SOUTH SUBURBAN SANITARY DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024
WITH
INDEPENDENT AUDITOR'S REPORT

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SOUTH SUBURBAN SANITARY DISTRICT

YEAR ENDED JUNE 30, 2024

SOUTH SUBURBAN SANITARY DISTRICT
JUNE 30, 2024

Administrative Office:
2201 Laverne Avenue
Klamath Falls, OR 97603

BOARD OF DIRECTORS

Joe Spendolini Klamath Falls, Oregon	Chairman
Kenneth DeCrans Klamath Falls, Oregon	Director
Michael Koger Klamath Falls, Oregon	Director

All board members receive mail at the address listed above

MANAGEMENT

Brett Blofsky	District Manager
Nicki Strain	Finance Director

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Independent Auditor's Report

To the Board of Directors
South Suburban Sanitary District
Klamath Falls, OR

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the South Suburban Sanitary District (the District), as of and for the year ended June 30, 2024, 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 the 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

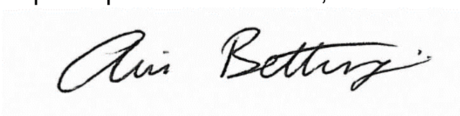
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, certain pension schedules, and certain other post-employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulations, we have also issued our report dated October 25, 2024 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
October 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

2201 Laverne Avenue
Klamath Falls, OR 97603
Phone 541.882.5744 Fax 541.882.5013

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the South Suburban Sanitary District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2024. This analysis focuses on current activities and should be read in conjunction with the District's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District is a self-supporting special-purpose government engaged only in the business-type activities of collection and treatment of sewage. The District's basic financial statements consist of the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. In addition, the notes to the financial statements are essential to a full understanding of the information included in the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceed liabilities and deferred inflow of resources at June 30, 2024 by $59.5 million. Of this amount $33.9 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position increased by $3.6 million.
- Net service fee revenue increased by $151 thousand, due to a rate increase of 6.3%. System development revenue decreased by $121 thousand, due to a decrease in development in the area.
- Investment income increased $807 thousand, due to an increase of $3.2 million in cash to invest and interest rates on investments were up.
- Total operating expenses increased by $27 thousand with $157 thousand increase in personnel services, largely due to employee turnover. Material and services decreased by $192 thousand, due to decreased cost in maintaining the treatment plant. Depreciation expense increased by $8 thousand.

Basic Financial Statements

The District uses a sole proprietary fund to account for its operations. Accordingly, the financial statements are presented using the accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position presents information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District' creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal year ended June 30, 2024. This statement provides information on the District's operation over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investment and financing activities. From the Statement of Cash Flows, the reader can obtain information on sources and uses of cash and the change in the cash and cash equivalents balance for the last fiscal year.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was $59.5 million at June 30, 2024. (See Table 1)

Table 1:

Condensed Statement of Net Position

June 30,		2024	2023
Current and Other Assets		$ 37,719	$ 34,376
Capital Assets, net		23,681	23,443
	Total Assets	**61,400**	**57,819**
Deferred Outflows		540	545
Current liabilities		602	491
Non Current liabilities		1,273	1,357
	Total Liabilities	**1,875**	**1,848**
Deferred Inflows		505	540
Investment in capital assets		23,681	23,443
Restricted net position		2,395	2,045
Unrestricted net position		33,485	30,488
	Total Net Position	**$ 59,561**	**$ 55,976**

(Table Presented in Thousands)

A large portion of the District's assets (38.6%) reflects its investment in capital assets (e.g. land, buildings, treatment system, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the District's net position (3.4%) is resources that are subject to external restriction on how they may be used. The remaining balance is unrestricted net position and may be used to meet the District's ongoing obligations to citizens.

Analysis of the District's Operations

The following table provides a summary of the District's operations for the years ended June 30, 2024 and 2023. Operating income increased the District's net position by $1.5 million accounting for 41.6% of total growth in net position and non operating income increased the District's net position by $2.0 million accounting for 56.2% of total growth in net position.

Table 2:

Condensed Statement of Revenues, Expenses and Changes in Net Position

For year ended June 30,	2024	2023
Operating Revenues	$ 5,023	$4,688
Operating Expenses	2,634	2,669
Depreciation Expense	899	891
Operating Income	**1,490**	**1,128**
Nonoperating Revenues (expenses)	2,014	1,270
Income before contributions	3,504	2,398
Capital Contributions	81	202
Increase in Net Position	3,585	2,600
Beginning Net Position	55,975	53,375
Ending Net Position	**$ 59,560**	**$ 55,975**

(Table Presented in Thousands)

CAPITAL ASSETS

The District's investment in capital assets includes land and improvements, buildings and improvements, infrastructure, treatment plant, equipment, and SBITA software subscription. As of June 30, 2024, the District had invested $23.6 million in capital assets, net of depreciation.

During the year, the District's investment in capital assets increased by $238 thousand The District had current year capital asset disposals of $21 thousand. The major capital asset investments included improvements to the treatment plant, roadway improvements, sewer line replacements and IT upgrades.

Table 3:

Capital assets, net of accumulated depreciation

For year ending June 30,	2024	2023
Land/ Easements and right of ways	$ 4,663	$ 4,663
Construction in progress	1,095	448
Treatment Plant	13,921	13,766
Headquarters	793	793
Infrastructure	13,439	13,213
Equipment	4,486	4,423
Software subscription	32	-
Less accumulated depreciation	(14,747)	(13,862)
Total capital assets, net of accumulated depreciation	**$ 23,682**	**$ 23,444**

(Table Presented in Thousands)

LONG-TERM DEBT

The District’s largest liability is the net pension liability Oregon Public Employees Retirement System (OPERS), it represents 49.4% of the total liabilities and deferred inflows of resources. The remaining liabilities/deferred inflows are primarily made up of short-term accounts payable, accrued salaries and benefits, and deferred amounts related to pensions and other postemployment benefits.

BUDGETARY HIGHLIGHTS

During the fiscal year 2023-2024, the District did not revise the budget appropriations.

Table 4:

	Original Budget	Revised Budget	Net Change
Administration	**$ 615**	**$ 615**	**0.0**
Personnel Services	397	397	0.0
Contract & Material Services	218	218	0.0
Wastewater Collection	**1,716**	**1,716**	**0.0**
Personnel Services	696	696	0.0
Contract & Material Services	292	292	0.0
Capital Outlay	728	728	0.0
Wastewater Treatment	**5,115**	**5,115**	**0.0**
Personnel Services	461	461	0.0
Contract & Material Services	1,269	1,269	0.0
Capital Outlay	3,385	3,385	0.0
Operating contingency	**522**	**522**	**0.0**
Total Appropriations	$ 7,968	$ 7,968	0.0

Revenues were over budget by $1.6 million, this was due to an increase in investment income.

