

HARBOR SANITARY DISTRICT
Brookings, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

DISTRICT OFFICIALS

June 30, 2023

BOARD OF DIRECTORS

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P.O. Box 2457
Brookings, Oregon 97415

John Donnelly, Vice Chair
P.O. Box 2457
Brookings, Oregon 97415

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P.O. Box 2457
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ADMINISTRATION AND REGISTERED AGENT

Kelly Beebe
District Manager
P.O. Box 2457
Brookings, Oregon 97415

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

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FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harbor Sanitary District
Brookings, Oregon 97415

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Harbor Sanitary District, Brookings, Oregon as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Harbor Sanitary District as of June 30, 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harbor Sanitary District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Harbor Sanitary District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harbor Sanitary District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 30, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Supplementary Information

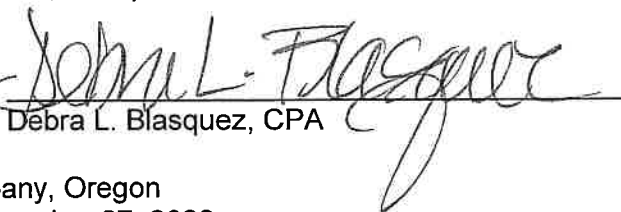
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harbor Sanitary District's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 27, 2023 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Blasquez & Associates, P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
November 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

HARBOR SANITARY DISTRICT
Brookings, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

- At June 30, 2023, total net position of Harbor Sanitary District amounted to \$11,610,163. Of this amount, \$2,947,307 was invested in capital assets and \$542,035 was restricted for systems development. The remaining balance of \$8,120,821 was unrestricted.
- The District's total net position increased by \$928,851 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Harbor Sanitary District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic 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 District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District'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 District is improving or deteriorating.

The statement of activities presents information showing how the District'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., earned but unused vacation and sick leave).

The government-wide financial statements can be found on pages 11 through 12 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 Harbor Sanitary District are governmental funds.

HARBOR SANITARY DISTRICT
Brookings, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects, and Construction Funds, all of which are considered to be major governmental funds, as well as for the HSD Systems Development Fund, which is considered to be a nonmajor governmental fund.

Harbor Sanitary District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 13 through 16 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 data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 29 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 budgetary comparison information for the General Fund. This required supplementary information can be found on page 30 of this report.

The individual fund schedules are presented immediately following the required supplementary information on pages 31 through 33 of this report.

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2023, the District's assets exceeded liabilities by \$11,610,163.

A large portion of the District's net position (25.4%) reflects its investment in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

District's Net Position

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. The District's net position increased by \$928,851 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2023	2022
Assets		
Current assets	\$ 8,193,509	\$ 7,247,200
Restricted assets	542,035	507,117
Net capital assets	2,947,307	3,010,792
 Total assets	 11,682,851	 10,765,109
 Liabilities and deferred inflows of resources		
Current liabilities	36,924	47,773
Noncurrent liabilities	21,518	18,854
Deferred inflows of resources	14,246	17,170
 Total liabilities and deferred inflows of resources	 72,688	 83,797
 Net position		
Investment in capital assets	2,947,307	3,010,792
Restricted for systems development	542,035	507,117
Unrestricted	8,120,821	7,163,403
 Total net position	 \$ 11,610,163	 \$ 10,681,312

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Changes in Net Position

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

Condensed Statement of Activities

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Program revenues		
Charges for services	\$ 1,545,808	\$ 1,577,631
Capital grants and contributions	<u>29,696</u>	<u>44,256</u>
Total program revenues	<u>1,575,504</u>	<u>1,621,887</u>
General revenues		
Investment earnings	237,333	42,216
Miscellaneous	<u>3,391</u>	<u>3,679</u>
Total general revenues	<u>240,724</u>	<u>45,895</u>
Total revenues	1,816,228	1,667,782
Program expenses		
Wastewater collection	<u>887,377</u>	<u>1,170,456</u>
Change in net position	928,851	497,326
Net position - beginning of year	<u>10,681,312</u>	<u>10,183,986</u>
Net position - end of year	<u>\$ 11,610,163</u>	<u>\$ 10,681,312</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

Significant Changes in Major Governmental Fund Balances

- Construction Fund: The 35.3% increase in assigned fund balance can be attributed to the Sewer Line Improvements Project scheduled for 2023-2024.

