

**NESKOWIN REGIONAL WATER  
DISTRICT  
Neskowin, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2018

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

**DISTRICT OFFICIALS**

June 30, 2018

**BOARD OF COMMISSIONERS**

Jean Cameron, President  
P.O. Box 1032  
Neskowin, Oregon 97149

Steve Rubert, Secretary  
P.O. Box 1014  
Neskowin, Oregon 97149

Alan Gits, Treasurer  
P.O. Box 433  
Neskowin, Oregon 97149

Vicki Poole  
P.O. Box 744  
Neskowin, Oregon 97149

Gary Dunn  
P.O. Box 747  
Neskowin, Oregon 97149

**GENERAL MANAGER**

Troy Trute  
P.O. Box 823  
Neskowin, Oregon 97149

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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## **FINANCIAL SECTION**



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Neskowin Regional Water District  
Neskowin, Oregon 97149

### Report on the Basic Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities, each major fund, and the remaining fund information of Neskowin Regional Water District, Neskowin, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Neskowin Regional Water District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I-C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities, each major fund, and the remaining fund information of Neskowin Regional Water District, Neskowin, Oregon as of June 30, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended on the basis of accounting described in Note I-C.

## **Basis of Accounting**

We draw attention to Note I-C of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions, and budgetary comparison information on pages 4 through 9, 33, and 34, 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 schedule of 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 or schedule of contributions 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, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Neskowin Regional Water District's basic financial statements. The individual fund schedules, detailed schedule of revenues, expenses, and changes in fund net position for the General Fund, and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

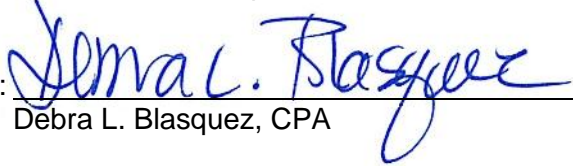
The individual fund schedules are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note I-C.

The detailed schedule of revenues, expenses, and fund net position for the General Fund and schedule of property tax transactions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 26, 2018 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, Perdue, Blasquez & Co., P.C.

By:   
Debra L. Blasquez, CPA

Albany, Oregon  
December 26, 2018

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



# **NESKOWIN REGIONAL WATER DISTRICT**

## **Neskowin, Oregon**

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

#### **INTRODUCTION**

As management of Neskowin Regional Water District, Neskowin, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018, within the limitations of the District's modified cash basis of accounting. It should be read in conjunction with the District's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- At June 30, 2018, total net position of Neskowin Regional Water District amounted to \$3,071,276. Of this amount, \$2,152,114 was invested in capital assets, \$338,584 was restricted for various purposes, and the remaining balance of \$580,578 was unrestricted.
- The District's total net position increased by \$80,664 during the current fiscal year.
- Overall revenues were \$684,245, which exceeded total expenses of \$603,581 by \$80,664.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Neskowin Regional Water 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.

#### **Basis of Accounting**

The District has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

#### **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.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

The statement of net position presents information on all of the District's assets and liabilities resulting from the use of the modified cash basis of accounting, 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 cash flow related to the underlying event is received or expended.

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 Neskowin Regional Water District are proprietary funds.

**Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains five 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, the proprietary funds statement of revenues, expenses, and fund net position, and the proprietary funds statement of cash flows for the General, System Development, Debt Service, and Capital Improvement Funds, all of which are considered to be major proprietary funds, as well as for the Truck and Equipment Fund, which is considered to be a nonmajor proprietary fund.

Neskowin Regional Water 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 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 32 of this report.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedule of contributions and budgetary comparison information for the General Fund. This required supplementary information can be found on pages 33 through 34 of this report.

Individual fund financial schedules can be found immediately following the required supplementary information on pages 35 through 38 of this report.

**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, 2018, the District's assets exceeded liabilities by \$3,071,276.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**District's Net Position – Modified Cash Basis**

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 \$80,664 during the current fiscal year.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed statement of net position information is shown below.

**Condensed Statement of Net Position - Modified Cash Basis**

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets	\$ 580,578	\$ 948,208
Restricted assets	338,584	-
Net capital assets	<u>2,563,825</u>	<u>2,498,002</u>
 Total assets	 <u>3,482,987</u>	 <u>3,446,210</u>
<b>Liabilities</b>		
Current liabilities	45,436	43,887
Noncurrent liabilities	<u>366,275</u>	<u>411,711</u>
 Total liabilities	 <u>411,711</u>	 <u>455,598</u>
<b>Net position</b>		
Net investment in capital assets	2,152,114	2,042,403
Restricted	338,584	456,772
Unrestricted	<u>580,578</u>	<u>491,437</u>
 Total net position	 <u>\$ 3,071,276</u>	 <u>\$ 2,990,612</u>

**District's Changes in Net Position – Modified Cash Basis**

The condensed statement of activities information shown on the following page explains changes in net position resulting from modified cash basis transactions.