Administrative services were within budget at 93.1%; Wastewater Collection was within budget at 73.5%; and Wastewater Treatment was within budget at 39.8%. The District exceeded its appropriation authority in Personnel Services within Wastewater collections $5,850.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District prepared a balanced budget for the fiscal year 2024-2025 and has been able to transfer money to reserves for future development.

The 2024/2025 budget for Administrative Services increased from $615 thousand to $764 thousand. This budget increase is due to Administrative Services taking over Contract/Material & Services costs which used to be charged to Collections and the Treatment Plant.

The 2024/2025 budget for Collections Services is the same as prior year at $1.7 million.

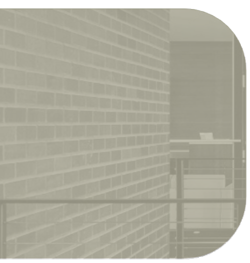
The 2024/2025 budget for Treatment Plant Services increased from $5.1 million to $10.7 million. This increase is due to an increase in Capital Outlay costs related to the facility upgrade plan.

The Department of Environmental Quality (DEQ) has provided the District with a compliance schedule to meet the new final effluent limits for the District's permit by October 2026. The District is currently in the Preliminary Design Phase for the Facility Plan Upgrade in order to meet the new limits. The costs for these modifications is currently estimated to be approximately $40 million.

These Government Regulations will be the major factors that drive the District's rates. Currently, the District's rates increased 6.3% on July 1, 2023 and will increase thereafter, by the previous December Western Consumer Price Index B/C at the beginning of the fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of South Suburban Sanitary District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, South Suburban Sanitary District, 2201 Laverne Avenue, Klamath Falls, OR 97603.



BASIC FINANCIAL STATEMENTS

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Cash and cash equivalents	$	34,304,073
Accounts receivable		827,846
Inventory		80,838
Prepaid expenses		77,224
Restricted cash and cash equivalents		2,378,970
Capital assets, net		23,680,795
Lease receivable		34,663
Net other postemployment benefits (RHIA)		15,727
Total assets		61,400,136
Deferred outflows of resources:		
Deferred amounts related to pensions (OPERS)		442,414
Deferred amounts related to other postemployment benefits (RHIA)		806
Deferred amounts related to other postemployment benefits (implicit rate subsidy)		96,921
Total deferred outflows of resources		540,141
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		61,940,277
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:		
Liabilities:		
Accounts payable		434,475
Accrued payroll and related liabilities		18,490
Accrued compensated absences		48,504
Advances for services		79,548
SBITA subscriptions payable, current		10,513
SBITA subscriptions payable, long-term		10,693
Net pension liability (OPERS)		1,175,218
Total other postemployment benefits liability (implicit rate subsidy)		97,308
Total liabilities		1,874,749
Deferred inflows of resources:		
Deferred amounts related to pensions (OPERS)		458,756
Deferred amounts related to other postemployment benefits (RHIA)		1,417
Deferred amounts related to other postemployment benefits (implicit rate subsidy)		9,424
Deferred amounts related to leases		35,466
Total deferred inflows of resources		505,063
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		2,379,812
NET POSITION:		
Investment in capital assets		23,680,795
Restricted for system development		2,378,970
Restricted other postemployment benefits (RHIA)		15,727
Unrestricted		33,484,973
TOTAL NET POSITION	$	59,560,465

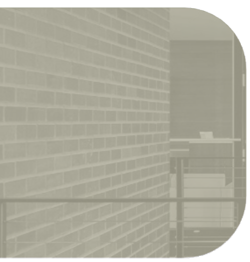
SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2024

OPERATING REVENUES:	
Charges for services, net	$ 4,771,465
Fees and penalties	226,194
Miscellaneous	25,100
TOTAL OPERATING REVENUES	5,022,759
OPERATING EXPENSES:	
Personnel services	1,427,054
Materials and services	1,206,796
Depreciation	898,955
TOTAL OPERATING EXPENSES	3,532,805
OPERATING INCOME (LOSS)	1,489,954
NONOPERATING REVENUES (EXPENSES):	
Gain (loss) on disposition of assets	(7,048)
Grant income	177,196
Rent/lease income	84,805
Interest income	1,758,525
TOTAL NONOPERATING REVENUES (EXPENSES)	2,013,478
INCOME (LOSS) BEFORE CONTRIBUTIONS	3,503,432
CAPITAL CONTRIBUTIONS	
System development fees	81,152
TOTAL CAPITAL CONTRIBUTIONS	81,152
CHANGE IN NET POSITION	3,584,584
BEGINNING NET POSITION - JULY 1, 2023	55,975,881
ENDING NET POSITION - JUNE 30, 2024	$ 59,560,465

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	4,894,838
Cash payment to suppliers for goods and services		(1,148,270)
Cash payments to employees for services		(1,539,575)
Net cash provided (used) by operating activities		2,206,993
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from lease		87,093
Proceeds from system development fees		81,152
Proceeds from grant		177,196
Principal and interest paid on subscription payable		(10,380)
Purchases and construction of capital assets		(1,112,217)
Net cash provided (used) by capital and related financing activities		(777,156)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		1,758,525
Net cash provided (used) by investing activities		1,758,525
Net increase (decrease) in cash		3,188,362
Cash and cash equivalents at the beginning of the year		33,494,681
Cash and cash equivalents at the end of the year	$	36,683,043
Classified on the Statement of Net Position as:		
Cash and cash equivalents	$	34,304,073
Cash and cash equivalents, restricted for system development		2,378,970
	$	36,683,043
Reconciliation of operating income to net cash used by operating activities:		
Operating income (loss)	$	1,489,954
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation/amortization		898,955
Change in assets and deferred outflows of resources and liabilities and deferred inflows of resources:		
Accounts receivable		(134,210)
Inventory		12,532
Prepaids		(37,236)
Pension and other postemployment benefit terms		(113,384)
Accounts payable		83,230
Accrued payroll		1,414
Accrued compensated absences		(551)
Advances for services		6,289
Net cash provided by operating activities	$	2,206,993
NONCASH CAPITAL FINANCING ACTIVITIES		
SBITA subscription software obtained in exchange for new subscription payable	$	31,586

See accompanying notes to basic financial statements



NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Suburban Sanitary District (the District) is a special service district created by the Court of Klamath County, Oregon, on July 12, 1957, operating under the provisions of ORS chapter 450, and numerous other applicable statutes for purposes of providing sewer collection and treatment services. The District's geographical boundaries encompass approximately 10 square miles in the south suburbs of the District of Klamath Falls, Klamath County. The District also provides some services to Henley Schools, which is located outside of the District's geographical boundaries. These services are provided through an intergovernmental agreement with Klamath County School District.