HARBOR SANITARY DISTRICT
Brookings, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, the District's major governmental funds reported combined fund balances of \$8,142,339, an increase of \$960,082 over the prior year. Of this amount, there was \$23,173 of nonspendable amounts related to prepaid expenses, \$4,185,043 assigned to capital acquisitions, and \$2,490,302 assigned to system construction. The remaining \$1,443,821 constitutes unassigned fund balance, which is available for spending at the District's discretion.

Analysis of Revenues and Expenditures

Combined revenues for the fiscal year totaled \$1,816,228, compared to the prior year total of \$1,667,782, which is an increase of 8.9%. Combined expenditures for the fiscal year totaled \$821,228 compared to the prior year total of \$1,066,526, which is a decrease of 23%. The table below presents a comparison of revenues and expenditures by category for the years ended June 30, 2023 and 2022.

	2023	2022
Revenues		
Charges for services	\$ 1,544,216	\$ 1,574,377
Connection charges	1,592	3,254
STE charges	29,696	44,256
Investment earnings	237,334	42,216
Miscellaneous	3,390	3,679
Total revenues	1,816,228	1,667,782
Expenditures		
Current		
Personnel services	282,802	256,998
Materials and services	468,237	739,642
Capital outlay	70,189	69,886
Total expenditures	821,228	1,066,526
Excess (deficiency) of revenues over (under) expenditures	\$ 995,000	\$ 601,256

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of June 30, 2023 amounted to \$2,947,307, net of accumulated depreciation, which is a decrease from the prior year of 2.1%. This investment in capital assets includes land, construction in progress, computer equipment, buildings and improvements, and infrastructure and operating equipment.

The total depreciation expense related to the District's investment in capital assets for the current fiscal year was \$214,986.

Additional information on the District's capital assets can be found in Note III-B on pages 26 through 27 of this report.

HARBOR SANITARY DISTRICT
Brookings, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

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

The table below compares revenues and expenditures of the District to budgeted amounts used by the District to monitor performance during the year. The overall change in fund balances was budgeted at a net decrease of \$7,403,415. Total actual revenues exceeded total expenditures by \$995,000. The favorable variance of \$8,398,415 can be attributed to expenditures being less than anticipated.

	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues			
Charges for services	\$ 1,500,000	\$ 1,544,216	\$ 44,216
Connection charges	3,000	1,592	(1,408)
STE charges	26,900	29,696	2,796
Investment earnings	31,900	237,334	205,434
Miscellaneous	6,000	3,390	(2,610)
Total revenues	1,567,800	1,816,228	248,428
Expenditures			
Current			
Personnel services	365,750	282,802	(82,948)
Materials and services	3,734,965	468,237	(3,266,728)
Capital outlay	4,675,500	70,189	(4,605,311)
Contingency	195,000	-	(195,000)
Total expenditures	8,971,215	821,228	(8,149,987)
Excess (deficiency) of revenues over (under) expenditures	(7,403,415)	995,000	8,398,415
Other financing sources (uses)			
Transfers in	885,000	700,000	(185,000)
Transfers out	(885,000)	(700,000)	(185,000)
Total other financing sources (uses)	-	-	-
Net change in fund balances	(7,403,415)	995,000	8,398,415
Fund balances - beginning	7,465,000	7,689,374	224,374
Fund balances - ending	\$ 61,585	\$ 8,684,374	\$ 8,622,789

HARBOR SANITARY DISTRICT
Brookings, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Significant Budgetary Variances: General Fund

- Investment earnings were budgeted for \$5,900. Actual revenues were \$40,340 (583.7% over budget) due to an increase in interest rate by the Local Government Investment Pool.
- Miscellaneous revenues were budgeted for \$6,000. Actual revenues were \$3,390 (43.5% under budget) due to a decrease in revenue from capital credits, worker's compensation refunds, and title lien search.
- Expenditures for materials and services were budgeted for \$1,257,420. Actual expenditures were \$345,936 (72.5% under budget). The District consistently budgets high due to negotiations with the City of Brookings regarding sewer treatment rates not being settled.
- Expenditures for capital outlay were budgeted for \$80,000. Actual expenditures were \$0 due to a capital outlay expense being moved to the 2023-2024 fiscal year.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was not aware of any circumstances that could significantly affect its future financial health.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District'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: Harbor Sanitary District, Finance Department, P.O. Box 2457, Brookings, Oregon 97415.