**NESKOWIN REGIONAL WATER DISTRICT**  
Neskowin, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Changes in Net Position - Modified Cash Basis**

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Program revenues</b>		
Charges for services	\$ 402,026	\$ 341,319
Capital grants and contributions	<u>67,815</u>	<u>49,812</u>
Total program revenues	<u>469,841</u>	<u>391,131</u>
<b>General revenues</b>		
Property taxes	186,060	178,194
Investment earnings	17,643	10,020
Miscellaneous	<u>10,701</u>	<u>78,474</u>
Total general revenues	<u>214,404</u>	<u>266,688</u>
Total revenues	684,245	657,819
<b>Program expenses</b>		
Water service charges	<u>603,581</u>	<u>594,144</u>
<b>Change in net position</b>	80,664	63,675
<b>Net position - beginning of year, as restated</b>	<u>2,990,612</u>	<u>2,926,937</u>
<b>Net position - end of year</b>	<u>\$ 3,071,276</u>	<u>\$ 2,990,612</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.

**Proprietary Funds**

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

At the end of the current fiscal year, the District's proprietary funds reported combined net position of \$3,071,276, an increase of \$80,664 from the prior year. This amount included \$2,152,114 invested in capital assets and \$338,584 restricted for various purposes. The remaining \$580,578 was unrestricted.

Significant Changes in Proprietary Fund Net Position

- General Fund: The 7.3% increase in net position can be attributed to a concerted effort to carry more funds over to the next fiscal year in the checking account and to allow fewer transfers from the LGIP to the checking account.
- System Development Fund: The 35.6% decrease in net position can be attributed to expenses in the fund on the District's top priority projects identified as Projects D1, D2, and M3 in the District's Capital Improvement Plan.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

- Capital Improvement Fund: The 14.1% increase in net position can be attributed to less money than anticipated being spent from the fund on projects for the District.

**BUDGETARY HIGHLIGHTS: GENERAL FUND**

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2018 include:

- Investment earnings were budgeted for \$7,000. Actual revenues were \$17,643 (152% over budget) due to a higher amount of interest being earned on the District's LGIP account.
- Miscellaneous revenues were budgeted for \$2,300. Actual revenues were \$2,561 (11.3% over budget) due to more late fees being collected than anticipated by the District's budget.
- Expenses for materials and services were budgeted for \$125,730. Actual expenses were \$112,884 (9.6% under budget) due to spending slightly less than anticipated on repairs and maintenance.

**CAPITAL ASSETS**

The District's investment in capital assets for its business-type activities as of June 30, 2018 amounted to \$2,563,825, net of accumulated depreciation. This investment in capital assets includes construction in progress, buildings, water system, equipment, and office furniture. The total depreciation expense related to the District's investment in capital assets for its business-type activities during the current fiscal year was \$144,223.

Additional information on the District's capital assets can be found in Note III-B on pages 24 through 25 of this report.

**DEBT ADMINISTRATION**

At the end of the fiscal year, the District had total debt outstanding of \$411,711. This amount represents a loan payable to the Oregon Economic and Community Development Department. The District's total debt decreased by \$43,887 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-D on page 26 of this report.

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

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

- Healthcare premiums are expected to continue to increase in the coming years.

This factor was considered in preparing the District's budget for fiscal year 2018-2019.

**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 directed to the following address: Neskowin Regional Water District, P.O. Box 823, Neskowin, Oregon 97149.

## **BASIC FINANCIAL STATEMENTS**

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2018

	<u>Business-Type Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ <u>580,578</u>
Restricted assets	
Cash and cash equivalents	<u>338,584</u>
Capital assets	
Construction in progress	226,199
Capital assets, net of accumulated depreciation	<u>2,337,626</u>
Total capital assets	<u>2,563,825</u>
Total assets	<u>3,482,987</u>
<b>LIABILITIES</b>	
Current liabilities	
Long-term debt, current portion	45,436
Noncurrent liabilities	
Long-term debt, less current portion	<u>366,275</u>
Total liabilities	<u>411,711</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,152,114
Restricted	338,584
Unrestricted	<u>580,578</u>
Total net position	<u>\$ 3,071,276</u>

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



**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	Expenses	Program Revenues		Business-Type Activities	Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Business-type activities					
Water service charges	<u>\$ 603,581</u>	<u>\$ 402,026</u>	<u>\$ -</u>	<u>\$ 67,815</u>	<u>\$ (133,740)</u>
General revenues					
Property taxes					186,060
Investment earnings					17,643
Miscellaneous					<u>10,701</u>
Total general revenues					<u>214,404</u>
Change in net position					80,664
Net position - beginning, as restated					<u>2,990,612</u>
Net position - ending					<u>\$ 3,071,276</u>