The District is governed by an elected Board of Directors that is comprised of three members. The daily management of the District is under the supervision of the District Manager, who is appointed by the Board of Directors.

Measurement focus, basis of accounting, and financial statement presentation

For financial reporting purposes, the District reports its operations in a sole enterprise fund. Enterprise funds (a proprietary fund type) are prepared on the accrual basis of accounting using the "economic resources measurement focus". Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the Statement of Net Position with the equity section representing "total net position."

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to the proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The District's more significant accounting policies are described below.

Operating and Non-Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily the provision of services related to the collection and treatment of wastewater.

The principal operating revenues of the District are sewer service charges, net of discounts and related fees. Sewer service revenue is recorded when the service is rendered. Operating expenses include all necessary costs related to the performance and administration of the District's ongoing activities as well as depreciation and amortization expense on the District's capital assets.

Revenue and expenses not meeting the above definitions are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The cash and cash equivalents reported on the statement of cash flows includes petty cash, checking, savings, and investments in local government investment pools since these funds can be withdrawn without prior notice or penalty. All highly liquid investments with a maturity of three months or less are also considered to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Sanitary sewer charges are billed in advance each year in July for the entire fiscal year to residential, commercial, and industrial customers. Customers paying their entire annual bill before the end of September may take a 4% discount on the annual charge. Otherwise, one-quarter of the annual bill is due by the end of September, December, March and June. Sewer charges not paid by the end of each quarter are subject to an interest penalty of 6% of the unpaid quarterly balance each quarter.

The District uses its' authority given under Oregon Revised Statutes (ORS) 454.225 to collect delinquent service charges through a special assessment against property owner's real estate. In June of each year, accounts with balances exceeding $10 are certified to the Klamath County's Assessor under authority provided by ORS 454.225 and placed on the property tax roll as a special assessment. In addition to the sewer charges and accrued interest penalties, accounts certified are assessed an 18% certification fee to help defray administrative expenses.

Property taxes become a lien against the property, as of July 1, in the year in which they are due and are assessed in October through billing by the county to the property owner. Payments are due in three equal installments on November 15, February 15 and May 15 with a three percent discount available for payment in full on November 15. Taxes unpaid and outstanding on May 16 are considered delinquent and are subject to lien, and penalties and interest are assessed. The District considers all receivables collectible, and therefore, no allowance for uncollectible receivables is provided.

Lease Receivables

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the District, reduced by principal payments received.

Inventory and Prepaid Expenses

Inventory, which consists of operating materials and supplies, is reported at cost using the first-in, first-out pricing convention, and is charged against operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets include land, construction in progress, infrastructure, treatment plant, headquarters compound and equipment. Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Major additions, improvements and replacements are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are stated at estimated fair market value at the date of donation. Gains and losses realized from the sale or other disposition of capital assets are reflected in the statement of revenues, expenses and changes in net position.

The District defines a capital asset as an asset with an initial cost of more than $10,000 for single items and $20,000 for infrastructure improvements, subject to certain exceptions and an expected useful life greater than one year. The cost of capital assets acquired and/or constructed includes all expenses incurred in the acquisition or construction of the asset, including capital project master planning, engineering design, legal services, and interest accrued during construction.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Property, plant and equipment are depreciated using the straight-line method over their estimated lives as follows:

Infrastructure	10-50 years
Treatment plant	5-50 years
Headquarters compound	5-30 years
Equipment	3-10 years
Software subscription	Depends on the length of the subscription

Subscription-Based Information Technology Arrangements (SBITA)

The District has noncancellable subscription-based information technology arrangements. The District recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The District recognizes subscription liabilities with an initial, annual value of $10,000 or more.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Contribution of Capital

Capital contributions include system development fees and related items associated with new connections to the District's collection and treatment facilities. Capital contributions also include capital grant contribution, and non-exchange transactions, in which the District receives value without giving equal value in exchange.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the Statement of Net Position, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position (deficit) – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

Compensated Absences

The District's personnel policy provides full-time District employees whom have completed six months of continuous service with vacation and sick leave in varying amounts after 90 days. Upon termination, employees are paid for their accumulated vacation time in full. Employees are allowed to carryover a maximum of 120 vacation hours from one employment year to the next. A liability for the vested portion of such leave is reported in the financial statements. Employees may accrue up to 960 hours of sick leave. Employees with over 300 hours of sick leave may either cash out or convert part or all of the balance over 300 hours to their deferred compensation 457b plan.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Pensions

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

The District also offers its employees a deferred compensation plan pursuant to section 457(b) of the Internal Revenue Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Healthcare Benefits

The District's other postemployment benefit plan (OPEB) includes an implicit rate subsidy for medical insurance. GAAP requires biennial actuarial valuation of the District's OPEB. This valuation includes both eligible active employees and retirees. With each valuation, the net OPEB obligation or asset is determined, as well as an annual OPEB cost.

Additionally, certain employees of the District are participants in the State of Oregon Public Employees Retirement System (OPERS) – Retirement Health Insurance Account (RHIA). Contributions to OPERS RHIA are made on a current basis as required by the plan and are charged as expenses.

Use of Estimates

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

Adoption of New GASB Pronouncements

During the year ended June 30, 2024, the District implemented the following GASB Pronouncements:

GASB Statement No. 100, *Accounting Changes and Error Corrections.* This Statement clarifies the presentation and disclosures requirements for prior period adjustments to beginning net position. There is no effect on the District's financial statements as a result of this Statement.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2024:

GASB Statement No. 101, *Compensated Absences*. Issued in June 2022, this Statement updates recognition and measurement guidelines for compensated absences. There is no effect on the District's financial statements as a result of this Statement. This Statement will be effective for the District for fiscal year ending June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures.* This standard requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. This Statement will be effective for the District for fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will be effective for the District for fiscal year ending June 30, 2026.

The District will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

NOTE 2 – APPROPRIATION AND BUDGETARY CONTROLS

For financial reporting and operating purposes, the District considers its activities as those of a unitary enterprise operation (proprietary fund). Therefore, these activities are reported in a single enterprise fund. However, for legal requirements as set forth in the Oregon Local Budget Law, the District prepares and adopts a budget on the modified accrual basis of accounting. The resolution authorizing appropriations for this fund sets the level by which expenditures cannot legally exceed appropriations. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expense categories. All appropriations lapse at the end of each fiscal year.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. Original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the District. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the levels of control. Such transfers required approval by passing a District resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 294.565 (Oregon Budget Law).