BASIC FINANCIAL STATEMENTS

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 8,152,523
Accounts receivable	17,813
Prepaid expenses	23,173
Total current assets	8,193,509
Restricted assets	
Cash and cash equivalents	542,035
Capital assets	
Land	66,411
Construction in progress	334,520
Capital assets, net of accumulated depreciation	2,546,376
Total capital assets	2,947,307
Total assets	11,682,851
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	21,267
Accrued liabilities	15,657
Total current liabilities	36,924
Noncurrent liabilities	
Compensated absences	21,518
Total liabilities	58,442
Deferred inflows of resources	
Unearned revenue	14,246
Total liabilities and deferred inflows of resources	72,688
NET POSITION	
Investment in capital assets	2,947,307
Restricted for systems development	542,035
Unrestricted	8,120,821
Total net position	\$ 11,610,163

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

HARBOR SANITARY DISTRICT
Brookings, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Wastewater collection	\$ 887,377	\$ 1,545,808	\$ -	\$ 29,696
				\$ 688,127
				237,333
				3,391
				<u>240,724</u>
				928,851
				<u>10,681,312</u>
				<u>\$ 11,610,163</u>

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

Nonmajor Governmental Fund	Total Governmental Funds
HSD Systems Development	
\$ 542,035	\$ 8,694,558
-	17,813
-	23,173
<u>\$ 542,035</u>	<u>\$ 8,735,544</u>
\$ -	\$ 21,267
-	15,657
-	36,924
-	14,246
-	23,173
542,035	542,035
-	6,675,345
-	1,443,821
<u>542,035</u>	<u>8,684,374</u>
<u>\$ 542,035</u>	<u>\$ 8,735,544</u>

HARBOR SANITARY DISTRICT
Brookings, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES

June 30, 2023

Total fund balances		\$ 8,684,374
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	7,835,396	
Accumulated depreciation	<u>(4,888,089)</u>	2,947,307
Liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Compensated absences payable		<u>(21,518)</u>
Net position of governmental activities		<u>\$ 11,610,163</u>

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

Nonmajor Governmental Fund	Total Governmental Funds
<u>HSD Systems Development</u>	<u> </u>
\$ -	\$ 1,544,216
-	1,592
29,696	29,696
15,375	237,334
<u>-</u>	<u>3,390</u>
<u>45,071</u>	<u>1,816,228</u>
-	282,802
10,153	468,237
<u>-</u>	<u>70,189</u>
<u>10,153</u>	<u>821,228</u>
<u>34,918</u>	<u>995,000</u>
-	700,000
<u>-</u>	<u>(700,000)</u>
<u>-</u>	<u>-</u>
34,918	995,000
<u>507,117</u>	<u>7,689,374</u>
<u>\$ 542,035</u>	<u>\$ 8,684,374</u>

HARBOR SANITARY DISTRICT
Brookings, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2023

Net change in fund balances		\$ 995,000
Amounts reported for governmental activities on the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, on the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	151,501	
Less current year depreciation	<u>(214,986)</u>	(63,485)
Some expenses reported on the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
Compensated absences		<u>(2,664)</u>
Change in net position		<u>\$ 928,851</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Harbor Sanitary District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Harbor Sanitary District was formed in 1971 to provide sewer services to the unincorporated area known as Harbor, located in southern Curry County, Oregon. The District is currently governed by a five-member board of directors elected from the District at large. Each member is elected to a four-year term.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

Individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, expenditures related to compensated absences are recorded only when payment is due.

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Investment earnings and charges for services associated with the current fiscal period are considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is charges for services.

Capital Projects Funds

Capital Projects Fund – The Capital Projects Fund accounts for the revenues and expenditures associated with the purchase, construction, and major repair of capital assets. The primary source of revenue is investment earnings.

