

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

AUDIT REPORT

JUNE 30, 2023

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon 97365

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

COMMISSIONERS

President	Robert Mills	765 NW Terrace St. Seal Rock, OR 97376
Secretary	Sandra Mies-Grantham	7227 SW Abalone St. South Beach, OR 97366
Treasurer	Karen Otta	9080 S. Coast Hwy. South Beach, OR 97366
Commissioner	Paul Highfill	Box 4 Seal Rock, OR 97376
Commissioner	Glen Morris	PO Box 283 Newport, OR 97365

ADMINISTRATION

District General Manager	Adam Denlinger
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REGISTERED AGENT

Joy King-Cortes
1037 NW Grebe Street
Seal Rock, OR 97376

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

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**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

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GRIMSTAD & ASSOCIATE

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Seal Rock Water District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial portion of the business-type activities and the aggregate remaining fund information of Seal Rock Water District, as of June 30, 2023 and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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

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an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 my 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.

I am 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 I 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, defined benefit employee pension plan (PERS) schedules and notes, on pages I-XIV, and 30-32, respectively, are 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively

comprise the District's basic financial statements. The accompanying budget and actual fund schedules, reconciliation of budget basis to net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget and actual fund schedules, and reconciliation of budget basis to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

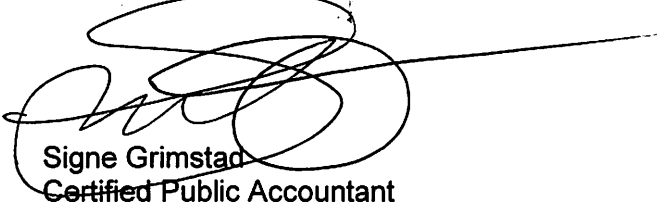
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2023 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated November 30, 2023 on my consideration of Seal Rock Water District's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.

GRIMSTAD & ASSOCIATE



Signe Grimstad
Certified Public Accountant

Newport, Oregon
November 30, 2023



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Seal Rock Water District

Management Discussion and Analysis (MD&A) Fiscal Year Ended June 30, 2023

The intent of the Management Discussion and Analysis is to provide highlights of the Seal Rock Water District's financial activities for the fiscal year 2023, ending June 30, 2023. The readers are encouraged to read this narrative overview in conjunction with the accompanying financial statements.

Financial Highlights

- Total Assets and Deferred Outflows of Resources of the District are \$37,120,803 with Capital Assets of \$33,022,015 net of accumulated depreciation. Current Assets are \$3,295,445 and other noncurrent assets are \$519,914. Deferred Outflows of Resources for Pension Contributions are \$283,429 on June 30, 2023.
- The assets of Seal Rock Water District exceeded its liabilities at the close of the fiscal year by \$13,965,333 (Net Position). Of this amount, \$1,212,082 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Net investment in capital assets, less related debt is \$11,812,265. Revenue Bonded debt is \$5,916,168 and General Obligation debt is \$13,946,258. Notes Payable is \$18,404 and Forgivable Loan is \$1,030,000.
- The District's net position increased by \$645,667 from June 30, 2022.
- Total Operating Revenues for the fiscal year 2022-23 was \$2,236,794 which is an increase of .36% over the prior year. This change reflects the increases in water services and other operating revenue.
- Total Operating Expenses for the fiscal year 2022-23 were \$3,005,505. This figure is 6.63% higher than the prior year, due primarily to increases in Payroll & Benefits, Maintenance and Repair, Professional Services and Depreciation.
- Total Liabilities and Deferred Inflows of Resources are \$23,155,470 with long-term liabilities at \$20,691,019, current liabilities at \$2,178,387, and deferred inflows of resources for pension at \$286,064.

Overview of Financial Statements

Seal Rock Water District is a single enterprise utility district and follows proprietary fund reporting. Accordingly, the financial statements are represented using the economic resources measurement focus and the accrual basis of accounting. The District's basic financial statements are comprised of three components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, and 3) Statement of Cash Flows. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the District is improving or deteriorating if viewed over time. This statement includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in assets and the obligations to the District's creditors (liabilities). The Statement of Net Position also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing profitability and creditworthiness as well as how the District's financial position changed during the fiscal year. This statement shows income and expenses from operations, non-operating revenues and expenses, and a reconciliation of the change in net position from the beginning to the end of the fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through user fees and other charges.

