

South Suburban Sanitary District

Financial Statements and Supplementary Information

For the year ended June 30, 2026

sorren CPAs, PC

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SOUTH SUBURBAN SANITARY DISTRICT

YEAR ENDED JUNE 30, 2026

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SOUTH SUBURBAN SANITARY DISTRICT
JUNE 30, 2026

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

INDEPENDENT AUDITOR'S REPORT

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CPAs P.C.

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, 2026, 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, 2026, and the respective changes in financial position and, where applicable, 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 as 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 GAAS, 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 schedule of revenues, expenditures and changes in fund balance – budget and actual is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the schedule of revenues, expenditures and changes in fund balance – budget and actual 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 28, 2026 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 162-010-0330 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, Shareholder
Sorren CPAs, P.C.
Medford, Oregon
October 28, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Klamath Falls, OR 97603
Phone 541.882.5744 Fax 541.882.5013

Board of Directors
Position 1 - Joe Spendolini
Position 2 - Kenneth DeCrans
Position 3 - Mike Koger

District Manager/Secretary
Brett Blofsky

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, 2026. 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. Please note that all amounts in the text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceed liabilities and deferred inflow of resources at June 30, 2026 by $67.3 million. Of this amount $36.1 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 $3.9 million, reflecting improved operating performance, new subsidy funding, and an increase in interest on investments.
- Net service fee revenue increased by $327 thousand, due to a rate increase of 7%. System development revenue increased by $49 thousand, due to an increase in development in the area.
- At June 30, 2026, outstanding long-term obligations totaled $4.8 million compared with $2.8 million in the prior year. The increase resulted from a new loan agreement with the Department of Environmental Quality for the financing of wastewater treatment upgrades.

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 $67.3 million at June 30, 2026. (See Table 1)

Table 1:

Condensed Statement of Net Position

June 30,

		2026	2025	Increase (decrease)
Current and other assets		$ 39,073	$41,377	$ (2,304)
Capital assets, net		33,663	27,851	5,812
	Total Assets	**72,736**	**69,228**	**3,508**
Deferred outflows		2,238	880	1,358
Current liabilities		696	1,713	(1,017)
Non current liabilities		6,597	4,587	2,010
	Total Liabilities	**7,293**	**6,300**	**993**
Deferred inflows		363	387	(24)
Investment in capital assets		28,518	25,096	3,422
Restricted net position		2,740	2,625	115
Unrestricted net position		36,061	35,700	361
	Total Net Position	**$ 67,319**	**$ 63,421**	**$ 3,898**

(Table Presented in Thousands)

A large portion of the District's net position (46.3%) reflects its investment in capital assets (e.g. land, CIP, 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 (4.1%) 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, 2025 and 2026. Operating income increased the District's net position by $1.9 million accounting for 50.0% of total growth in net position and non operating income increased the District's net position by $1.6 million accounting for 42.0% of total growth in net position. Noncapital subsidies of $300 thousand were received through the Oregon Public Employees Retirement System Employee Incentive Fund program and contributed approximately 8 percent of the increase in net position during the year.

As a result of the adoption of GASB 103, SDCs that were reported as capital contributions in FY2025 are now reported within nonoperating revenues.

Table 2:

Condensed Statement of Revenues, Expenses and Changes in Net Position

For year ended June 30,	2026	2025	Increase (decrease)
Operating Revenues	$ 5,999	$ 5,661	$ 338
Operating Expenses	3,143	2,992	151
Depreciation Expense	906	919	(13)
Operating Income	**1,950**	**1,750**	**200**
Noncapital subsidies	300	-	300
Nonoperating Revenues (expenses)	1,648	2,011	(363)
Income before contributions	3,898	3,761	137
Capital Contributions	-	100	(100)
Increase in Net Position	3,898	3,861	37
Beginning Net Position	63,421	59,560	3,861
Ending Net Position	**$ 67,319**	**$ 63,421**	**$ 3,898**

(Table Presented in Thousands)

CAPITAL ASSETS

The District's investment in capital assets includes land and improvements, CIP, buildings and improvements, infrastructure, treatment plant, and equipment. As of June 30, 2026, the District had invested $33.7 million in capital assets, net of depreciation.

During the year, the District's investment in capital assets increased by $5.8 million The District had no current year capital asset disposals. The major capital asset additions included improvements to the treatment plant, manhole improvements, and sewer line replacements.

Table 3:

Capital assets, net of accumulated depreciation

For year ending June 30,	2026	2025	Increase (decrease)
Land/ Easements and right of ways	$ 5,063	$ 4,663	$ 400
Construction in progress	10,950	5,180	5,770
Treatment Plant	14,366	14,131	235
Headquarters	825	825	-
Infrastructure	14,320	14,190	130
Equipment	4,668	4,486	182
Software subscription	-	32	(32)
Less accumulated depreciation	(16,530)	(15,656)	(874)
Total capital assets, net of accumulated depreciation	**$ 33,662**	**$ 27,851**	**$ 5,811**

(Table Presented in Thousands)

LONG-TERM DEBT

In the current year, the District entered into a loan agreement with the State of Oregon, through the Department of Environmental Quality (DEQ) for the financing of wastewater treatment upgrades. The contract allows for the District to incur $6,000,000 in debt related to this loan, of which $2,044,309 is owed at June 30, 2026. Total long term debt at June 30. 2026 is $4,799,309. This represents 62.7% of total liabilities and deferred inflows of resources. The net pension liability Oregon Public Employees Retirement System (OPERS) represents 20.4% of liabilities/deferred inflows, and the remaining is primarily composed of accounts payable, accrued salaries and benefits, and deferred amounts related to pensions and other postemployment benefits.