Construction Fund – The Construction Fund accounts for the acquisition and construction of major capital facilities. The primary sources of revenue are investment earnings and transfers from other funds.

The District also reports the following nonmajor governmental fund:

Capital Projects Fund

HSD Systems Development Fund – The HSD Systems Development Fund accounts for added capacity. The primary sources of revenue are sewer treatment expansion charges and investment earnings.

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

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District 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.

2. Accounts Receivable

Accounts receivable are recorded as revenue when earned. No allowance for uncollectible accounts has been established, as management has determined that receivables are nearly 100% collectible.

3. Prepaids

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.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District 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 costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

4. Capital Assets (Continued)

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Computers	5-7
Infrastructure and operating equipment	5-25
Buildings and improvements	5-50

5. Compensated Absences

Amounts of vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position.

6. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and therefore, will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The District has one item that qualifies for reporting in this category, which is unearned revenue from utility billings. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. Unearned revenue from utility billings is reported on the government-wide statement of net position and the balance sheet.

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

7. Retirement Plan

District employees participate in a deferred compensation plan under Section 457 of the Internal Revenue Code of 1986, as amended. Employees are eligible to participate upon employment and may make pre-tax contributions by salary reduction, subject to Internal Revenue Service limits.

Effective July 1, 2016, for those employees who are not employed pursuant to a written employment contract with Harbor Sanitary District, the District shall contribute 10% of such an employee's annual salary to the Section 457 deferred compensation plan established by the District.

For those employees employed pursuant to a written employment contract with Harbor Sanitary District, the District shall contribute a percentage of such an employee's annual salary to the Section 457 deferred compensation plan as specified in the employment contract.

Effective July 1, 2016, Harbor Sanitary District adopted 100% vesting for the Section 457 deferred compensation plan for those employees not enrolled in the plan on June 29, 2016, based on time of service with the District.

Effective July 1, 2019, for those employees who are employed for five continuous years with the District, the District shall contribute an additional 0.5% of such an employee's annual salary to the employee's Section 457 deferred compensation plan established by the District. In addition, the District shall contribute an additional 0.5% of such an employee's annual salary for each year of continuous employment after the employee's fifth year of continuous employment.

8. Fund Equity

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

8. Fund Equity (Continued)

- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balances has been granted to the District Manager.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in accordance 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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general and capital projects funds. All funds are budgeted on the modified accrual basis of accounting.

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The District 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 budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency 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 expenditure 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. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors 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 District does not use encumbrances and appropriations lapse at year-end.

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Harbor Sanitary District 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. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with 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. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the District 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 District has not adopted a formal policy regarding credit risk; however, investments comply with state statutes.

Investments

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

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 8,665,528</u>

Interest Rate Risk

The District 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 District 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 District'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 District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits

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

The District holds an account at US Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. At June 30, 2023, the District’s total deposits of \$42,441 were fully insured by the FDIC.

Deposits

The District’s deposits and investments at June 30, 2023 are as follows:

Cash on hand	\$ 300
Checking account	28,730
Total investments	<u>8,665,528</u>
 Total deposits and investments	 <u>\$ 8,694,558</u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,467,161
Capital Projects Fund	4,188,313
Construction Fund	<u>2,497,049</u>
 Total governmental activities - unrestricted	 8,152,523
Governmental activities - restricted	
Nonmajor governmental fund - HSD Systems Development Fund	<u>542,035</u>
 Total cash and investments	 <u>\$ 8,694,558</u>

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Restricted cash of \$542,035 reported in the HSD Systems Development Fund at June 30, 2023 represents monies restricted for future sewer treatment expansion improvements.

