718)</u>	<u>706,144</u>	<u>667,666</u>
Materials and services				
Utilities				
5201 - Electricity	46,350	438	46,788	47,203
5202 - Water	7,700	197	7,897	8,488
5203 - Garbage	950	(119)	831	902
5204 - Telephone	12,000	(3,046)	8,954	9,260
5206 - Propane	4,000	(2,014)	1,986	1,422
Total utilities	<u>71,000</u>	<u>(4,544)</u>	<u>66,456</u>	<u>67,275</u>
Administrative expenses				
5307 - Bank and one call fees	6,000	(5)	5,995	5,216
5302 - Schools and training	10,000	(8,550)	1,450	1,949
5303 - Elections, notices, and advert	2,500	(852)	1,648	571
5304 - Travel, auto, and mileage	3,000	(2,712)	288	332
5306 - Taxes, licenses, permits, and	12,000	(4,053)	7,947	10,012
5309 - Software/computer expense	30,000	(8,629)	21,371	18,069
Total administrative expenses	<u>63,500</u>	<u>(24,801)</u>	<u>38,699</u>	<u>36,149</u>

(Continued)

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

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2022

(Continued)

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2022	2021
<b>EXPENSES (Continued)</b>				
Materials and services (continued)				
Office expenses				
5402 - Professional clothing	\$ 2,500	\$ (606)	\$ 1,894	\$ 1,138
5401 - Office supplies	10,000	(5,449)	4,551	3,961
5403 - Safety supplies	10,000	(5,264)	4,736	3,298
5404 - Postage	6,000	(1,216)	4,784	4,626
5405 - Lab supplies	4,000	(2,966)	1,034	2,263
5406 - Chemicals	50,000	(21,822)	28,178	30,467
5407 - Disaster preparedness	75,000	(65,995)	9,005	19,733
Total office expenses	<u>157,500</u>	<u>(103,318)</u>	<u>54,182</u>	<u>65,486</u>
Outside services				
5501 - Legal	5,000	(5,000)	-	-
5502 - Audit	10,250	(1,000)	9,250	9,250
5505 - Survey and engineering	30,000	5,642	35,642	4,265
5506 - Contract services	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>
Total outside services	<u>115,250</u>	<u>(70,358)</u>	<u>44,892</u>	<u>13,515</u>
Maintenance and repairs				
5601 - Vehicle operation	45,000	(750)	44,250	33,322
5603 - Buildings and grounds	115,000	(51,513)	63,487	12,090
5605 - Collection system	100,000	(34,026)	65,974	60,724
5606 - Lift stations	75,000	(5,345)	69,655	41,879
5607 - Treatment plant	<u>100,000</u>	<u>(69,691)</u>	<u>30,309</u>	<u>72,254</u>
Total maintenance and repairs	<u>435,000</u>	<u>(161,325)</u>	<u>273,675</u>	<u>220,269</u>
Board of directors				
5701 - Board expenses	6,000	9,364	15,364	1,708
5702 - Travel and lodging	4,000	(4,000)	-	-
5704 - School and training	<u>2,000</u>	<u>(1,783)</u>	<u>217</u>	<u>-</u>
Total board of directors	<u>12,000</u>	<u>3,581</u>	<u>15,581</u>	<u>1,708</u>

(Continued)

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

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2022

(Continued)

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2022	2021
<b>EXPENSES (Continued)</b>				
Materials and services (continued)				
Insurance				
5801 - Liability and property	\$ 40,000	\$ 5,336	\$ 45,336	\$ 39,462
5802 - Claims deductible	5,000	(5,000)	-	-
Health insurance reserve	<u>3,000</u>	<u>(3,000)</u>	<u>-</u>	<u>115</u>
Total insurance	<u>48,000</u>	<u>(2,664)</u>	<u>45,336</u>	<u>39,577</u>
Total materials and services	<u>902,250</u>	<u>(363,429)</u>	<u>538,821</u>	<u>443,979</u>
Contingency	<u>426,420</u>	<u>(426,420)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 2,068,532</u>	<u>\$ (823,567)</u>	<u>\$ 1,244,965</u>	<u>\$ 1,111,760</u>

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

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2022

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2022	2021
<b>EXPENSES</b>				
Capital outlay				
Treatment plant improvements	\$ 598,000	\$ (454,928)	\$ 143,072	\$ 289,484
Outside services	200,000	(192,076)	7,924	13,308
System improvements	<u>300,000</u>	<u>(208,037)</u>	<u>91,963</u>	<u>-</u>
Total expenses	<u>\$ 1,098,000</u>	<u>\$ (855,041)</u>	<u>\$ 242,959</u>	<u>\$ 302,792</u>

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

COMPARATIVE SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

IMPROVEMENT & REPLACEMENT FUND

For the Year Ended June 30, 2022

	Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	
			2022	2021
<b>EXPENSES</b>				
Capital outlay				
Equipment	\$ 51,600	\$ (45,036)	\$ 6,564	\$ 96,810
State/federal compliance	20,000	(18,909)	1,091	-
Building improvements	<u>30,000</u>	<u>(19,076)</u>	<u>10,924</u>	<u>18,682</u>
 Total expenses	 <u>\$ 101,600</u>	 <u>\$ (83,021)</u>	 <u>\$ 18,579</u>	 <u>\$ 115,492</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, 2022 and have issued our report thereon dated November 23, 2022. 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 November 23, 2022.

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  
November 23, 2022