Table 4:

For year ending June 30,	2026	2025	Increase (decrease)
Business Oregon Loan	$ 2,755	$ 2,755	$ -
DEQ CWSRF Loan	2,044	-	2,044
Total long-term debt	**$ 4,799**	**$ 2,755**	**$ 2,044**

(Table Presented in Thousands)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District prepared a balanced budget for fiscal year 2026-2027 and has been able to transfer money to reserves for future development when available. Due to the mandated facility upgrade project, we have needed to utilize part of our reserves to pay invoices until we are able to access our CWSRF loan funds.

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 NPDES permit by October 2026. A 3-year extension on this deadline has been submitted to DEQ. The District has completed the 100% design phase for the Facility Plan Upgrade in order to meet the new limits. We are waiting on final approval from DEQ. The costs for these modifications are currently estimated to be approximately $60 million.

These Government Regulations have and will continue to be the major factors that drive the District's rates. The District's rates increased by 2.5% on July 1, 2026 in accordance with the 2025 December Western Consumer Price Index B/C.

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, 2026

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Cash and cash equivalents	$	35,250,635
Accounts receivable		747,211
Prepaid expenses		81,690
Restricted cash and cash equivalents		2,938,756
Lease receivable		26,374
Capital assets, net		33,662,856
Net other postemployment benefits asset (RHIA)		28,661
Total assets		72,736,183
Deferred outflows of resources:		
Deferred amounts related to pensions (OPERS)		2,168,958
Deferred amounts related to other postemployment benefits (RHIA)		1,858
Deferred amounts related to other postemployment benefits (implicit rate subsidy)		67,476
Total deferred outflows of resources		2,238,292
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		74,974,475
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:		
Liabilities:		
Accounts payable		168,323
Accrued payroll and related liabilities		21,638
Advances for services		154,228
Interest payable		130,702
Retainage payable		221,173
Accrued compensated absences, current		112,337
Accrued compensated absences, non-current		57,684
Loan payable		4,799,309
Net pension liability (OPERS)		1,560,351
Total other postemployment benefits liability (implicit rate subsidy), current		18,021
Total other postemployment benefits liability (implicit rate subsidy), non-current		49,301
Total liabilities		7,293,067
Deferred inflows of resources:		
Deferred amounts related to pensions (OPERS)		324,085
Deferred amounts related to other postemployment benefits (RHIA)		828
Deferred amounts related to other postemployment benefits (implicit rate subsidy)		6,270
Deferred amounts related to leases		31,960
Total deferred inflows of resources		363,143
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		7,656,210
NET POSITION:		
Net investment in capital assets		28,517,616
Restricted for system development		2,710,899
Restricted other postemployment benefits (RHIA)		28,661
Unrestricted		36,061,089
TOTAL NET POSITION	$	67,318,265

See accompanying notes to basic financial statements

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2026

OPERATING REVENUES:		
Charges for services, net	$	5,575,869
Fees and penalties		222,092
Rent/lease income		101,330
Miscellaneous		98,378
TOTAL OPERATING REVENUES		5,997,669
OPERATING EXPENSES:		
Personnel services		1,737,902
Materials and services		1,404,680
Depreciation and amortization		905,578
TOTAL OPERATING EXPENSES		4,048,160
OPERATING INCOME (LOSS)		1,949,509
NONCAPITAL SUBSIDIES:		
PERS matching funds revenue		300,000
TOTAL NONCAPITAL SUBSIDIES		300,000
OTHER NONOPERATING REVENUES (EXPENSES):		
Interest expense		(110,673)
Capital contributions -system development fees		148,693
Interest income		1,609,514
TOTAL OTHER NONOPERATING REVENUES (EXPENSES)		1,647,534
CHANGE IN NET POSITION		3,897,043
BEGINNING NET POSITION - JULY 1, 2025		63,421,222
ENDING NET POSITION - JUNE 30, 2026	$	67,318,265

See accompanying notes to basic financial statements

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	6,118,376
Cash payment to suppliers for goods and services		(2,854,551)
Cash payments to employees for services		(3,225,595)
Net cash provided (used) by operating activities		38,230
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
PERS matching funds		300,000
Net cash provided (used) by noncapital financing activities		300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from leases		2,427
Proceeds from system development fees		148,693
Principal and interest paid on subscription payable		(10,528)
Proceeds received from loan		2,044,309
Purchases and construction of capital assets		(6,371,554)
Net cash provided (used) by capital and related financing activities		(4,186,653)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		1,609,514
Net cash provided (used) by investing activities		1,609,514
Net increase (decrease) in cash		(2,238,909)
Cash and cash equivalents at the beginning of the year		40,428,300
Cash and cash equivalents at the end of the year	$	38,189,391
Classified on the Statement of Net Position as:		
Cash and cash equivalents	$	35,250,635
Restricted cash and cash equivalents		2,938,756
	$	38,189,391
Reconciliation of operating income to net cash used by operating activities:		
Operating income (loss)	$	1,949,509
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation/amortization		905,578
Change in assets and deferred outflows of resources and liabilities and deferred inflows of resources:		
Accounts receivable		62,216
Prepaid expenses		(937)
Pension and other postemployment benefit terms		(1,535,392)
Accounts payable		(1,448,934)
Accrued payroll		3,150
Accrued compensated absences		44,549
Advances for services		58,491
Net cash provided by operating activities	$	38,230
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:		
Capital assets acquired and included in accounts payable	$	124,758

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 nonoperating revenues and expenses in accordance with GASB Statement No. 103. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations, primarily the collection and treatment of wastewater.