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 66,411	\$ -	\$ -	\$ 66,411
Construction in progress	<u>183,019</u>	<u>151,501</u>	<u>-</u>	<u>334,520</u>
Total capital assets not being depreciated	<u>249,430</u>	<u>151,501</u>	<u>-</u>	<u>400,931</u>
Capital assets being depreciated				
Computer equipment	6,853	-	-	6,853
Buildings and improvements	2,716,331	-	-	2,716,331
Infrastructure and operating equipment	<u>4,711,281</u>	<u>-</u>	<u>-</u>	<u>4,711,281</u>
Total capital assets being depreciated	<u>7,434,465</u>	<u>-</u>	<u>-</u>	<u>7,434,465</u>
Less accumulated depreciation for				
Computer equipment	(6,853)	-	-	(6,853)
Buildings and improvements	(1,310,284)	(113,873)	-	(1,424,157)
Infrastructure and operating equipment	<u>(3,355,966)</u>	<u>(101,113)</u>	<u>-</u>	<u>(3,457,079)</u>
Total accumulated depreciation	<u>(4,673,103)</u>	<u>(214,986)</u>	<u>-</u>	<u>(4,888,089)</u>
Total capital assets being depreciated, net	<u>2,761,362</u>	<u>(214,986)</u>	<u>-</u>	<u>2,546,376</u>
Governmental activities capital assets, net	<u>\$ 3,010,792</u>	<u>\$ (63,485)</u>	<u>\$ -</u>	<u>\$ 2,947,307</u>

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 66,411	\$ -	\$ 66,411
Construction in progress	334,520	-	334,520
Computer equipment	6,853	(6,853)	-
Buildings and improvements	2,716,331	(1,424,157)	1,292,174
Infrastructure and operating equipment	4,711,281	(3,457,079)	1,254,202
Total governmental capital assets	\$ 7,835,396	\$ (4,888,089)	\$ 2,947,307

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

Governmental activities	
Wastewater collection	\$ 214,986

C. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

Transfers out:	Transfers in:
General Fund	Construction
	Fund
	\$ 700,000

The primary purposes of the interfund transfers in were to fund engineering and construction expenditures for infrastructure improvement projects.

D. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 18,854	\$ 2,664	\$ -	\$ 21,518

The General Fund has traditionally been used to liquidate compensated absences liabilities.

**HARBOR SANITARY DISTRICT
Brookings, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Capital Projects Fund	Construction Fund	Nonmajor Governmental Fund HSD Systems Development	Total Governmental Funds
Fund balances:					
Nonspendable - prepaids	\$ 23,173	\$ -	\$ -	\$ -	\$ 23,173
Restricted for:					
Systems development	-	-	-	542,035	542,035
Assigned to:					
Capital acquisitions	-	4,185,043	-	-	4,185,043
System construction	-	-	2,490,302	-	2,490,302
Unassigned	<u>1,443,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,443,821</u>
Total fund balances	<u>\$ 1,466,994</u>	<u>\$ 4,185,043</u>	<u>\$ 2,490,302</u>	<u>\$ 542,035</u>	<u>\$ 8,684,374</u>

IV. OTHER INFORMATION

A. Risk Management

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

B. Deferred Compensation Plan

Eligible employees of the District participate in an employer-sponsored deferred compensation plan under Section 457 of the Internal Revenue Code of 1986, as amended. Full-time employees are considered eligible to participate after a six-month probationary period. Benefits under this plan are fully and immediately vested from an employee's first day of participation. The District has contracted Variable Annuity Life and Insurance Company (VALIC) to provide the administrative services for those amounts of deferred compensation under the plan in which employees have invested. Employees have the freedom to make pre-tax contributions by salary reduction subject to Internal Revenue Service limits and to select the investment options in which they are investing. For full-time employees, the District makes an employer contribution totaling 10% of gross salary. Those employees who have been employed for five or more continuous years are eligible for an additional 0.50% for each additional year of employment. Employer contributions to the plan totaled \$25,490, \$22,006, and \$25,616 for the years ended June 30, 2023, 2022, and 2021, respectively.

HARBOR SANITARY DISTRICT
Brookings, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

IV. OTHER INFORMATION (Continued)

C. Other Postemployment Benefits

The effect of applying the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, is considered immaterial to the District's financial statements for the year ended June 30, 2023 and has therefore not been recorded.

D. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, will be effective for the District beginning with its fiscal year ending June 30, 2024. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the District beginning with its fiscal year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences and amends previously required disclosures.