During the fiscal year ended June 30, 2024, the District exceeded its appropriation authority in the following category:

Wastewater Collections:		
Personnel services	$	5,850

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2024, consisted of the following:

Cash on hand	$ 275
Demand deposits	283,806
Investments - LGIP	36,398,962
Total cash and cash equivalents	$ 36,683,043

Cash and cash equivalents are shown on the Statement of Net Position as follows:

Cash and cash equivalents	$ 34,304,073
Restricted cash and cash equivalents	2,378,970
Total cash and cash equivalents	$ 36,683,043

Deposits

Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295. For the fiscal year ended June 30, 2024, the carrying amounts of the District’s deposits in various financial institutions were $283,806 and the bank balances were $302,069. As of June 30, 2024, $52,069 of the District’s deposits with financial institutions were not covered by the federal depository insurance.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

Pooled Deposits and Investments

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements or ORS 295.015.

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2023-2024. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at $1.00 per share, it is possible to lose money by investing in the pool.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

As of June 30, 2024 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

Credit Risk - State Statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has a formal investment policy that provides additional restrictions on its investment choices.

Concentration of Credit Risk - The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk - The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

As of June 30, 2024, the District had the following investments:

Investments Measured at Fair Value:	Totals as of 6/30/2024	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Local Government Investment Pool	$ 36,398,962	$ -	$ -	$ -	$ 36,398,962
Total	$ 36,398,962	$ -	$ -	$ -	$ 36,398,962

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivables are certified each July to the Klamath County Assessor for collection that results in a lien on the property involved. Each month the District receives a portion of the roll's total taxes received. This percentage is calculated annually by taking the total amount the District certified and dividing this by the total amount on the Klamath District property tax for the year. Individuals are eligible to receive up to a 3% discount if they pay their tax bill by certain dates. This discount given reduces the amount due to the District. If an individual does not pay their tax bill by certain dates, they are charged interest. A portion of this interest goes to the State of Oregon to offset administrative fees. Of the remaining balance, the District will receive their percentage for that respective year.

When the taxes are collected, they are placed into a holding account and invested until they are distributed at the end of the month. The interest earned during this period is distributed in the same way as the interest charged on past-due payments.

Other receivables are amounts due from other agencies that were billed on June 30, 2024, for services provided for the month of June 2024. These amounts are currently not certified with Klamath County.

NOTE 4 – ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivable on June 30, 2024, consisted of the following:

Accounts receivable at Klamath County	$	821,385
Other receivables		6,461
	$	827,846

NOTE 5 – LEASES RECEIVABLE

Balin Lease – On January 1, 2022, the District entered into a four-year lease agreement with Balin Ranch for the lease of 114 acres of real property. Based on this agreement, the District is receiving bi-annual payments of $8,645 due April 30th and November 1st of each year through 2024. There are no renewal options included in this lease agreement.

Fireserve Lease – On January 1, 2021, the District entered into a ten-year lease agreement with Fireserve, LLC for the lease of 100 square feet of real property. Based on this agreement, the District is receiving three wireless broadband rural 15 Mbps internet connections to the property through 2031. There are no renewal options included in this lease agreement.

Wynne Broadcasting Lease – On March 1, 2023, the District entered into a six-year lease agreement with Wynne Broadcasting Company, Inc. for the lease of real property. Based on this agreement, the District is receiving annual payments due March 1st of each year through 2033. There are no renewal options included in this lease agreement. After a period of five years from the date of the lease agreement, either party has the right to terminate the lease with a one-year notice. The lease includes a 3% or CPI increase, whichever is greater, to rent per year. There are no renewal options included in this lease agreement.

The District is reporting Leases Receivable of $34,663 at June 30, 2024. For the year ended June 30, 2024, the District reported lease revenues of $12,524 and interest revenue of $1,686 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Balin	$ 8,520	$ 8,414	$ 231
Fireserve	17,124	2,366	874
Wynne Broadcasting	9,019	1,744	581
Total	$ 34,663	$ 12,524	$ 1,686

NOTE 5 – LEASES RECEIVABLE (CONTINUED)

Future annual lease receivables at June 30, 2024 are summarized as follows:

Fiscal Year ending June 30,	Principal	Interest	Total
2025	$ 12,947	$ 1,317	$ 14,264
2026	4,767	923	5,690
2027	5,131	633	5,764
2028	5,280	338	5,618
2029	3,089	151	3,240
2030	3,449	12	3,461
Total	$ 34,663	$ 3,374	$ 38,037

NOTE 6 – CONTRACT COMMITMENTS

The District has active construction and professional service contracts as of June 30, 2024. The construction contract includes a Sewer Line Rehabilitation Project and a Wastewater Facility Plan.

At year-end the District's contract commitments were as follows:

Project	Contract Amount	Completed to Date	Remaining Commitment
Sewer Line Rehabilitation Project	$ 513,400	$ 82,054	$ 431,346
Wastewater Facility Plan	3,279,511	827,059	2,452,452
Total	$ 3,792,911	$ 909,113	$ 2,883,798

NOTE 7 – CAPITAL ASSETS

The District has an extensive investment in capital assets consisting of 1) Infrastructure - collection system and sewer mains, 2) Treatment plant with pumping stations, stabilization ponds and chlorination facility, 3) Headquarters office and shop 4) Equipment - office, pond, communication and construction equipment, and 5) SBITA -software subscription.

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Following is a summary of changes in the capital assets and depreciation for the current fiscal year.

	July 1, 2023	Additions	Deletions	Transfers	July 1, 2024
Capital assets not being depreciated/amortized:					
Land/Easements	$ 4,662,771	$ -	$ -	$ -	$ 4,662,771
Construction in progress	447,810	753,602	-	(106,238)	1,095,174
Total capital assets not being depreciated/amortized	5,110,581	753,602	-	(106,238)	5,757,945
Capital assets being depreciated/amortized:					
Treatment Plant	13,765,567	72,149	(10,806)	94,063	13,920,973
Headquarters	792,822	-	-	-	792,822
Infrastructure	13,212,788	213,603	-	12,175	13,438,566
Equipment	4,422,826	72,863	(9,719)	-	4,485,970
Software subscription	-	31,586	-	-	31,586
Total capital assets being depreciated/amortized	32,194,003	390,201	(20,525)	106,238	32,669,917
Less accumulated depreciation/amortization for:					
Treatment Plant	(6,195,669)	(371,784)	8,465	-	(6,558,988)
Headquarters	(575,943)	(25,626)	-	-	(601,569)
Infrastructure	(5,065,723)	(261,160)	-	-	(5,326,883)
Equipment	(2,024,254)	(230,141)	5,012	-	(2,249,383)
Software subscription	-	(10,244)	-	-	(10,244)
Total accumulated depreciation/amortization	(13,861,589)	(898,955)	13,477	-	(14,747,067)
Total capital assets being depreciated/amortized, net	18,332,414	(508,754)	(7,048)	106,238	17,922,850
Total capital assets, net	$ 23,442,995	$ 244,848	$ (7,048)	$ -	$ 23,680,795

NOTE 8 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

Software subscription

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The District has entered into a qualified SBITA agreement as the subscriber for software. The interest rate utilized for this SBITA was 1.7%. During the year ended June 30, 2024, subscription principal and interest payments of $10,380 and $328 were made, respectively.