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

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2018

	Business-Type Activities - Enterprise Funds		
	General	System Development	Debt Service
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 72,213	\$ -	\$ -
Restricted assets			
Cash and cash equivalents	-	217,299	121,285
Capital assets			
Construction in progress	226,199	-	-
Capital assets, net of accumulated depreciation	2,337,626	-	-
Total capital assets	2,563,825	-	-
Total assets	2,636,038	217,299	121,285
<b>LIABILITIES</b>			
Current liabilities			
Long-term debt, current portion	45,436	-	-
Noncurrent liabilities			
Long-term debt, less current portion	366,275	-	-
Total liabilities	411,711	-	-
<b>NET POSITION</b>			
Investment in capital assets	2,152,114	-	-
Restricted	-	217,299	121,285
Unrestricted	72,213	-	-
Total net position	\$ 2,224,327	\$ 217,299	\$ 121,285

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

Business-Type Activities - Enterprise Funds

<u>Capital Improvement</u>	<u>Nonmajor Truck and Equipment</u>	<u>Totals</u>
\$ 437,221	\$ 71,144	\$ 580,578
-	-	338,584
-	-	226,199
-	-	<u>2,337,626</u>
-	-	<u>2,563,825</u>
<u>437,221</u>	<u>71,144</u>	<u>3,482,987</u>
-	-	45,436
-	-	<u>366,275</u>
-	-	<u>411,711</u>
-	-	2,152,114
-	-	338,584
<u>437,221</u>	<u>71,144</u>	<u>580,578</u>
<u>\$ 437,221</u>	<u>\$ 71,144</u>	<u>\$ 3,071,276</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	General	System Development	Debt Service
Operating revenues			
Charges for services	\$ 402,026	\$ -	\$ -
Operating expenses			
Personnel services	308,997	-	-
Materials and services	112,884	-	-
Depreciation	144,223	-	-
Capital outlay	<u>-</u>	<u>170</u>	<u>-</u>
Total operating expenses	<u>566,104</u>	<u>170</u>	<u>-</u>
Operating income (loss)	<u>(164,078)</u>	<u>(170)</u>	<u>-</u>
Nonoperating revenues (expenses)			
Property taxes	53,936	-	61,734
System development charges	-	67,815	-
Investment earnings	17,643	-	-
Long-term debt - interest	-	-	(16,083)
Miscellaneous	<u>2,561</u>	<u>3,301</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>74,140</u>	<u>71,116</u>	<u>45,651</u>
Income (loss) before contributions and transfers	(89,938)	70,946	45,651
Contributed capital in	210,047	-	-
Contributed capital out	-	(190,897)	-
Transfers in	43,887	-	-
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>(43,887)</u>
Change in net position	151,996	(119,951)	1,764
Total net position - beginning, as restated	<u>2,072,331</u>	<u>337,250</u>	<u>119,521</u>
Total net position - ending	<u>\$ 2,224,327</u>	<u>\$ 217,299</u>	<u>\$ 121,285</u>

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

<u>Business-Type Activities - Enterprise Funds</u>		
<u>Capital</u>	<u>Nonmajor</u>	
<u>Improvement</u>	<u>Truck and</u>	<u>Totals</u>
	<u>Equipment</u>	
\$ -	\$ -	\$ 402,026
-	-	308,997
-	-	112,884
-	-	144,223
<u>6,123</u>	<u>15,101</u>	<u>21,394</u>
<u>6,123</u>	<u>15,101</u>	<u>587,498</u>
<u>(6,123)</u>	<u>(15,101)</u>	<u>(185,472)</u>
70,390	-	186,060
-	-	67,815
-	-	17,643
-	-	(16,083)
<u>3,125</u>	<u>1,714</u>	<u>10,701</u>
<u>73,515</u>	<u>1,714</u>	<u>266,136</u>
67,392	(13,387)	80,664
-	-	210,047
(13,400)	(5,750)	(210,047)
-	12,000	55,887
<u>-</u>	<u>-</u>	<u>(55,887)</u>
53,992	(7,137)	80,664
<u>383,229</u>	<u>78,281</u>	<u>2,990,612</u>
<u>\$ 437,221</u>	<u>\$ 71,144</u>	<u>\$ 3,071,276</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	General	System Development	Debt Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 402,026	\$ -	\$ -
Payments to employees	(308,997)	-	-
Payments to suppliers	<u>(112,884)</u>	<u>(170)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(19,855)</u>	<u>(170)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Property tax revenue	53,935	-	61,734
System development charges	-	67,815	-
Miscellaneous nonoperating revenue	2,563	3,301	-
Transfer from other funds	43,887	-	-
Transfer to other funds	<u>(12,000)</u>	<u>-</u>	<u>(43,887)</u>
Net cash provided (used) by noncapital financing activities	<u>88,385</u>	<u>71,116</u>	<u>17,847</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contributed capital in	210,047	-	-
Contributed capital out	-	(190,897)	-
Purchases of capital assets	(210,047)	-	-
Principal paid on capital debt	(43,887)	-	-
Interest paid on capital debt	<u>-</u>	<u>-</u>	<u>(16,083)</u>
Net cash provided (used) by capital and related financing activities	<u>(43,887)</u>	<u>(190,897)</u>	<u>(16,083)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>17,643</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>17,643</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	42,286	(119,951)	1,764
Cash and cash equivalents - beginning (including \$337,250 and \$119,521 for the System Development and Debt Service Funds, respectively, reported in restricted accounts)	<u>29,927</u>	<u>337,250</u>	<u>119,521</u>
Cash and cash equivalents - ending (including \$217,299 and \$121,285 for the System Development and Debt Service Funds, respectively, reported in restricted accounts)	<u>\$ 72,213</u>	<u>\$ 217,299</u>	<u>\$ 121,285</u>