The principal operating revenues of the District are sewer service charges, net discounts and related fees, which are recorded when services are rendered. Operating expenses include all necessary costs related to the performance and administration of the District's ongoing activities, including depreciation and amortization on capital assets used in those activities.

Nonoperating revenues and expenses consist of subsidies received and provided, investment income and expenses, revenues and expenses related to financing, and resource flows from the disposal of capital assets and inventory, except when such transactions constitute the District's principal ongoing operations.

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 monthly for all customers. Sewer charges not paid by the last day of each month are subject to 3% penalty or a minimum fee of $3.00 (whichever is greater).

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 $50 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.

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.

Prepaid Expenses

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 and related legal services.

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 recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements for subscription liabilities with a 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.

Retainage Payable

Retainage payable represents amounts withheld from subcontractors under the terms of construction contracts. Such amounts are generally payable upon satisfactory completion of specified project milestones or final acceptance of the related project.

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 of 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 160 vacation hours from one employment year to the next. 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. A liability for the vested portion of vacation leave and the estimated value of the sick leave expected to be used or converted to the 457b plan is included in accrued compensated absences in the Statement of Net Position.

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' 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)

Long-Term Obligations

The District reports long-term debt and other long-term obligations as liabilities in the Statement of Net Position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed in the period incurred.

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, 2026, the District implemented the following GASB Pronouncements:

GASB Statement No. 103, Financial Reporting Model Improvements. Issued in April 2024, this Statement updates 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 and addresses certain application issues. There is no material effect on the District's financial statements as a result of this statement.

GASB Statement No. 104, Disclosure of Certain Assets. This standard requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, requires certain intangible assets to be disclosed separately by major class, and requires additional disclosures for capital assets held for sale. This Statement also addresses certain application issues. There is no effect on the District's financial statements as a result of this statement.

Future GASB Pronouncements

The following GASB pronouncement has been issued, but is not effective as of June 30, 2026:

GASB Statement No. 105, Subsequent Events. Issued in December 2025, this Statement improves financial reporting requirements for subsequent events. This Statement will be effective for the District for the fiscal year ending June 30, 2027.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future GASB Pronouncements (continued)

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 pronouncement 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, 2026, the District exceed its appropriation authority in the following category:

North Poe Valley Property:		
Materials and services	$	1,901

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2026, consisted of the following:

Cash on hand	$ 275
Demand deposits	154,716
Investments - LGIP	38,034,400
Total cash and cash equivalents	$ 38,189,391

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

Cash and cash equivalents	$ 35,250,635
Restricted cash and cash equivalents	2,938,756
Total cash and cash equivalents	$ 38,189,391

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2026, the carrying amounts of the District's deposits in various financial institutions were $154,717 and the bank balances were $245,687. As of June 30, 2026, all of the District's deposits with financial institutions were covered by the federal depository insurance. The monies were deposited in an approved depository as identified by the State Treasurer.

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.

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 2025-2026. 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, 2026, 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.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

Pooled Deposits and Investments (continued)

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 a formal investment policy for mitigating interest rate risk by providing adequate liquidity for short-term cash needs, and by making longer term investments only with funds that are not needed for current cash flow purposes. The investment policy outlines specific strategies that will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates.

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, 2026, the District had the following investments:

Investments Measured at Fair Value:	Totals as of 6/30/2026	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government Investment Pool	$ 38,034,400	$ -	$ -	$ -	$ 38,034,400

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 County 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.

NOTE 4 – ACCOUNTS RECEIVABLE (CONTINUED)

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, 2026, for services provided for the month of June 2026. These amounts are currently not certified with Klamath County.

Accounts receivable on June 30, 2026, consisted of the following:

Accounts receivable at Klamath County	$	737,329
Other receivables		9,882
	$	747,211

NOTE 5 – LEASE RECEIVABLE

Balin Lease – On January 1, 2020, 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. As of the year ended June 30, 2026, the parties extended the lease for an additional year, with bi-annual payments of $9,425 through November 1, 2026.

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 ten-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 $26,374 at June 30, 2026. For the year ended June 30, 2026, the District reported lease revenues of $23,617 and interest revenue of $923 related to long-tern lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Balin	$ 9,425	$ 18,850	$ -
Fireserve	12,004	2,627	613
Wynne Broadcasting	4,945	2,140	310
Total	$ 26,374	$ 23,617	$ 923

NOTE 5 – LEASE RECEIVABLE (CONTINUED)

Future annual lease receivables at June 30, 2026 are summarized as follows:

Fiscal Year ending June 30,	Principal	Interest	Total
2027	$ 14,556	$ 633	$ 15,189
2028	5,280	338	5,618
2029	3,089	151	3,240
2030	3,449	12	3,461
Total	$ 26,374	$ 1,134	$ 27,508

NOTE 6 – CONTRACT COMMITMENTS

The District has active construction and professional service contracts as of June 30, 2026 related to the Wastewater Treatment Plant Facility Upgrade.