Subscription payables currently outstanding as of June 30, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Software	$ -	$ 31,586	$ (10,380)	$ 21,206
Total	$ -	$ 31,586	$ (10,380)	$ 21,206

NOTE 8 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) (CONTINUED)

Subscriptions payable - software (continued)

Future annual subscription commitments as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 10,513	$ 195	$ 10,708
2026	10,693	15	10,708
Total	$ 21,206	$ 210	$ 21,416

NOTE 9 – ACCRUED COMPENSATED ABSENCES

The following is a summary of accrued compensated absences for the year ended June 30, 2024:

Balance at July 1, 2023	Additions	Deductions	Balance at June 30, 2024
$ 49,055	$ 56,635	$ (57,186)	$ 48,504

NOTE 10 – DEFINED PENSION BENEFIT PLAN

457(b) Deferred Compensation Plan

The District has a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code section 457(b). The Plan is managed by independent plan administrators. The Plan is available to all employees of the District. Employees may defer a portion of their salary until future years; the District does not make contributions. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to the Plan participants.

Accordingly, these Plan assets and related liability are not recorded in the District's basic financial statements.

OPERS Plan

Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Service Code Section 401(a). Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPERS Plan (continued)

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which was codified into ORS 238.435. This legislature created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to age 58 for Tier One.

The 2003 Legislature enacted House Bill 2021, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program and the Individual Account Program. Membership includes public employees hired on or after August 29, 2003. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

Beginning January 1, 2004, OPERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) or OPSRP. OPERS members retain their existing Regular or Variable (if applicable) accounts, but member contributions are now deposited into the member's IAP account. Accounts are credited with earnings and losses net of administrative expenses.

Tier One/Tier Two (Chapter 238)

Pension Benefits **-** The OPERS retirement allowance is payable monthly for life. Members may select from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for Police and Fire employees, 1.67 percent for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of $200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which they are entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit was equal to $255,533 as of January 1, 2023, and it is indexed with inflation every year.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Tier One/Tier Two (Chapter 238) (continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for Police and Fire members). General Service employees may retire after reaching age 55. Police and Fire members are eligible after reaching age 50. Tier One General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and Fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The plans are 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 receives 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 OPERS employer at the time of death,
- The member died within 120 days after termination of OPERS-covered employment,
- The member died as a result of injury sustained while employed in a OPERS-covered job, or
- The member was on an official leave of absence from a OPERS-covered job at the time of death.

As of 2020, the Legislature introduced an Optional Spouse Death Benefit (OSDB) which may provide higher survivor benefit than the standard per-retirement death benefit described above. To be eligible for the OSDB, the member must have died before retiring, named their spouse or other person who is constitutionally required to be treated in the same manner as the spouse as their pre-retirement beneficiary, and met the following conditions:

- Member’s date of death must be on or after January 1, 2020.
- Member’s account must be eligible for the employer-matching death benefit (as described above).
- Member must have a surviving spouse.
- Surviving spouse must be member’s sole beneficiary as determined by a valid Tier One/Tier Two Pre-retirement Beneficiary Designation form on file with PERS.

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 OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for Police and Fire members) when determining the monthly benefit.

Benefit Changes After Retirement – Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0 percent.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A)

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program 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:

> *Police and Fire* – 1.8 percent multiplied by the number of years of service and the final average salary. Normal retirement age for a Police and Fire members is age 60 or age 53 with 25 years of retirement credit. To retire under the Police and Fire classification, the individual's last 60 months of retirement credit preceding retirement eligibility must be classified as retirement credit for service as a police officer or a firefighter.
>
> *General Service* – 1.5 percent 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.

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit was equal to $225,533 as of January 1, 2023, and is indexed with inflation every year.

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

Death Benefits - Upon the death of a nonretired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached the age of their federally required minimum distribution.

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

Contributions

OPERS' funding policy provides for periodic member and employer contributions at rates established by the OPERS Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendation of the OPERS third-party actuary.

Member Contributions - Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the IAP. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary for District employees and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Contributions (continued)

Employer Contributions - OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and OPEB plans.

Employer contributions during the period July 1, 2023 through June 30, 2025, were based on the December 31, 2021 actuarial valuation, which became effective July 1, 2023. For the period July 1, 2023 through June 30, 2024, net employer contribution rates were 25.27% for Tier 1/Tier 2 employees and 21.08% for OPSRP General Employees. Employer contributions for the year ended June 30, 2024 were $196,893.

Pension Plan Annual Comprehensive Financial Report (ACFR)

OPERS prepares their financial statements in accordance with GAAP as set forth in GASB pronouncements that apply to fiduciary funds and enterprise funds. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plans. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly trasaction in between market participants at the measurement date.

OPERS produces an independently audited ACFR which can be found at:

https://www.oregon.gov/pers/Documents/Financials/ACFR/2023-ACFR.pdf

Actuarial Valuation

The employer contribution rates effective July 1, 2023, through June 30, 2025 were set using the entry age normal actuarial cost method. Under this cost method, each active member’s entry age present value of projected benefits is allocated over the member’s service from the member’s date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2021
Measurement date	June 30, 2023
Experience study	2020, published July 20, 2021
Actuarial assumptions:	
Actuarial cost method	Entry age normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
Mortality	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Active members:*** Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Disabled retirees:*** Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study, which reviewed experience for the four-year period ending on December 31, 2020.

Discount Rate

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

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Assumed Asset Allocation

Asset Class	Target Allocation
Cash	0.0%
Debt Securities	25.0%
Public Equity	27.5%
Private Equity	20.0%
Real Estate	12.5%
Real Assets	7.5%
Diversifying Strategies	7.5%
Total	100.0%

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below:

Asset Class	Target Allocation	20-Year Annualized Geometric Mean
Global equity	27.50%	7.07%
Private equity	25.50%	8.83%
Core fixed income	25.00%	4.50%
Real estate	12.25%	5.83%
Master limited partnerships	0.75%	6.02%
Infrastructure	1.50%	6.51%
Hedge fund of funds - multistrategy	1.25%	6.27%
Hedge fund equity - hedge	0.63%	6.48%
Hedge fund - macro	5.62%	4.83%
Total	100.00%	
Assumed inflation - mean		2.35%

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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

As of June 30, 2024, the District reported a liability of $1,175,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The District's proportion of the net pension liability was based on the District's long-term contribution effort to the pension plan compared with the total projected long-term contribution effort of all participating employers, actuarially determined. As of June 30, 2023 (measurement date), the District's proportion was approximately 0.00627429 percent.