The Statement of Cash Flows is prepared using the direct method and is concerned solely with input and outlay of cash from operating, investing, and financing activities. This statement also includes reconciliation to the Statement of Revenues, Expenses, and Changes in Net Position. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It answers such questions as, where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements

The notes to the financial statements found on pages 8 through 26 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

Over time, changes in net position may serve as a useful indicator of the District's financial position. In the Seal Rock Water District's case, assets exceeded liabilities by \$13,965,333 at the close of the fiscal year, an increase of \$645,667 from the prior year. This is primarily due to the increases in Net Invested in Capital Assets, Restricted, and Unrestricted Assets. The

District took out an interim loan with Truist Bank to fund its Beaver Creek Source Water Project. This interim loan was paid off by USDA-RUS using the District's Revenue Bond and General Obligation Bond on December 17, 2021.

84.6% of the District's net position (\$11,812,265) reflects its investment in capital assets (e.g., land, building, equipment, reservoirs, and pipelines); less related debt obligations used to acquire those assets that are still outstanding. The District uses these assets to provide services to ratepayers, consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from user fees to customers (ratepayers) or other sources, since capital assets cannot be used to liquidate these liabilities.

Net Position

	2023	2022	2021	Difference 2023-2022	%
ASSETS					
Current Assets	\$3,295,445	\$3,209,114	\$4,296,612	\$86,331	2.69%
Capital Assets	33,022,015	33,260,987	29,475,738	(238,972)	-0.72%
Other noncurrent Assets	519,914	559,811	597,939	(39,897)	-7.13%
Total Assets	36,837,374	37,029,912	34,370,289	(192,538)	-0.52%
Deferred Outflows-Pension Contributions	283,429	323,863	359,182	(40,434)	-12.48%
Total Assets & Deferred Outflows	37,120,803	37,353,775	34,729,471	(232,972)	-0.62%
LIABILITIES					
Current Liabilities	2,178,387	1,956,926	9,152,118	221,461	11.32%
Long Term Liabilities	20,691,019	21,582,369	15,470,352	(891,350)	-4.13%
Total Liabilities	22,869,406	23,539,295	24,622,470	(669,889)	-2.85%
Deferred Inflows-Pension	286,064	494,813	55,723	(208,749)	-42.19%
Total Liabilities & Deferred Inflows	23,155,470	24,034,108	24,678,193	(878,638)	-3.66%
NET POSITION					
Net Invested in Capital Assets	11,812,265	11,408,203	7,097,401	404,062	3.54%
Restricted	940,986	841,631	1,919,165	99,355	11.81%
Unrestricted	1,212,082	1,069,832	1,034,712	142,250	13.30%
Total Net Position	\$13,965,333	\$13,319,666	\$10,051,278	\$645,667	4.85%

A portion of the District's net position (6.7% or \$940,986) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (8.7% or \$1,212,082) may be used to meet the District's ongoing obligations to ratepayers and creditors.

Operating and non-operating activities increased the District's net position by \$645,667, an increase of 4.85% over the previous year. The change in net position is comprised of operating and non-operating income of \$557,575 and capital contributions of \$88,092 which represents system development charges.

Governmental Accounting Standard Board Statement 68 (GASB 68) requires governmental entities that participate in a pension plan to include an entry for the employer's proportionate share of the system's Unfunded Liability (UL). The District's proportionate share of the Net Pension Liability as of June 30, 2023, was .004629040 or \$708,799.

At end of the FY 2022-23, the District's financial reports reflected deferred outflows of resources of \$283,429. This amount was derived by adding the differences between expected and actual experience, which was \$34,406 changes in assumptions which was \$111,214, net difference between projected and actual earnings on investments which was \$0, changes in proportionate share which was \$6,052 and the contributions the District made subsequent to measurement date which was \$131,757. The District also reported deferred inflows of resources of \$286,064. This amount was the total of differences between employer contributions and the employer's proportionate share of system contributions; changes in proportionate share, the net difference between projected and actual earnings on investments, and changes in assumptions.

GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions became effective on June 30, 2019. This statement requires the reporting of liabilities (assets) pertaining to retiree health care and other post-employment benefits (OPEB). The District provides an implicit rate subsidy for retiree health insurance premiums through the Special District Association of Oregon (SDAO) and a contribution to Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental, and vision increases, mortality rate, and other inputs. The total OPEB liability was estimated at June 30, 2023, by Milliman Actuarial Services for both plans. On June 30, 2023, the District's net OPEB liability (asset) and deferred inflows and outflows were determined by Management not to be material to the financial statements taken as a whole.