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

Project	Contract Amount	Completed to Date	Remaining Commitment
Wastewater Treatment Plant Facility Upgrade	$18,124,014	$9,998,400	$ 8,125,614

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.

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

	July 1, 2025	Additions	Deletions	Transfers	June 30, 2026
Capital assets not being depreciated/amortized:					
Land/Easements	$ 4,662,771	$ 400,000	$ -	$ -	$ 5,062,771
Construction in progress	5,179,778	5,991,144	-	(221,173)	10,949,749
Total capital assets not being depreciated/amortized	9,842,549	6,391,144	-	(221,173)	16,012,520
Capital assets being depreciated/amortized:					
Treatment plant	14,130,515	143,980	-	91,411	14,365,906
Headquarters	825,444	-	-	-	825,444
Infrastructure	14,190,483	-	-	129,762	14,320,245
Equipment	4,486,600	182,361	-	-	4,668,961
Intangible assets					
Software subscription	31,586	-	(31,586)	-	-
Total capital assets being depreciated/amortized	33,664,628	326,341	(31,586)	221,173	34,180,556
Less accumulated depreciation/amortization for:					
Treatment plant	(6,938,695)	(387,083)	-	-	(7,325,778)
Headquarters	(627,376)	(27,740)	-	-	(655,116)
Infrastructure	(5,606,127)	(277,981)	-	-	(5,884,108)
Equipment	(2,463,850)	(201,368)	-	-	(2,665,218)
Intangible assets					
Software subscription	(20,180)	(11,406)	31,586	-	-
Total accumulated depreciation/amortization	(15,656,228)	(905,578)	31,586	-	(16,530,220)
Total capital assets being depreciated/amortized, net	18,008,400	(579,237)	-	221,173	17,650,336
Total capital assets, net	$ 27,850,949	$ 5,811,907	$ -	$ -	$ 33,662,856

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, 2026, subscription principal and interest payments of $10,528 and $15 were made, respectively. The contract will continue as a yearly subscription and will no longer be reported as a SBITA.

Subscription payables currently outstanding as of June 30, 2026 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Software	$ 10,528	$ -	$ (10,528)	$ -

NOTE 9 – ACCRUED COMPENSATED ABSENCES

The following is a summary of accrued compensated absences for the year ended June 30, 2026:

Balance at July 1, 2025	Net change	Balance at June 30, 2026	Due within one year
$ 125,472	$ 44,549	$ 170,021	$ 112,337

NOTE 10 – LONG-TERM DEBT

Business Oregon Loan

On September 23, 2024, the District entered into a financing contract with the State of Oregon, acting by and through its Oregon Infrastructure Finance Authority of the Oregon Business Development Department (OBDD) for the financing of wastewater treatment plant upgrades. The loan amount consists of $2,900,000 carrying an interest rate of 1.7% per annum. Repayment commences on the first December 1st to occur 90 days after the earlier of the project completion date or the project completion deadline. Starting on the repayment commencement date and then on each succeeding December 1st, the District is obligated to make level installment payments of principal and interest until maturity, which is the 6th anniversary of the Repayment Commencement Date. Upon any event of default, OBDD may pursue any or all remedies available at law or in equity to collect amounts due or to become due or to enforce the performance of any obligation of the District. The financing proceeds shall be disbursed to the District on an expense reimbursement or costs-incurred basis.

The loan balance as of June 30, 2026 was $2,755,000. The Repayment Commencement Date has not yet occurred; therefore, no payment schedule is available at this time. The accrued interest as of June 30, 2026 is $67,385.

Clean Water State Revolving Fund (CWSRF) Loan

On January 28, 2026, the District entered into a Revenue Secured Loan with the State of Oregon, acting by and through its Department of Environmental Quality (DEQ) for the financing of wastewater treatment plant upgrades (WWTP). The loan amount consists of $6,000,000 carrying an interest rate of 3.13% per annum. An interest-only payment commences within 6 months after the estimated project completion date of December 31, 2029. Thereafter semi-annual payments of principal and interest are due until maturity, which is no later than 30 years after the estimated completion date. An annual fee of 0.5% of the outstanding loan amount is due during the repayment period commencing with the second payment date and annually thereafter. If the Borrower completes the Project, and provided there is no default of any of the terms, DEQ shall forgive fifty percent (50%) of the Loan or $2,000,000, whichever is less on the date the first repayment is due. Upon the occurrence and continuation of an event of default, DEQ may exercise remedies available under the loan agreement, including, but not limited to, declaring all outstanding principal, accrued interest, and other amounts due immediately payable; suspending future loan disbursements; appointing a receiver to operate the utility system and collect related revenues; establishing and collecting utility rates and charges; directing the application of certain amounts otherwise payable to the Authority by the State of Oregon toward satisfaction of the loan obligation, to the extent permitted by law; and pursuing other legal or equitable remedies.