For the year ended June 30, 2024, the District recognized a decrease in pension expense of $92,863. The $92,863 was treated as a decrease of payroll related expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 57,472	$ 4,660
Changes in assumptions	104,399	778
Net difference between projected and actual earnings on investments	21,123	-
Changes in proportionate share	39,181	322,636
Difference in proportion and contribution differences	23,346	130,682
District's contributions subsequent to the measurement date	196,893	-
Total	$ 442,414	$ 458,756

The $196,893 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2025.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to pensions will be recognized in pension expense or (expense reduction) as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2025	$ (58,255)
2026	(121,883)
2027	23,362
2028	(36,352)
2029	(20,107)
Thereafter	-
Total	$ (213,235)

Sensitivity for the District's Proportionate Share of the Net Pension Liability to Changes in Discount Rate

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

District's Net Pension Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Defined Benefit Pension	$ 1,941,238	$ 1,175,218	$ 534,140

Changes in Assumptions and Methods

A summary of key changes implemented since the December 31, 2021 valuation are noted below. Additional detail and list of changes can be found in the December 31, 2022 Actuarial Valuation, which can be found at:

https://www.oregon.gov/pers/Documents/Financials/Actuarial/2022/12312022%20Actuarial%20Valuation.pdf

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Changes in Assumptions and Methods (continued)

Assumption Changes

- The merit/longevity component assumption of individual member salary increases were updated for all groups.
- Assumed administrative expenses were updated and changed to a combined assumption of $64 million for Tier One/Tier Two and OPSRP.
- The assumed healthcare cost trend rates for the RHIPA program were updated.
- The mortality improvement projection scale applied to all groups is based on 60-year unisex average mortality improvement rates by age. The assumption was updated to reflect the most recent publicly available data at the time of the latest experience study.
- Termination, disability and retirement rates were updated for some groups to more closely match observed and anticipated future experience.
- Assumptions for unused sick leave and vacation pay were updated.
- Participation assumptions for both RHIA and RHIPA were updated.

Actuarial Method Changes

- An adjustment was added to the side account amortization calculations and Pre-SLGRP liability and surplus calculations to reflect the delay between when a rate is calculated and when it takes effect.
- The timing of the amortization period for Pre-SLGRP liabilities and surpluses for SLGRP employers was revised to align the biennial rate-setting cycle.

Plan Changes

- There were no changes to plan provisions valued since the December 31, 2021 actuarial valuation.

Defined Contribution Plan – Individual Account Program (IAP)

Benefit Terms – The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established. Employers have the option to make employer contributions for a member under ORS 238A.340. Contributions for these accounts are deposited into a separate employer-funded account. The member becomes vested in this optional employer-funded account 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. The accounts fall under Internal Revenue Code Section 414(k).

Upon retirement, a member of the 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.

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Defined Contribution Plan – Individual Account Program (IAP) (continued)

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

Contributions –Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. In 2023, if a member earns more than $3,570 per month, 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected. EPSA rules apply to most PERS members, but the EPSA redirect is only triggered when the member's gross pay in a month exceeds the monthly salary threshold, tied to the annual Consumer Price Index (All Urban Consumers West Region).

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

OPEB for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

Implicit Rate Subsidy

Plan Description

The District's single-employer defined benefit healthcare plan is administered by Special Districts Insurance Services (SDIS). SDIS provides medical and dental benefits for eligible retirees and their spouses, which covers both active and qualified retired members and their spouses until the employee retires. Benefit provisions are established by the Board of Directors.

Oregon Revised Statute 243.303 provides that retirees may elect within 60 days after the effective date of retirement to participate in the coverage and at the option of the retiree, the spouse and any unmarried children under 18 years of age. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2023, the following employees were covered by the benefit terms:

Active plan members	13
Inactive employees or beneficiaries currently receiving benefit payments	2
	15

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District's total OPEB liability of $97,308 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2023.

For the fiscal year ended June 30, 2024, the District recognized OPEB expense from this plan of $19,038. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,467	$ 509
Change of assumptions or other input	20,059	8,915
Benefit Payments	31,395	-
Total	$ 96,921	$ 9,424

Deferred outflows of resources related to OPEB of $31,395 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Deferred Outflow/(Inflow) of Resources
2025	$ 8,581
2026	8,766
2027	8,855
2028	8,764
2029	8,334
Thereafter	12,802
Total	$ 56,102

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Implicit Rate Subsidy (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2023, valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Discount Rate	3.65%, These rates reflect the Bond Buyer 20-Year General Obligation Bond Index.
Health Care Cost Trend	Medical and Vision: 6.75% Dental: 4.00% per year
General Inflation	2.40% per year, used to develop other economic assumptions
Annual Salary Increases	3.40% per year, based on general inflation and the likelihood of raises throughout participants' careers
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.
Disability	Not used
Withdrawal	Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender, and duration from hire date.
Retirement	Based on Oregon PERS assumptions. Annual rates are based on age, Tier / OPSRP, duration of service, and employment classification.
Excluded Employees	Part-time employees scheduled to work fewer than 600 hours per year are excluded from valuation. Elected officials and volunteers are excluded from valuation.
Past PERS Service	PERS service (or that for any other Employer-sponsored retirement plan) as of the valuation date was generally estimated based upon the elapsed time from date of hire, using date of hire and PERS tier info provided by the Employer and/or SDIS. Note that additional assumptions made for incomplete or inconsistent data are described below. Employees in the PERS waiting period are assumed to participate on July 1, 2023.
Future PERS Service	Projected PERS service for retirement eligibility is generally assumed to accrue at a rate of 1.0 per year until retirement.
Future Retiree Coverage	Based on historical data for comparable employers, 30% of active members were assumed to elect coverage upon retirement. 60% of male members and 35% of female members who elect coverage upon retirement are also assumed to elect spouse coverage.
Lapse Rate	Retirees for whom the Employer will never pay any portion of the health care premiums are assumed to have a 5% probability of lapsing (dropping) coverage per year.
Spouse Age	Female spouses are assumed to be two years younger than male spouses.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Implicit Rate Subsidy (continued)

Changes in the Total OPEB Liability

Total OPEB Liability as of July 1, 2023	$	49,776
Changes for the year:		
Service cost		2,102
Interest		1,674
Effect of economic/demographic gains or losses		34,064
Effect of assumptions changes or inputs		18,977
Benefit payments		(9,285)
Total OPEB Liability as of June 30, 2024	$	97,308

Changes in assumptions are the result of the change in the discount rate from 3.54 percent to 3.65 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

District's Total OPEB Asset/(Liability)	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total OPEB Liability	$ (101,029)	$ (97,308)	$ (93,745)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

District's Total OPEB Asset/(Liability)	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ (92,700)	$ (97,308)	$ (102,607)

Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan was closed to new entrants hired on or after August 29, 2003.