E. Subsequent Events

Management has evaluated subsequent events through November 27, 2023, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HARBOR SANITARY DISTRICT
Brookings, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Charges for services	\$ 1,500,000	\$ 44,216	\$ 1,544,216
Investment earnings	5,900	34,440	40,340
Miscellaneous	6,000	(2,610)	3,390
Total revenues	1,511,900	76,046	1,587,946
EXPENDITURES			
Current			
Personnel services	365,750	(82,948)	282,802
Materials and services	1,257,420	(911,484)	345,936
Capital outlay	80,000	(80,000)	-
Contingency	55,000	(55,000)	-
Total expenditures	1,758,170	(1,129,432)	628,738
Excess (deficiency) of revenues over (under) expenditures	(246,270)	1,205,478	959,208
OTHER FINANCING SOURCES (USES)			
Transfers out	(885,000)	(185,000)	(700,000)
Net change in fund balance	(1,131,270)	1,390,478	259,208
Fund balance - beginning	1,150,000	57,786	1,207,786
Fund balance - ending	\$ 18,730	\$ 1,448,264	\$ 1,466,994

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

HARBOR SANITARY DISTRICT
Brookings, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment earnings	\$ 18,000	\$ 102,687	\$ 120,687
EXPENDITURES			
Current			
Materials and services	20	(19)	1
Capital outlay	4,125,500	(4,055,311)	70,189
Contingency	80,000	(80,000)	-
Total expenditures	4,205,520	(4,135,330)	70,190
Excess (deficiency) of revenues over (under) expenditures	(4,187,520)	4,238,017	50,497
OTHER FINANCING SOURCES (USES)			
Transfers in	185,000	(185,000)	-
Net change in fund balance	(4,002,520)	4,053,017	50,497
Fund balance - beginning	4,025,000	109,546	4,134,546
Fund balance - ending	\$ 22,480	\$ 4,162,563	\$ 4,185,043

HARBOR SANITARY DISTRICT
Brookings, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CONSTRUCTION FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Connection charges	\$ 3,000	\$ (1,408)	\$ 1,592
Investment earnings	<u>6,000</u>	<u>54,932</u>	<u>60,932</u>
Total revenues	<u>9,000</u>	<u>53,524</u>	<u>62,524</u>
EXPENDITURES			
Current			
Materials and services	2,437,595	(2,325,448)	112,147
Contingency	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total expenditures	<u>2,497,595</u>	<u>(2,385,448)</u>	<u>112,147</u>
Excess (deficiency) of revenues over (under) expenditures	(2,488,595)	2,438,972	(49,623)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>700,000</u>	<u>-</u>	<u>700,000</u>
Net change in fund balance	(1,788,595)	2,438,972	650,377
Fund balance - beginning	<u>1,800,000</u>	<u>39,925</u>	<u>1,839,925</u>
Fund balance - ending	<u>\$ 11,405</u>	<u>\$ 2,478,897</u>	<u>\$ 2,490,302</u>

HARBOR SANITARY DISTRICT
Brookings, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

HSD SYSTEMS DEVELOPMENT FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
STE charges	\$ 26,900	\$ 2,796	\$ 29,696
Investment earnings	2,000	13,375	15,375
Total revenues	28,900	16,171	45,071
EXPENDITURES			
Current			
Materials and services	39,930	(29,777)	10,153
Capital outlay	470,000	(470,000)	-
Total expenditures	509,930	(499,777)	10,153
Excess (deficiency) of revenues over (under) expenditures	(481,030)	515,948	34,918
Fund balance - beginning	490,000	17,117	507,117
Fund balance - ending	\$ 8,970	\$ 533,065	\$ 542,035

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



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Harbor Sanitary District
Brookings, Oregon 97415

We have audited the basic financial statements of Harbor Sanitary District as of and for the year ended June 30, 2023, and have issued our report thereon dated November 27, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Harbor Sanitary District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 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:

Accounting records

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

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

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

Accountability for collecting or receiving money by elected officials

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

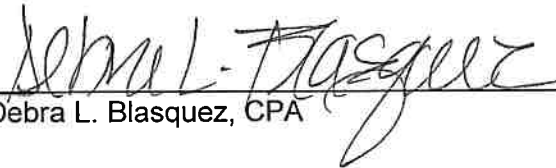
OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Harbor Sanitary District'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 Harbor Sanitary District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harbor Sanitary District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated November 27, 2023.

The District does not have any elected officials collecting or receiving money.

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

Koontz, Blasquez & Associates, P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
November 27, 2023