Change in Net Position

	2023	2022	2021	Difference 2023-2022	%
OPERATING REVENUES					
Water Service	\$2,151,988	\$2,151,835	\$1,853,652	\$153	0.01%
Service Connections	46,922	36,891	57,792	10,031	27.19%
Other Operating Revenue	37,884	40,042	22,714	(2,158)	-5.39%
Total Operating Revenues	2,236,794	2,228,768	1,934,158	8,026	0.36%
OPERATING EXPENSES					
Payroll and Benefits	1,118,627	997,891	1,071,362	120,736	12.10%
Water Purchase	159,497	641,121	621,478	(481,624)	-75.12%
Maintenance and Repair	256,262	203,402	285,923	52,860	25.99%
General and Admin	150,496	138,522	125,869	11,974	8.64%
Professional Services	184,378	107,476	75,891	76,902	71.55%
Depreciation	1,136,245	730,313	736,715	405,932	55.58%
Total Operating Expenses	3,005,505	2,818,725	2,917,238	186,780	6.63%
OPERATING INCOME (LOSS)	(768,711)	(589,957)	(983,080)	(178,754)	30.30%
NON OPERATING REVENUES (EXPENSES)					
Interest Income	45,601	35,979	41,042	9,622	26.74%
Property Taxes	1,485,878	875,938	820,654	609,940	69.63%
Grants/Loan Proceeds	248,380	3,232,775	59,390	(2,984,395)	-92.32%
Disposal of Assets	(264)	0	(2,529)	(264)	0.00%
Interest Expense	(453,309)	(348,744)	(308,282)	(104,565)	29.98%
Total Nonoperating Revenues (Expenses)	1,326,286	3,795,948	610,275	(2,469,662)	-65.06%
Income (Loss) Before Contributions	557,575	3,205,991	(372,805)	(2,648,416)	-82.61%
CAPITAL CONTRIBUTIONS	88,092	62,399	113,785	25,693	41.18%
CHANGES IN NET POSITION	645,667	3,268,390	(259,020)	(2,622,723)	-80.25%
Net Position - Beginning of Year	13,319,666	10,051,276	10,310,298	3,268,390	32.52%
Net Position - End of Year	\$13,965,333	\$13,319,666	\$10,051,278	\$645,667	4.85%

Financial Condition

The District's financial condition improved over the previous year with adequate liquid assets for ongoing operations at a level necessary to meet demand. Unrestricted net position increased by \$142,250 over the previous year.

On November 8, 2011, the voters of the District approved a \$15 million General Obligation Bond Authority. The G.O. Bond is payable from property taxes revenue. This is to finance the District's Water System Improvements as outlined in the 2010 Master Plan and Amendments to the Master Plan; refinance outstanding borrowings to reduce costs to taxpayers and pay for the District's share of the City of Toledo's capital costs associated with providing water to the District. On June 13, 2012, the District issued a \$5 million General Obligation Bond. Part of the Bond proceeds was used to refinance two Revenue Bonds which lowered the interest rate to 3.22% from 6.5%. The remaining Bond proceeds funded the construction of Phase 1 and Phase 2 of the District's Water System Improvements. The District's remaining \$6.5 million General Obligation Bond Authority was issued in 2022 to finance a portion of the District's Phase IV Beaver Creek Primary Source Water Project. Phase IV improvements reached substantial completion in August 2022.

The District received notification on July 2, 2019, from the United States Department of Agriculture Rural Development (USDA-RD) program coordinator, through a Letter of Condition (LOC) that the District's application for funding in the amount of \$11,895,500 was approved. The application requested federal assistance towards the completion of the District's Phase 4 Beaver Creek Source Water Project. The USDA-RUS loan funds are not to exceed \$9,096,000 with a grant amount not to exceed \$2,799,500. The loan amount will be payable over a period of 25 years from property taxes. Additionally, through a USDA-RD sub-grant funding application, in May 2020 the district received a Letter of Conditions (LOC) awarding the district an additional \$1,500,000 in grant funding for the Beaver Creek Source Water Project. On November 4, 2021, the District received a letter from USDA-RD effectively amending the July 9, 2019, Letter of Conditions (LOC) to change the finance rate from 2.75% to 1.75%. The annual payment will now be \$325,682 with an interest rate of 1.75%. This financing was closed on December 15, 2021. Funds provided by USDA-RD and the \$2,451,000 loan and \$1,030,000 forgivable loan approved by Business Oregon, Infrastructure Finance Authority (IFA) are being used to develop a new water intake on Beaver Creek, a membrane treatment plant, storage reservoirs, and raw and finished water pipelines. The Beaver Creek raw water pipeline is a 14-inch high-density polyethylene (HDPE) following South Beaver Creek Road then into North Beaver Creek Road, through private property to the treatment site. The proposed treatment facility is located east of the Makai Community on property already owned by the District and selected because of its elevation and proximity to Beaver Creek, among other reasons. The treatment type is membrane filtration which meets the Oregon Health Authority's target microbial removal rates. The storage reservoir is a 500,000 gallons welded steel tank and 50 foot in diameter, constructed on the Makai site at the treatment facility. The finished water pipeline is a 12 inch High Density Polyethylene (HDPE) Pipe trenched to connect the new storage facility to the District's existing system. Contractual project completion was August 2021. While this project has reached substantial completion as of August 2022, the district and our engineer are in arbitration with the contractor over the date of substantial completion.