The loan balance as of June 30, 2026 was $2,044,309. The Project Completion Date has not yet occurred; therefore, no payment schedule is available at this time. The accrued interest as of June 30, 2026 is $63,317.

NOTE 10 – LONG-TERM DEBT (CONTINUED)

The following represents the direct borrowing loan payable activity for the year ending June 30, 2026:

	Balance at June 30, 2025	Additions	Reductions	Balance at June 30, 2026
Business Oregon Loan	$ 2,755,000	$ -	$ -	$ 2,755,000
DEQ CWSRF Loan	-	2,044,309	-	2,044,309
	$ 2,755,000	$ 2,044,309	$ -	$ 4,799,309

NOTE 11 – 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. 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.

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.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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 most commonly 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 $238,567 as of January 1, 2025, and it is indexed with inflation every year.

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.

In 2019, 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.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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

As of January 1, 2024, the Legislature modified the rules such that, in order to be eligible for the Optional Spouse Death Benefit, a surviving spouse must make a written election no later than 60 days after the date of the estimate that OPERS provides to a member's spouse. For members who die before their earliest retirement date, the OSDB is the actuarial equivalent of 50% of the service retirement that would have been paid to the member, calculated as if the member became inactive on their date of death and retired at their earliest retirement date. For members who die after their earliest retirement date but before normal retirement age, the OSDB is the actuarial equivalent of the service retirement that would have been paid to the member calculated as if they retired on the first day of the month following their death. For members who die after their normal retirement age, the OSDB is the actuarial equivalent of the benefit that would have been paid to the member, calculated as if the member retired on the first day of the month following their date of death.

Disability Benefits – A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time for General Service members 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.

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. Prior to January 1, 2025, normal retirement age for Police and Fire members was age 60 or age 53 with 25 years of retirement credit. Under HB 4045, passed during the 2024 legislative session and effective January 1, 2025, normal retirement age for Police and Fire members is lowered to age 55 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. If a member has established retirement eligibility under the Police and Fire classification as indicated above, they retain that eligibility even if they perform service thereafter as other than Police and Fire.
>
> *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 2020. The limit was equal to $238,567 as of January 1, 2025, and is indexed with inflation every year.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A) (continued)

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. Under Senate Bill (SB) 588, passed during the 2025 legislative session and effective May 27, 2025, the legislature expanded and clarified the conditions by which an OPSRP disability benefit under ORS 238A.235 will cease being paid. Disability benefits continue until the member is no longer disabled, returns to employment with any employer (including self-employment), receives earned income in any month in an irregular or unpredictable manner that exceeds 10 percent of the member's last full-month salary, retires on or after their earliest retirement date, otherwise no longer qualifies for benefits, reaches normal retirement age, or dies.

Benefit Changes After Retirement – Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitles to be received on August 1. The COLA is capped at 2.0 percent.

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 System's 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.

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, 2025 through June 30, 2027, were based on the December 31, 2023 actuarial valuation, which became effective July 1, 2025. For the period July 1, 2025 through August 31, 2025, net employer contribution rates were 27.76% for Tier 1/Tier 2 employees and 24.16% for OPSRP General Employees. For the period September 1, 2025 through June 30, 2026, net employer contribution rates were 17.08% for Tier 1/Tier 2 employees and 13.48% for OPSRP General Employees after a rate offset of 10.68% was applied as a result of the contribution to the side account.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Pension Plan Annual Comprehensive Financial Report (ACFR)

OPERS prepares their financial statements in accordance with generally accepted accounting principles in the United States of America as set forth in Governmental Accounting Standards Board (GASB) pronouncements that apply to governmental accounting for 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 plan. 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 transaction between market participants at the measurement date.

OPERS produces an independently audited ACFR which includes the OPEB plans and can be found at: https://www.oregon.gov/pers/Documents/Financials/ACFR/2025-ACFR.pdf

Actuarial Valuation

The employer contribution rates effective July 1, 2025, through June 30, 2027 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

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2023
Measurement date	June 30, 2025
Experience study	2022, published July 24, 2023
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.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Actuarial Valuation (continued)

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 2022 Experience Study, which reviewed experience for the four-year period ending on December 31, 2022.

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.

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

In January 2023, the PERS Board sought to develop an analytical basis for selecting the long-term expected rate of return assumption. The 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; instead, they are based on a forward-looking capital market economic model.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Long-term Expected Rate of Return (continued)

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%	6.63%
Private Equity	25.50%	8.38%
Core Fixed Income	25.00%	4.61%
Real Estate	12.25%	6.69%
Master Limited Partnerships	0.75%	5.62%
Infrastructure	1.50%	6.75%
Hedge Fund of Funds - Multistrategy	1.25%	5.90%
Hedge Fund Equity - Hedge	0.63%	6.01%
Hedge Fund - Macro	5.62%	5.52%
Total	100.0%	
Assumed Inflation - Mean		2.31%

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

As of June 30, 2026, the District reported a liability of $1,560,351 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. 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, 2025 (measurement date), the District's proportion was approximately 0.00698715 percent.