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

Business-Type Activities - Enterprise Funds

<u>Capital Projects</u>	<u>Nonmajor Truck and Equipment</u>	<u>Totals</u>
\$ -	\$ -	\$ 402,026
-	-	(308,997)
<u>(6,123)</u>	<u>(15,101)</u>	<u>(134,278)</u>
<u>(6,123)</u>	<u>(15,101)</u>	<u>(41,249)</u>
70,390	-	186,059
-	-	67,815
3,125	1,714	10,703
-	12,000	55,887
<u>-</u>	<u>-</u>	<u>(55,887)</u>
<u>73,515</u>	<u>13,714</u>	<u>264,577</u>
-	-	210,047
(13,400)	(5,750)	(210,047)
-	-	(210,047)
-	-	(43,887)
<u>-</u>	<u>-</u>	<u>(16,083)</u>
<u>(13,400)</u>	<u>(5,750)</u>	<u>(270,017)</u>
<u>-</u>	<u>-</u>	<u>17,643</u>
<u>-</u>	<u>-</u>	<u>17,643</u>
53,992	(7,137)	(29,046)
<u>383,229</u>	<u>78,281</u>	<u>948,208</u>
<u>\$ 437,221</u>	<u>\$ 71,144</u>	<u>\$ 919,162</u>

(Continued)

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>General</u>	<u>System Development</u>	<u>Debt Service</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (164,078)	\$ (170)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	<u>144,223</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (19,855)</u>	<u>\$ (170)</u>	<u>\$ -</u>

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



<u>Business-Type Activities - Enterprise Funds</u>		
<u>Capital Projects</u>	<u>Nonmajor Truck and Equipment</u>	<u>Totals</u>
\$ (6,123)	\$ (15,101)	\$ (185,472)
<u>-</u>	<u>-</u>	<u>144,223</u>
<u>\$ (6,123)</u>	<u>\$ (15,101)</u>	<u>\$ (41,249)</u>

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Neskowin Regional Water District was established under the provisions of Oregon statutes to provide water distribution and service for the benefit of the population within the District, which is located within Tillamook County, Oregon. Control of the District is vested in its board of commissioners, who are elected to office by voters within the District.

**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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

**1. Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below.

Proprietary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and cash flows.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Basis of Accounting**

In the government-wide financial statements and the fund financial statements, business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the government-wide and fund financial statements would be presented on the accrual basis of accounting.

**3. Financial Statement Presentation**

The District reports the following major proprietary funds:

Enterprise 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.

*System Development Fund* – The System Development Fund is used to account for the development of the water system. The primary source of revenue is system development charges.

*Debt Service Fund* – The Debt Service Fund is used to account for the payment of long-term debt principal and interest. The primary source of revenue is property taxes.

*Capital Improvement Fund* – The Capital Improvement Fund is used to account for the District’s capital outlay expenses. The primary source of revenue is property taxes.

Additionally, the District reports the following nonmajor enterprise fund:

*Truck and Equipment Fund* – The Truck and Equipment Fund is used to reserve funds for replacement of trucks and equipment. The primary source of revenue is transfers from the General Fund.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Financial Statement Presentation (Continued)**

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. Likewise, general revenues include all taxes.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of Neskowin Regional Water District's proprietary funds are charges for services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**D. Assets, Liabilities, 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.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**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. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

**3. 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 expenses as incurred and are not capitalized.

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

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and equipment	5
Office equipment and furniture	5-7
Water system	10-50
Buildings	25-30

**4. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**4. Long-Term Liabilities (Continued)**

In the fund financial statements, the proprietary funds recognize bond premiums, discounts, and issuance costs during the current period. The face amounts of debt issued are reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

**5. Retirement Plans**

All of the District's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses.