The facilities are designed and constructed in accordance with sound engineering practices and meet the requirements of Federal, State, and local agencies. Delays in the project pushed the schedule for startup and commissioning to June 15, 2021. However, due to continued delays, the certificate for substantial completion was not achieved until August 2022.

Part of the philosophy of the District has been to maintain a program of small annual rate increases to lessen the need for large one-time increases and to meet the anticipated annual increases from the District's wholesale water supplier.

Historically, the SRWD Board of Commissioners evaluates the need for a rate adjustment and then requests that staff develop a proposal of rate scenarios for increasing the rate before the information is provided to the community during a public hearing. The 2023 proposed rate adjustment takes into consideration the true cost of meeting the operational and maintenance needs of the water distribution and now water treatment facility. Due to conditions outside the control of the district primarily centered around the economy, the district is seeing an increase of as much as 35% in the cost of materials and supplies.

Consideration for the proposed rate adjustment was built into the proposed FY 2023-24 budget with an average rate adjustment of 12.57%. The effect of the increase for a domestic customer that uses 1,000 gallons per month is \$9.75 a month (from \$46.00 to \$55.75). The calculation process for outside district customer water rates remains at 150% of the inside district rate.

Operating expenses are Payroll and Benefits, Water Purchase, Maintenance and Repairs, General and Administrative, Professional Services, and Depreciation. They combined for a net increase of \$186,780 over the prior year and a Net Operating loss increase of 30.30% over the prior year, due to the increase in Payroll and Benefits, Maintenance and Repair, Professional Services and Depreciation. Net Position increased by \$645,667 due primarily to increases in non-operating revenue in the form of Property Taxes collections and Capital Contributions from System Development Charges for new meter installations.

Capital Assets and Debt Administration

Capital Assets

Seal Rock Water District's investment in capital assets as of June 30, 2023, is \$33.02 million (net of depreciation). This investment in capital assets includes land, buildings, reservoirs, pipelines, pump stations, automotive, and office equipment. The District's total investment in capital assets decreased by .72% compared to the prior year. This figure includes the construction of the new water treatment plant, the raw water intake pump station, and new meter installations.

Major capital asset events during the current fiscal year included the following:

On February 15, 2018, the District entered into a financial agreement with Oregon Business Development Department (OBDD) through the States Safe Drinking Water Revolving Loan Fund (SDWRLF) Program to fund a portion of the District's Phase 4 Primary Source Water Improvements Project. Phase 4 improvements consist of developing a primary source water intake, raw water transmission system, and membrane water treatment facility. Conditions of the financing agreement include a loan in the amount of \$2,451,000 and a forgivable loan (grant) amount of \$1,030,000. The terms of the loan amount include a 1.00% interest rate, and the life of the loan is 30 years. In March 2016 the SRWD Board of Commissioners approved a scope of engineering services agreement with Jacobs Engineering to begin Phase 4 Final Design and Membrane Treatment Equipment purchase. Proceeds of the loan provided by OBDD are being used to finance Phase 4 final design. In early 2020 the District Board of Commissioners, with authorization from USDA Rural Development approved the contract to begin the construction of the Beaver Creek Source Water Project. The expected completion date for this project was August 2021. However, while significant progress has been made, delays by the contractor pushed start up and commissioning of the water treatment facility to June 2022 with substantial completion certified by the engineer in August 2022. Substantial completion is in dispute by the contractor and the district is currently in arbitration with the contractor over scheduling and completion of the project. Final completion of the project has not been achieved.

Long Term Debt

At the end of the fiscal year, Seal Rock Water District had long-term debt outstanding of \$20,910,830. \$5,916,168 of this is secured by revenue bonds, \$18,404 is notes payable and \$13,946,258 (includes bond premium of \$107,183) is general obligation bonds payable from property tax revenue. There is a portion of this long-term debt that is payable within the next fiscal year, therefore, classified as current debt of \$988,741.

The District issues bonds to fund capital improvements or to refinance existing bonds at more advantageous interest rates.

Economic Factors and Next Year's Budget and Finances

The District adopted a budget of \$10,749,570 for the fiscal year 2023-24. The following circumstances were known by the District at the time the financial statements were prepared and audited.