For the year ended June 30, 2026, the District recognized a decrease in pension expense of $25,087. The $25,087 was treated as a decrease of payroll related expense in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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

As of June 30, 2026, 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	$ 99,530	$ 2,224
Changes in assumptions	90,680	-
Net difference between projected and actual earnings on investments	131,456	-
Changes in proportionate share	143,018	270,026
Difference in proportion and contribution differences	25,695	51,835
District's contributions subsequent to the measurement date	178,579	-
District's contributions to side account subsequent to the measurement date	1,500,000	-
Total	$ 2,168,958	$ 324,085

The $178,579 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, 2027.

The $1,500,000 reported as deferred outflows of resources related to pensions resulting from District contribution subsequent to the measurement dated consists of a lump-sum payment of $1,500,000 in order to establish an OPERS side account. Side accounts are an increase in an employer's assets, reducing the gap between assets and liabilities, thereby reducing the employer's UAL. Side accounts are invested by the Oregon State Treasury in the Oregon Public Employees Retirement Fund (OPERF). Earnings or losses are applied to the account at the end of each year. This account is attributed solely to the employer making the payment and is held separate from other employer reserves.

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
2027	$ 99,351
2028	30,366
2029	41,919
2030	(773)
2031	(4,569)
Thereafter	-
Total	$ 166,294

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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	$ (2,488,530)	$ (1,560,351)	$ (783,159)

Changes in Assumptions and Methods

A summary of key changes implemented since the December 31, 2023 valuation are noted below. Additional detail and list of changes can be found in the December 31, 2024 Actuarial Valuation, which can be found at:

https://www.oregon.gov/pers/Documents/Financials/Actuarial/2025/12312024-Actuarial-Valuation.pdf

Assumption Changes

- Assumed administrative expenses were updated to a combined assumption of $72 million for Tier One/Tier Two and OPSRP.
- The assumed healthcare cost trend rates for the RHIPA program were updated.
- The mortality assumptions were updated to use the new "Pub-2016" base tables, matched to PERS-specific mortality experience. For a complete table of rates, please refer to the 2024 Experience Study report for the System, published in July 2025.
- Disability and retirement rates were updated for certain groups to more closely reflect observed and anticipated future experience.
- The merit/longevity component assumption of individual member salary increases was updated for school district members.
- The unused sick leave assumption was adjusted for one of the nine member categories to reflect recently observed experience.
- Participation assumptions for both RHIA and RHIPA were updated.

Actuarial Method Changes

- For the 2025-27 biennium only, Senate Bill 849 reduced the School District Tier One/Tier Two UAL Rate by 1.68%. For purposes of this valuation, the starting point for the contribution rate stabilization method (rate collar) applied to the School District Tier One/Tier Two UAL Rate is the 2025-27 collared UAL Rate calculated in the December 31, 2023 rate-setting valuation, without regard for the effect of Senate Bill 849.

Plan Changes

- There were no changes to plan provisions since the December 31, 2023 actuarial valuation.

NOTE 11 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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.

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. Senate Bill (SB) 852, passed in the 2025 legislative session and effective on January 1, 2026, mandates that any remaining IAP balance will be paid out to beneficiaries in a lump-sum.

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 2025, if a member earns more than $3,777 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 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 OPERS 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 12 – 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.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Implicit Rate Subsidy (continued)

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, 2025, the following employees were covered by the benefit terms:

Active employees	14
Eligible retirees	1
	15

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 $67,322 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2025.

For the fiscal year ended June 30, 2026, the District recognized a decrease in OPEB expense from this plan of $3,196. At June 30, 2026, 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	$ 34,431	$ 243
Change of assumptions or other input	15,024	6,027
Benefit payments	18,021	-
Total	$ 67,476	$ 6,270

NOTE 12 – 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 (continued)

Deferred outflows of resources related to OPEB of $18,021 resulting from the District's estimated benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2027. 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
2027	$ 9,421
2028	9,330
2029	8,900
2030	6,740
2031	7,193
Thereafter	1,601
Total	$ 43,185

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2025, 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 Normal
Discount Rate	5.2%, 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-2016 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, 2025.
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	30% of active members were assumed to elect coverage upon retirement. 60% of male members and 25% 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 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Changes in the Total OPEB Liability

Total OPEB Liability as of July 1, 2025	$	70,954
Changes for the year:		
Service cost		2,882
Interest		2,611
Effect of economic/demographic gains or losses		4,243
Effect of assumptions changes or inputs		1,592
Benefit payments		(14,960)
Total OPEB Liability as of June 30, 2026	$	67,322

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 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
Total OPEB Liability	$ (71,193)	$ (67,322)	$ (63,697)

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	$ (62,391)	$ (67,322)	$ (73,087)

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. ORS 238.420 established the RHIA and authorizes a payment of up to $60 from RHIA toward the monthly cost of health insurance for eligible OPERS members. 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 PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan.

NOTE 12 – 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, 2026 for the OPEB program were: Tier1/Tier 2 – 0.00%, and OPSRP general service – 0.00%. The District contributed $0 for the year ended June 30, 2026.

Actuarial Valuation

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 11 – Defined Benefit Pension Plan* except the table listed below:

Actuarial assumptions:	
Retiree healthcare participation	Healthy retirees: 25%; 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, 2026, the District reported $28,661 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2025, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. 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, 2025, (measurement date), the District's proportion was 0.00641038 percent.