**E. Use of Estimates**

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary 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 enterprise funds. All funds are budgeted on the cash basis of accounting.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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 commissioners 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 expenses cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency 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. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of commissioners 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 commissioners. 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 commissioners. 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**

Neskowin Regional Water 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 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. 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.



**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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 an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2018, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 857,641

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.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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 accounts 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, 2018, the District’s total deposits of \$225,014 were fully insured by the FDIC.

Deposits

The District’s deposits and investments at June 30, 2018 are as follows:

Checking accounts	\$ 61,521
Total investments	<u>857,641</u>
 Total deposits and investments	 <u>\$ 919,162</u>

Cash and investments by fund:

Business-type activities - unrestricted	
General Fund	\$ 72,213
Capital Improvement Fund	437,221
Nonmajor governmental fund - Truck and Equipment Fund	<u>71,144</u>
 Total business-type activities - unrestricted	 <u>580,578</u>
 Business-type activities - restricted	
System Development Fund	217,299
Debt Service Fund	<u>121,285</u>
 Total business-type activities - restricted	 <u>338,584</u>
 Total cash and investments	 <u>\$ 919,162</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

**A. Deposits and Investments (Continued)**

Restricted cash is for future payments of debt principal and interest, as well as future system development improvements.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 21,902	\$ 204,297	\$ -	\$ 226,199
Capital assets being depreciated				
Buildings	1,293,224	-	-	1,293,224
Water system	3,652,721	-	-	3,652,721
Equipment	139,186	5,750	-	144,936
Office furniture	<u>5,339</u>	<u>-</u>	<u>-</u>	<u>5,339</u>
Total capital assets being depreciated	<u>5,090,470</u>	<u>5,750</u>	<u>-</u>	<u>5,096,220</u>
Less accumulated depreciation for				
Buildings	(510,811)	(43,784)	-	(554,595)
Water system	(2,050,488)	(86,258)	-	(2,136,746)
Equipment	(47,733)	(14,181)	-	(61,914)
Office furniture	<u>(5,339)</u>	<u>-</u>	<u>-</u>	<u>(5,339)</u>
Total accumulated depreciation	<u>(2,614,371)</u>	<u>(144,223)</u>	<u>-</u>	<u>(2,758,594)</u>
Total capital assets being depreciated, net	<u>2,476,099</u>	<u>(138,473)</u>	<u>-</u>	<u>2,337,626</u>
Business-type activities capital assets, net	<u>\$ 2,498,001</u>	<u>\$ 65,824</u>	<u>\$ -</u>	<u>\$ 2,563,825</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Business-type activities			
Construction in progress	\$ 226,199	\$ -	\$ 226,199
Buildings	1,293,224	(554,595)	738,629
Water system	3,652,721	(2,136,746)	1,515,975
Equipment	144,936	(61,914)	83,022
Office furniture	<u>5,339</u>	<u>(5,339)</u>	<u>-</u>
Total capital assets	<u>\$ 5,322,419</u>	<u>\$ (2,758,594)</u>	<u>\$ 2,563,825</u>

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

Business-type activities	
Water service charges	<u>\$ 144,223</u>

**C. Operating Lease**

The District leases office space, sharing half of the lease with Neskowin Regional Sanitary Authority. The lease was renewed for four years beginning August 15, 2017 and contains an annual rent increase of 2%. Total lease expense for the year ended June 30, 2018 was \$8,004.

Future minimum payments for the lease is as follows:

<u>Year Ending June 30</u>	
2019	\$ 8,147
2020	8,314
2021	8,482
2022	<u>708</u>
	<u>\$ 25,651</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

**D. Long-Term Liabilities**

**1. Changes in Long-Term Debt**

The following is a summary of long-term debt transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Water Treatment Plant Loan	3.53%	\$ 850,000	\$ 455,598	\$ -	\$ 43,887	\$ 411,711	\$ 45,436

**2. Water Treatment Plant Loan**

On October 14, 2014, the District entered into a loan agreement with the Oregon Economic and Community Development Department, the proceeds of which were used for the modernization of the District's Frank E Clanton Municipal Water Plant. Interest on the loan is fixed at 3.53%. Principal and interest payments are due annually on December 1. The Debt Service Fund has traditionally been used to liquidate long-term debt related to the loan.