To be eligible to receive this monthly payment toward the premium costs, the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Plan Description (continued)

A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions

Employer Contributions – OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

The contribution rates in effect for the fiscal year ended June 30, 2024 for the OPEB program were: Tier1/Tier 2 – 0.00%, and OPSRP general service – 0.00%. The District contributed $4 for the year ended June 30, 2024.

Actuarial Valuation

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 9 – Defined Benefit Pension Plan* except the table listed below:

Actuarial assumptions:	
Retiree healthcare participation	Healthy retirees: 27.5%; Disabled retirees: 15%
Healthcare cost trend rate	Not applicable
Cost-of-living adjustments (COLA)	Not applicable

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the District reported $15,727 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, (measurement date), the District's proportion was 0.00429503 percent.

For the year ended June 30, 2024, the District recognized an decrease of OPEB expense of $1,483. The decrease was treated as a reduction of payroll related expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	$ -	$ 395
Changes in assumptions	-	170
Net difference between projected and actual earnings on investments	45	-
Changes in proportionate share	757	852
District's contributions subsequent to the measurement date	4	-
Total	$ 806	$ 1,417

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to OPEB will be recognized in pension expense (or expense reduction) as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2025	$ (617)
2026	(787)
2027	581
2028	208
2029	-
Thereafter	-
Total	$ (615)

Sensitivity for the Districts Proportionate Share of the Net OPEB Asset to Changes in Discount Rate

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

District's Net OPEB Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Retirement Health Insurance Account	$ 14,296	$ 15,727	$ 16,955

Sensitivity of District's Proportionate Share of the Net OPEB Asset to Changes in Healthcare Cost Trend Rate

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to $60 monthly payments toward Medicare companion insurance premiums.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss during its ordinary course of business including losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To mitigate the risk of loss, various commercial insurance policies have been purchased and are reviewed for adequacy by management annually. There have been no significant changes in coverage nor have any settlements exceeded insurance coverage in the past three years.

The District participates in the Special District Insurance Services (SDIS) formed in 1985 by the Special Districts Association of Oregon. SDIS is a public entity risk pool currently operating as a common risk management and insurance program for approximately 900 special districts in the State of Oregon. SDIS is self-sustaining through member contributions and reinsures through commercial companies for the excess of certain claim amounts. The District has a claim upon cash balances held on its behalf by SDIS, but the amount cannot be determined. Claim liabilities of the District within SDIS, if any, also cannot be determined.

The District pays an annual premium to SDIS for its liability, property, and automobile insurance and pays an annual premium to SAIF for workers' compensation insurance. SDIS is self-sustaining through member premiums but reinsures through commercial companies for property and liability coverage. Insurance coverage for the year ended June 30, 2024, was the same or greater than in prior years. No losses were incurred during the year ended June 30, 2024. The insurance program includes the "normal" coverages subject to nominal deductibles for commercial, auto, property, liability, workers' compensation, etc., as well as staff bonding, director and officer liability, expenses for effluent spills from collection system infrastructure and pump stations and computer systems.

The District retains the risk for the payment of state unemployment compensation and is invoiced for eligible former District employees quarterly by the state employment department. Each year the District appropriates funds to meet the estimated obligation. No claims were paid during the year ended June 30, 2024, with no outstanding liability at year-end.

The District is currently on a compliance schedule with DEQ to meet final effluent limitations contained in its new National Pollutant Discharge Elimination System (NPDES) permit effective on November 1, 2020, for Total Ammonia, Total Residual Chlorine, Total Nitrogen, Total Phosphorus, Total Mercury, Excess Thermal Load and BOD's.

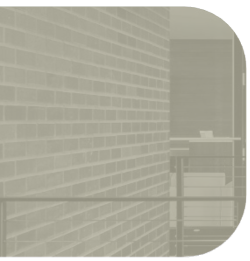
The District has until October 2026 to complete all improvements and achieve compliance with the final effluent limits of the permit. Currently the District consultant is in the process of engineering the final design of the District Facility Plan. At the current time management estimates the cost for modifications to meet NPDES permit to be $40 million.

NOTE 13 – SYSTEM DEVELOPMENT RESTRICTED FUNDS

In compliance with ORS 223.297 to 223.314 (System Development Act of 1989), the District restricts cash received from systems development fees for expenditure on capital improvements. For the year ended June 30, 2024, $81,152 was received for system development. As of June 30, 2024, the District has $2,378,970 restricted for system development.

NOTE 14 – SUBSEQUENT EVENT

Management of the District has evaluated events and transactions occurring after June 30, 2024 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. On August 22, 2024 the District entered into a financing agreement for a Oregon Business Development Department Loan. Under the terms of the agreement, the District will receive a state loan up to $2,900,000 for a Wastewater Treatment Plant Upgrades Project. Proceeds from the loan will be disbursed to the District on a reimbursement basis. The loan bears an interest rate of 1.7%



REQUIRED SUPPLEMENTARY INFORMATION

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30

South Suburban Sanitary District Proportionate Share of Net Pension (Liability) / Asset

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability	0.00627429%	0.00853767%	0.00894561%	0.00878231%	0.00803034%	0.00850528%	0.00895605%	0.00888330%	0.00999330%	0.01021934%
District's proportion of the net pension asset/(liability	$ (1,175,218)	$ (1,307,289)	$ (1,070,475)	$ (1,916,602)	$ (1,389,057)	$ (1,288,438)	$ (1,207,279)	$ (1,333,590)	$ (553,584)	$ 231,643
District's covered-employee payroll	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660	$ 739,542	$ 692,461	$ 676,013
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payrol	132.38%	144.01%	122.33%	217.87%	161.33%	173.69%	155.85%	180.33%	79.94%	-34.27%
Plan fiduciary net position as a percentage of the total pension liability	81.70%	84.50%	87.60%	75.80%	80.20%	82.10%	83.10%	80.50%	91.90%	103.60%

South Suburban Sanitary District Pension Contributions

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 196,893	$ 177,034	$ 160,245	$ 176,164	$ 178,600	$ 136,417	$ 118,750	$ 95,826	$ 94,418	$ 74,250
Contribution in relation to the contractually required	(196,893)	(177,034)	(160,245)	(176,164)	(178,600)	(136,417)	(118,750)	(95,826)	(94,418)	(74,250)
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 934,016	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660	$ 739,542	$ 692,461
Contributions as a percentage of covered-employee payrol	21.08%	19.94%	17.65%	20.13%	20.30%	15.84%	16.01%	12.37%	11.46%	11.46%