For the year ended June 30, 2026, the District recognized a decrease of OPEB expense of $7,109. The decrease was treated as a reduction of payroll related expense in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 12 – 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, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	$ -	$ 371
Changes in assumptions	-	30
Net difference between projected and actual earnings on investments	1,057	-
Changes in proportionate share	801	427
District's contributions subsequent to the measurement date	-	-
Total	$ 1,858	$ 828

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
2027	$ 831
2028	302
2029	(9)
2030	(94)
2031	-
Thereafter	-
Total	$ 1,030

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	$ 26,846	$ 28,661	$ 30,225

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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.

Assumption Changes

The changes in assumptions used for RHIA OPEB are identical to the changes in assumptions related to the OPERS plan discussed in *Note 11 – Defined Benefit Pension Plan*.

NOTE 13 – 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, 2026, was the same or greater than in prior years. No losses were incurred during the year ended June 30, 2026. 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 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.

Under the current permit, the District has until October 2026 to complete all improvements and achieve compliance with the final effluent limits of the NPDES permit. However, a new permit is currently being drafted by DEQ that will include a new deadline to achieve compliance. The District has requested a 3-year extension to this deadline. The design engineer has completed the 100% design phase for the Facility Plan Upgrade and the District is waiting on DEQ for final approval. The current estimated cost for this project to meet the NPDES permit standards is $60 million.

NOTE 14 – 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, 2026, $148,693 was received for system development. As of June 30, 2026, the District has $2,710,899 restricted for system development.

NOTE 15 – RELATED PARTY

The District entered into a professional services agreement with Southern Oregon Solutions, a business owned by Joe Spendolini. Mr. Spendolini is an appointed board member for the District. The District inquired the Oregon Ethics Commission for approval prior to the engagement.

The Oregon Government Ethics Commission (OGEC) was contacted in April 2022 regarding South Suburban Sanitary District entering into a professional services agreement with Board Member Joe Spendolini prior to any agreement being made or signed. The OGEC indicated that this is allowable but the Board Member in question "must keep a separation between their public position and their outside employment or private business interest." In keeping in accordance with this law, Mr. Spendolini must publicly announce the nature of his conflict of interest anytime a contracting matter comes before the governing body and abstain from voting on any motions related to business between South Suburban Sanitary District and Southern Oregon Solutions per ORS 244120 and 244.040.
The District engaged Southern Oregon Solutions to provide the following services for the district: government and public relations for help working with legislators; consulting assistance for expanding the district's service boundary and seeking funding opportunities for treatment plant upgrades.

Southern Oregon Solutions was paid a monthly flat rate of $8,300 per month under this service agreement The amount paid to Southern Oregon Solutions for the year ended June 30, 2026 was $99,600.

NOTE 16 – SUBSEQUENT EVENTS

Management of the District has evaluated events and transactions occurring after June 30, 2026 through October 28, 2026, for recognition and/or disclosure in the financial statements.

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset/(liability	0.00698715%	0.00769785%	0.00627429%	0.00853767%	0.00894561%	0.00878231%	0.00803034%	0.00850528%	0.00895605%	0.00888330%
District's proportion of the net pension asset/(liability	$ (1,560,351)	$ (1,711,020)	$ (1,175,218)	$ (1,307,289)	$ (1,070,475)	$ (1,916,602)	$ (1,389,057)	$ (1,288,438)	$ (1,207,279)	$ (1,333,590)
District's covered-employee payroll	$ 981,935	$ 934,016	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660	$ 739,542
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	158.91%	183.19%	132.38%	144.01%	122.33%	217.87%	161.33%	173.69%	155.85%	180.33%
Plan fiduciary net position as a percentage of the total pension liability	79.90%	79.30%	81.70%	84.50%	87.60%	75.80%	80.20%	82.10%	83.10%	80.50%

South Suburban Sanitary District Pension Contributions

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	$ 178,579	$ 212,347	$ 196,893	$ 177,034	$ 160,245	$ 176,164	$ 178,600	$ 136,417	$ 118,750	$ 95,826
Contribution in relation to the contractually required	(178,579)	(212,347)	(196,893)	(177,034)	(160,245)	(176,164)	(178,600)	(136,417)	(118,750)	(95,826)
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 1,107,061	$ 981,935	$ 934,016	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 774,660
Contributions as a percentage of covered-employee payroll	16.13%	21.63%	21.08%	19.94%	17.65%	20.13%	20.30%	15.84%	16.01%	12.37%

Notes to Schedule

A summary of key changes implemented since the December 31, 2023 valuation are described briefly in *Note 11* 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 Experience Study.

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB asset/(liability)	0.006410380%	0.006831020%	0.004295030%	0.003807970%	0.005299066%	0.004289410%	0.00775079%	0.00688438%	0.00704000%	0.00704000%
District's proportion of the net OPEB asset/(liability)	$ 28,661	$ 27,591	$ 15,727	$ 13,531	$ 18,197	$ 8,740	$ 14,977	$ 7,685	$ 2,938	$ (2,056)
District's covered-employee payroll	$ 981,935	$ 934,016	$ 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	2.92%	2.95%	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	239.90%	220.60%	201.60%	194.60%	183.90%	150.10%	144.35%	124.93%	108.90%	94.20%

South Suburban Sanitary District Contributions

	2026	2025	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	$ 1,107,061	$ 981,935	$ 934,016	$ 887,754	$ 907,750	$ 875,052	$ 879,683	$ 861,021	$ 741,802	$ 744,660
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	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 12* to the financial statements.