**3. Future Maturities of Long-Term Liabilities**

Year Ending June 30	Loan		
	Principal	Interest	Total
2019	\$ 45,436	\$ 14,533	\$ 59,969
2020	47,040	12,930	59,970
2021	48,700	11,269	59,969
2022	50,419	9,550	59,969
2023	52,199	7,770	59,969
2024-2026	167,917	11,992	179,909
	<u>\$ 411,711</u>	<u>\$ 68,044</u>	<u>\$ 479,755</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

**E. Interfund Transfers**

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

	<u>Transfers In</u>
	Nonmajor
	Proprietary
	<u>Fund</u>
	Truck and
	<u>Equipment</u>
Transfers out:	
General Fund	<u>\$ 12,000</u>

The primary purpose of the interfund transfers in was to provide funds for purchasing equipment.

**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. Pension Plan**

**1. Plan Description**

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided**

**a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238)**

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either 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. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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:

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

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided (Continued)**

**a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)**

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 for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0%.

**b. OPSRP Pension Program (Defined Benefit)**

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. 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:

General service: 1.5% 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.



**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**2. Benefits Provided (Continued)**

**b. OPSRP Pension Program (Defined Benefit) (Continued)**

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% 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% of the member's salary determined as of the last full month of employment before the disability occurred.

**c. OPSRP Individual Account Program (IAP)**

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 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-, or 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.

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**IV. OTHER INFORMATION (Continued)**

**B. Pension Plan (Continued)**

**3. Contributions**

PERS' 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 PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$567,814, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 21.81% for Tier One/Tier Two general service members, 13.98% for OPSRP Pension Program general service members, and 6% for OPSRP IAP.

**C. Restatement**

To correct the misstatement of the beginning balance of capital assets, the District restated the beginning net position for business-type activities as follows:

Government-Wide	Business-Type Activities
Net position - beginning, as originally reported	\$ 2,933,297
Capital asset balance adjustment	57,315
Net position - beginning, as restated	<u>\$ 2,990,612</u>
Modified Cash Basis	General Fund
Net position - beginning, as originally reported	\$ 2,015,016
Capital asset balance adjustment	57,315
Net position - beginning, as restated	<u>\$ 2,072,331</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**IV. OTHER INFORMATION (Continued)**

**D. Tax Abatements**

During the year, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The District did not have tax abatements for the year ended June 30, 2018.

**E. 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. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its fiscal year ending June 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the District beginning with its fiscal year ending June 30, 2019. The objective of this statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its fiscal year ending June 30, 2020. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting of leases by governments.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to simplify accounting for interest cost incurred before the end of a construction period, and enhance the relevance and comparability of capital asset information.

**F. Subsequent Events**

Management has evaluated subsequent events through December 26, 2018, which was the date that the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 26,994	\$ 26,994	-	\$ 168,858	15.99%
2017	25,733	25,733	-	190,808	13.49%
2016	19,321	19,321	-	180,580	10.70%
2015	23,675	23,675	-	202,986	11.66%
2014	20,864	20,864	-	193,083	10.81%

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	Modified Cash Basis
<b>REVENUES</b>				
Property taxes	\$ 54,386	\$ (450)	\$ 53,936	\$ 53,936
Charges for services	401,500	526	402,026	402,026
Investment earnings	7,000	10,643	17,643	17,643
Miscellaneous	<u>2,300</u>	<u>261</u>	<u>2,561</u>	<u>2,561</u>
Total revenues	<u>465,186</u>	<u>10,980</u>	<u>476,166</u>	<u>476,166</u>
<b>EXPENSES</b>				
Current				
Personnel services	331,400	(22,403)	308,997	308,997
Materials and services	125,730	(12,846)	112,884	112,884
Depreciation	-	-	-	144,223
Contingency	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>482,130</u>	<u>(60,249)</u>	<u>421,881</u>	<u>566,104</u>
Excess (deficiency) of revenues over (under) expenses	<u>(16,944)</u>	<u>71,229</u>	<u>54,285</u>	<u>(89,938)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributed capital in	-	-	-	210,047
Transfers in	-	-	-	43,887
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>	<u>253,934</u>
Change in net position	(28,944)	71,229	42,285	151,996
Net position - beginning, as restated	<u>28,944</u>	<u>983</u>	<u>29,927</u>	<u>2,072,331</u>
Net position - ending	<u>\$ -</u>	<u>\$ 72,212</u>	<u>72,212</u>	<u>\$ 2,224,327</u>