Notes to Schedule

A summary of key changes implemented since the December 31, 2021 valuation are described briefly in *Note 10* in the Notes to the Basic Financial Statements. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the system can be found at:

https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pc

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

South Suburban Sanitary District Proportionate Share of Net OPEB (Liability)/Asset

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB asset/(liability)	0.004295030%	0.003807970%	0.529906600%	0.004289410%	0.775079000%	0.00688438%	0.00704000%	0.00704000%
District's proportion of the net OPEB asset/(liability)	$ 15,727	$ 13,531	$ 18,197	$ 8,740	$ 14,977	$ 7,685	$ 2,938	$ (2,056)
District's covered-employee payroll	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660	$ 739,542
District's proportionate share of the net OPEB asset/(liability) as a percentage of its covered-employee payroll	1.77%	1.49%	2.08%	0.99%	1.74%	1.51%	0.92%	0.92%
Plan fiduciary net position as a percentage of the total OPEB liability	201.60%	194.60%	183.90%	150.10%	144.35%	124.93%	108.90%	94.20%

South Suburban Sanitary District Contributions

	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	$ 4	$ 85	$ 94	$ 142	$ 306	$ 3,841	$ 3,333	$ 3,505
Contribution in relation to the contractually required	(4)	(85)	(94)	(142)	(306)	(3,841)	(3,333)	(3,505)
Contributions deficiency (excess)	-	-	-	-	-	-	-	-
District's covered - employee payroll	$ 934,016	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660
Contributions as a percentage of covered-employee payroll	0.00%	0.01%	0.01%	0.02%	0.03%	0.45%	0.39%	0.39%

Notes to Schedule -

Significant methods and assumptions:

Significant methods and assumptions used in calculating the actuarially determined proportionate share of the net OPEB asset and contributions are described in *Note 11* to the financial statements.

Other information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during 2017, as a result, only eight years are presented.

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF CHANGES IN THE DISTRICT'S TOTAL OPEB (IMPLICIT RATE SUBSIDY)
LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2024

Total OPEB Liability:	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Service cost	$ 2,102	$ 2,541	$ 3,027	$ 2,546	$ 1,754	$ 1,740	$ 1,845	N/A
Interest	1,674	1,255	1,000	1,385	1,343	1,363	1,206	N/A
Effect of economic/demographic gains or losses	34,064	-	25,057	-	(1,174)	-	-	N/A
Effect of assumptions changes or inputs	18,977	(3,651)	(9,257)	2,057	5,403	(633)	(1,660)	N/A
Benefit payments	(9,285)	(11,757)	(1,271)	(353)	(6,085)	(5,653)	(5,423)	N/A
Net change in total OPEB liability	$47,532	(11,612)	18,556	5,635	1,241	(3,183)	(4,032)	N/A
Total OPEB liability - beginning	49,776	61,388	42,832	37,197	35,956	39,139	43,171	N/A
Total OPEB liability - ending	$ 97,308	$ 49,776	$ 61,388	$ 42,832	$ 37,197	$ 35,956	$ 39,139	$ 43,171
Estimated covered - employee payroll	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660	$ 739,542
Total OPEB liability as a percentage of estimated covered - employee payroll	10.96%	5.48%	7.02%	4.87%	4.32%	4.85%	5.05%	5.84%

Notes to Schedule -

Significant methods and assumptions used in calculating the actuarially determined contributions:
Significant methods and assumptions used in calculating the actuarially determined contributions are described in *Note 11* to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:
None noted.

Other information:
This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during fiscal 2017, as a result, only eight years of information is presented.

OTHER SUPPLEMENTARY INFORMATION

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2024

	Budget			Variance with Final Budget Positive
	Adopted	Final	Actual	(Negative)
REVENUES:				
Charges for services, net	$ 4,744,362	$ 4,744,362	$ 4,771,465	$ 27,103
System development fees	150,000	150,000	81,152	(68,848)
Fees and penalties	5,000	5,000	226,194	221,194
Interest Income	500,000	500,000	1,758,525	1,258,525
Rental/lease income	63,000	63,000	87,093	24,093
Grants	-	-	177,196	177,196
Miscellaneous	48,500	48,500	25,100	(23,400)
TOTAL REVENUES	5,510,862	5,510,862	7,126,725	1,615,863
EXPENDITURES:				
Administration:				
Personnel services	396,725	396,725	380,690	16,035
Materials and services	218,490	218,490	192,310	26,180
Total administration	615,215	615,215	573,000	42,215
Wastewater Collection				
Personnel services	696,425	696,425	702,275	(5,850)
Materials and services	292,074	292,074	232,001	60,073
Capital outlay	727,850	727,850	326,603	401,247
Total wastewater collection	1,716,349	1,716,349	1,260,879	455,470
Wastewater Treatment				
Personnel services	461,350	461,350	458,024	3,326
Materials and services	1,269,140	1,269,140	652,208	616,932
Capital outlay	3,385,363	3,385,363	926,271	2,459,092
Total wastewater treatment	5,115,853	5,115,853	2,036,503	3,079,350
Contingency	521,587	521,587	-	521,587
Total other expense	521,587	521,587	-	521,587
TOTAL EXPENDITURES	7,969,004	7,969,004	3,870,382	4,098,622
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,458,142)	(2,458,142)	3,256,343	5,714,485
CHANGE IN NET WORKING CAPITAL	(2,458,142)	(2,458,142)	3,256,343	(2,482,759)
NET WORKING CAPITAL - JULY 1, 2023	29,485,527	29,485,527	33,880,095	4,394,568
NET WORKING CAPITAL - JUNE 30, 2024	$ 27,027,385	$ 27,027,385	37,136,438	$ 10,109,053
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.				
Capital assets, net			23,680,795	
Lease receivable			34,663	
Net other post-employment asset (RHIA)			15,727	
Deferred outflows			540,141	
Compensated absences			(48,504)	
Net pension liability			(1,175,218)	
Net OPEB liability			(97,308)	
SBITA subscription payable			(21,206)	
Deferred inflows			(505,063)	
ENDING NET POSITION			$ 59,560,465	

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

To the Board of Directors
South Suburban Sanitary District
2201 Laverne Avenue
Klamath Falls, OR 97603

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the business-type activities of South Suburban Sanitary District (the District) as of and for the year ended June 30, 2024, and have issued our report thereon dated October 25, 2024.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 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 the 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 but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Investments of surplus funds authorized under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, 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 Administration Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations,* except as noted in Note 2 of the financial statements.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Restrictions on Use

This report is intended solely for the information and use of the Board of Directors and management of South Suburban Sanitary District and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.

Aria Bettinger CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
October 25, 2024