SOUTH SUBURBAN SANITARY DISTRICT
STATEMENT OF CHANGES IN THE DISTRICT'S TOTAL OPEB (IMPLICIT RATE SUBSIDY)
LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2026
LAST 10 FISCAL YEARS ENDING JUNE 30

Total OPEB Liability:	**2026**	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Service cost	$ 2,882	$ 2,910	$ 2,102	$ 2,541	$ 3,027	$ 2,546	$ 1,754	$ 1,740	$ 1,845	N/A
Interest	2,611	3,090	1,674	1,255	1,000	1,385	1,343	1,363	1,206	N/A
Effect of economic/demographic gains or losses	4,243	-	34,064	-	25,057	-	(1,174)	-	-	N/A
Effect of assumptions changes or inputs	1,592	(959)	18,977	(3,651)	(9,257)	2,057	5,403	(633)	(1,660)	N/A
Benefit payments	(14,960)	(31,395)	(9,285)	(11,757)	(1,271)	(353)	(6,085)	(5,653)	(5,423)	N/A
Net change in total OPEB liability	(3,632)	(26,354)	47,532	(11,612)	18,556	5,635	1,241	(3,183)	(4,032)	N/A
Total OPEB liability - beginning	70,954	97,308	49,776	61,388	42,832	37,197	35,956	39,139	43,171	N/A
Total OPEB liability - ending	$ 67,322	$ 70,954	$ 97,308	$ 49,776	$ 61,388	$ 42,832	$ 37,197	$ 35,956	$ 39,139	$ 43,171
Estimated covered - employee payroll	$ 981,935	$ 934,016	$ 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	6.86%	7.60%	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 12* to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:
None noted.

OTHER SUPPLEMENTAL INFORMATION

SOUTH SUBURBAN SANITARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2026

	Budget			Variance with Final Budget Positive
	Adopted	Final	Actual	(Negative)
REVENUES:				
Charges for services, net	$ 5,900,000	$ 5,900,000	$ 5,575,869	$ (324,131)
System development fees	100,000	100,000	148,693	48,693
Fees and penalties	20,000	20,000	222,092	202,092
Interest Income	1,000,000	1,000,000	1,609,514	609,514
Rental/lease income	79,850	79,850	103,757	23,907
Miscellaneous	52,000	52,000	98,378	46,378
TOTAL REVENUES	7,151,850	7,151,850	7,758,303	606,453
EXPENDITURES:				
Administration:				
Personnel services	474,100	474,100	427,341	46,759
Materials and services	258,220	258,220	255,553	2,667
Capital outlay	50,000	50,000	46,398	3,602
Total administration	782,320	782,320	729,292	53,028
Wastewater Collection				
Personnel services	802,625	802,625	802,530	95
Materials and services	294,900	294,900	275,391	19,509
Capital outlay	295,960	295,960	167,059	128,901
Total wastewater collection	1,393,485	1,393,485	1,244,980	148,505
Wastewater Treatment				
Personnel services	502,850	502,850	498,873	3,977
Materials and services	543,000	543,000	540,622	2,378
Capital outlay	8,243,480	8,243,480	6,324,377	1,919,103
Total wastewater treatment	9,289,330	9,289,330	7,363,872	1,925,458
North Poe Valley Property				
Materials and services	751,860	509,644	511,545	(1,901)
	751,860	509,644	511,545	(1,901)
Bryant Property				
Materials and services	15,420	12,000	11,749	251
	15,420	12,000	11,749	251
Contingency	954,364	-	-	-
TOTAL EXPENDITURES	13,186,779	11,986,779	9,861,438	2,125,341
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,034,929)	(4,834,929)	(2,103,135)	2,731,794
OTHER FINANCING SOURCES (USES) ;				
Special payments	-	(1,500,000)	(1,500,000)	-
PERS matching funds	-	300,000	300,000	-
Loan proceeds	7,200,000	7,200,000	2,044,309	(5,155,691)
TOTAL OTHER FINANCING SOURCES (USES)	7,200,000	6,000,000	844,309	(5,155,691)
CHANGE IN FUND BALANCE	1,165,071	1,165,071	(1,258,826)	7,887,485
FUND BALANCE - BEGINNING OF YEAR	32,721,447	32,721,447	39,711,756	6,990,309
FUND BALANCE - END OF YEAR	$ 33,886,518	$ 33,886,518	38,452,930	$ 4,566,412
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.				
Capital assets, net			33,662,856	
Lease receivable			26,374	
Net other post-employment asset (RHIA)			28,661	
Deferred outflows			2,238,292	
Compensated absences			(170,021)	
Loan payable			(4,799,309)	
Interest payable			(130,702)	
Net pension liability			(1,560,351)	
Total OPEB liability			(67,322)	
Deferred inflows			(363,143)	
ENDING NET POSITION			$ 67,318,265	

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

sorren
CPAs P.C.

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, 2026, and have issued our report thereon dated October 28, 2026.

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 162-10-0330 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 162-010-0330 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.

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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
Sorren CPA's P.C.
Medford, Oregon
October 28, 2026