**OTHER SUPPLEMENTARY INFORMATION**  
INDIVIDUAL FUND SCHEDULES

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
<b>REVENUES</b>					
System development charges	\$ 15,070	\$ 52,745	\$ 67,815	-	\$ 67,815
Miscellaneous	<u>-</u>	<u>3,301</u>	<u>3,301</u>	<u>-</u>	<u>3,301</u>
Total revenues	15,070	56,046	71,116	-	71,116
<b>EXPENSES</b>					
Capital outlay	<u>365,533</u>	<u>(365,363)</u>	<u>191,067</u>	<u>(190,897)</u>	<u>170</u>
Excess (deficiency) of revenues over (under) expenses	(350,463)	421,409	(119,951)	190,897	70,946
<b>OTHER FINANCING SOURCES (USES)</b>					
Contributed capital out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,897)</u>	<u>(190,897)</u>
Change in net position	(350,463)	421,409	(119,951)	-	(119,951)
Net position - beginning	<u>350,463</u>	<u>(13,213)</u>	<u>337,250</u>	<u>-</u>	<u>337,250</u>
Net position - ending	<u>\$ -</u>	<u>\$ 408,196</u>	<u>217,299</u>	<u>\$ -</u>	<u>\$ 217,299</u>



**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

DEBT SERVICE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
<b>REVENUES</b>					
Property taxes	\$ 61,500	\$ 234	\$ 61,734	-	\$ 61,734
<b>EXPENSES</b>					
Debt service	<u>59,970</u>	-	<u>59,970</u>	<u>(43,887)</u>	<u>16,083</u>
Excess (deficiency) of revenues over (under) expenses	1,530	234	1,764	43,887	45,651
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,887)</u>	<u>(43,887)</u>
Change in net position	1,530	234	1,764	-	1,764
Net position - beginning	<u>118,408</u>	<u>1,113</u>	<u>119,521</u>	<u>-</u>	<u>119,521</u>
Net position - ending	<u>\$ 119,938</u>	<u>\$ 1,347</u>	<u>\$ 121,285</u>	<u>\$ -</u>	<u>\$ 121,285</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

CAPITAL IMPROVEMENT FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		
			<u>Budget Basis</u>	<u>Adjustments</u>	<u>Modified Cash Basis</u>
<b>REVENUES</b>					
Property taxes	\$ 70,211	\$ 179	\$ 70,390	\$ -	\$ 70,390
Miscellaneous	<u>-</u>	<u>3,125</u>	<u>3,125</u>	<u>-</u>	<u>3,125</u>
Total revenues	70,211	3,304	73,515	-	73,515
<b>EXPENSES</b>					
Capital outlay	<u>444,211</u>	<u>(424,688)</u>	<u>19,523</u>	<u>(13,400)</u>	<u>6,123</u>
Excess (deficiency) of revenues over (under) expenses	(374,000)	427,992	53,992	13,400	67,392
<b>OTHER FINANCING SOURCES (USES)</b>					
Contributed capital out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,400)</u>	<u>(13,400)</u>
Change in net position	(374,000)	427,992	53,992	-	53,992
Net position - beginning	<u>374,000</u>	<u>9,229</u>	<u>383,229</u>	<u>-</u>	<u>383,229</u>
Net position - ending	<u>\$ -</u>	<u>\$ 437,221</u>	<u>437,221</u>	<u>\$ -</u>	<u>\$ 437,221</u>

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

TRUCK AND EQUIPMENT FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		
	<u>Budget</u>	<u>Over (Under)</u>	<u>Budget Basis</u>	<u>Adjustments</u>	<u>Modified Cash Basis</u>
<b>REVENUES</b>					
Miscellaneous	\$ -	\$ 1,714	\$ 1,714	\$ -	\$ 1,714
<b>EXPENSES</b>					
Capital outlay	<u>98,316</u>	<u>(77,465)</u>	<u>20,851</u>	<u>(5,750)</u>	<u>15,101</u>
Excess (deficiency) of revenues over (under) expenses	<u>(98,316)</u>	<u>79,179</u>	<u>(19,137)</u>	<u>5,750</u>	<u>(13,387)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Contributed capital out	-	-	-	(5,750)	(5,750)
Transfers in	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total other financing sources (uses)	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>(5,750)</u>	<u>6,250</u>
Change in net position	(86,316)	79,179	(7,137)	-	(7,137)
Net position - beginning, as restated	<u>86,316</u>	<u>(8,035)</u>	<u>78,281</u>	<u>-</u>	<u>78,281</u>
Net position - ending	<u>\$ -</u>	<u>\$ 71,144</u>	<u>\$ 71,144</u>	<u>\$ -</u>	<u>\$ 71,144</u>

## **OTHER FINANCIAL SCHEDULES**

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>CASH RECEIPTS</b>			
Water revenue	\$ 400,000	\$ (1,963)	\$ 398,037
Property taxes current	52,386	332	52,718
Property taxes prior	2,000	(782)	1,218
Interest	7,000	10,643	17,643
Miscellaneous	2,300	261	2,561
Service installation	1,500	2,489	3,989
Total cash receipts	465,186	10,980	476,166
<b>CASH EXPENSES</b>			
Schedule - page 40	482,130	(60,249)	421,881
Excess (deficiency) of revenues over (under) expenses	(16,944)	71,229	54,285
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(12,000)	-	(12,000)
Change in net position	(28,944)	71,229	42,285
Net position - beginning	28,944	983	29,927
Net position - ending	\$ -	\$ 72,212	72,212

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
Personnel services			
General manager	\$ 87,500	\$ (4,128)	\$ 83,372
Plant technician 2	54,500	(6,045)	48,455
Office manager	25,000	(33)	24,967
Part-time operator	2,500	(1,982)	518
Plant technician 1	41,000	(5,129)	35,871
Comp/vacation time payoff	3,000	(488)	2,512
Payroll taxes & benefits	250	(45)	205
Social security/Medicare	16,000	(997)	15,003
Workers comp/accident insurance	5,000	(4,508)	492
PERS	25,750	1,257	27,007
Health insurance	70,900	(305)	70,595
Total personnel services	331,400	(22,403)	308,997
Materials and services			
Office supplies and expenses	6,000	1,883	7,883
Telephone	6,000	(954)	5,046
Office rent	10,680	(2,676)	8,004
Insurance and bond	16,000	(4,795)	11,205
Legal and auditing	6,750	(581)	6,169
Memberships	3,250	(774)	2,476
Refunds	500	(253)	247
Bank charges	850	(30)	820
Vehicle maintenance	10,000	(833)	9,167
Miscellaneous	1,000	(804)	196
Repair and maintenance	35,000	(2,045)	32,955
Workshops and seminars	2,500	443	2,943
Plant supplies and tools	5,000	513	5,513
Chlorine and chemicals	2,500	141	2,641
Electricity	14,000	(2,747)	11,253
Water testing	3,000	666	3,666
Waste water charges	2,700	-	2,700
Total materials and services	125,730	(12,846)	112,884
Operating contingencies	25,000	(25,000)	-
Total cash expenses	482,130	(60,249)	421,881

**NESKOWIN REGIONAL WATER DISTRICT**  
**Neskowin, Oregon**

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2018

Tax Year	Taxes Receivable July 1, 2017	2017-2018 Levy	Adjustments	Collections	Taxes Receivable June 30, 2018
2017-2018	\$ -	\$ 188,848	\$ (4,727)	\$ 179,366	\$ 4,755
2016-2017	5,041	-	(12)	2,611	2,418
2015-2016	2,653	-	(10)	1,087	1,556
2014-2015	1,799	-	(10)	1,116	673
2013-2014	1,201	-	(9)	505	687
2012-2013	575	-	(9)	54	512
2011-2012	112	-	(9)	43	60
Prior	582	-	(2)	38	542
Subtotal - Prior	11,963	-	(61)	5,454	6,448
Total	\$ 11,963	\$ 188,848	\$ (4,788)	184,820	\$ 11,203
Add:					
Other taxes and interest				1,240	
Undistributed taxes with county, July 1, 2017				-	
Total available				186,060	
Less: Turnovers to District				(186,060)	
Undistributed taxes with county, June 30, 2018				\$ -	

The above schedule of property tax transactions is a supplementary schedule required by Oregon law; however, because Neskowin Regional Water District reports information on the modified cash basis of accounting, no accrual of property taxes receivable has been recorded in the financial statements. See independent auditor's report.

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





KOONTZ, PERDUE, BLASQUEZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners  
Neskowin Regional Water District  
Neskowin, Oregon 97149

We have audited the basic financial statements of Neskowin Regional Water District as of and for the year ended June 30, 2018, and have issued our report thereon dated December 26, 2018. 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 Neskowin Regional Water 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)

#### Indebtedness limitations, restrictions, and repayment

#### 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, 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.

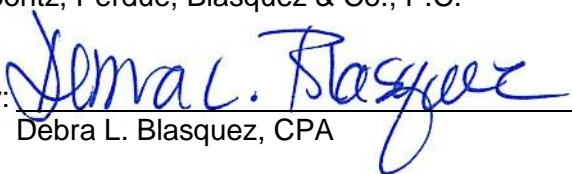
The District does not have any elected officials collecting or receiving money.

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

In planning and performing our audit, we considered Neskowin Regional Water 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 Neskowin Regional Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Neskowin Regional Water District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 26, 2018.

This report is intended solely for the information and use of the board of commissioners and management of Neskowin Regional Water 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, Perdue, Blasquez & Co., P.C.

By:   
Debra L. Blasquez, CPA

Albany, Oregon  
December 26, 2018