- PERS employer contribution rates for fiscal year 2023-24 are 21.70% for Tier 1/Tier 2 and 18.65% for OPSRP.
- Health Insurance Premium continues to increase.
- The district continues to be open to the possibility of developing an emergency water supply agreement with the City of Toledo for the emergency supply of water similar to the agreement the district has with the City of Newport.

- On December 1, 2017, the District presented the Phase 4 Beaver Creek Source Water Improvements Project before the Oregon Business Development Department (OBDD) Infrastructure Finance Authority (IFA) Board of Commissioners. As a result, the District received approval for project funding in the amount of \$3,481,000.00 through Oregon State Safe Drinking Water Revolving Loan Fund (SDWRLF) Program. SDWRLF package includes a loan in the amount of \$2,451,000 at 1% interest rate for 30 years, and \$1,030,000.00 in forgivable loan (grant). 100% of this funding has been used towards the completion of Beaver Creek Source Water Project.
- As of April 10, 2020, the District obtained a \$9,096,000 interim loan from Truist Bank to finance the Beaver Creek Source Water Project and to fund the refinancing of the Line of Credit with Cashmere Valley Bank. This financing was permanently satisfied by bond proceeds through USDA-RD and a resolution approved by the Board on November 15, 2021, with USDA General Obligation Bond Loan that closed on December 17, 2021, in the amount of \$6,549,000 at 1.75% interest rate for 25 years. The \$2,547,000 revenue bond portion of this financing was closed on November 18, 2020, at 1.75% interest rate for 30 years.

Under the authority of the SRWD Board of Commissioners, District staff have been working with consultants to evaluate the development of a primary source of water for the District. Planning documents completed and adopted by the Board include the *Reconnaissance Level Source Water Study* adopted by the SRWD Board of Commissioners in March 2015; *Phase IV Conceptual Design Report for the SRWD Beaver Creek Water Supply*, adopted by the Board in September 2016; *Preliminary Engineering Report*; and *Environmental Report* both completed in May 2017, and adopted by the SRWD Board. The final design and contract document were completed in February 2019 and approved by USDA-RD in November 2019. The Board authorized staff to apply for funding through the United States Department of Agriculture, Rural Development (USDA-RD) funding program to fund a portion of Phase 4 improvements in the amount of \$11,895,500. The application was approved through a Letter of Conditions (LOC) provided to the district on July 2, 2019. Additionally, through a USDA-RD sub-grant funding application, in May 2020 the district received a Letter of Conditions (LOC) awarding the district an additional \$1,500,000 in grant funding for the Beaver Creek source water project. While this project reached substantial completion certified by the engineer in August 2022, final completion has yet to be achieved and is likely to be decided through arbitration tentatively scheduled for early 2024. All of these factors were considered in preparing the Seal Rock Water District's budget for FY 2023-24.

The following tables represent relevant historic tax information for the District.

**SEAL ROCK WATER DISTRICT
TAX RATE HISTORY AND TAX COLLECTION RECORD**

Fiscal Year	Real Market Value(1)	Taxable Assessed Value(2)	Net Tax Imposed	Billing Rate Per \$1,000 of Taxable Assessed Value	Bond Levy Rate Per \$1,000 of Assessed Value (3)	Year of Levy (4)	Percentage Collected as of 11/30/23
2023-24	1,653,145,447	835,264,130	1,227,554	0.1259	1.3468	In Process of Collection	89.56%
2022-23	1,410,651,095	801,232,070	1,543,294	0.1259	1.8033	97.87%	98.66%
2021-22	1,174,447,691	766,966,200	893,505	0.1259	1.0421	98.08%	99.22%
2020-21	981,026,166	734,519,500	835,296	0.1259	1.0142	97.96%	99.56%
2019-20	921,297,820	707,936,610	860,627	0.1259	1.0937	97.23%	99.94%
2018-19	856,241,708	676,620,410	853,360	0.1259	1.1384	97.12%	99.97%
2017-18	852,959,535	635,866,995	1,059,581	0.1259	1.5021	96.90%	99.98%

- (1) Value represents the Real Market Value of taxable properties, including special assessed properties such as farms. This value is also commonly referred to as the "Measure 5 value" by county assessors.
- (2) Assessed Value used to compute levy rates is the total Assessed Value of property in the District, excluding urban renewal and any other offsets.
- (3) Bond Levy Rate is the voter-approved levy rate for obligation bonds outside of the tax limitation measure.
- (4) In process of collection.

Source: Lincoln County Treasurer and Assessor, November 30, 2023

**LINCOLN COUNTY
MAJOR TAXPAYERS
FOR 2023-24**

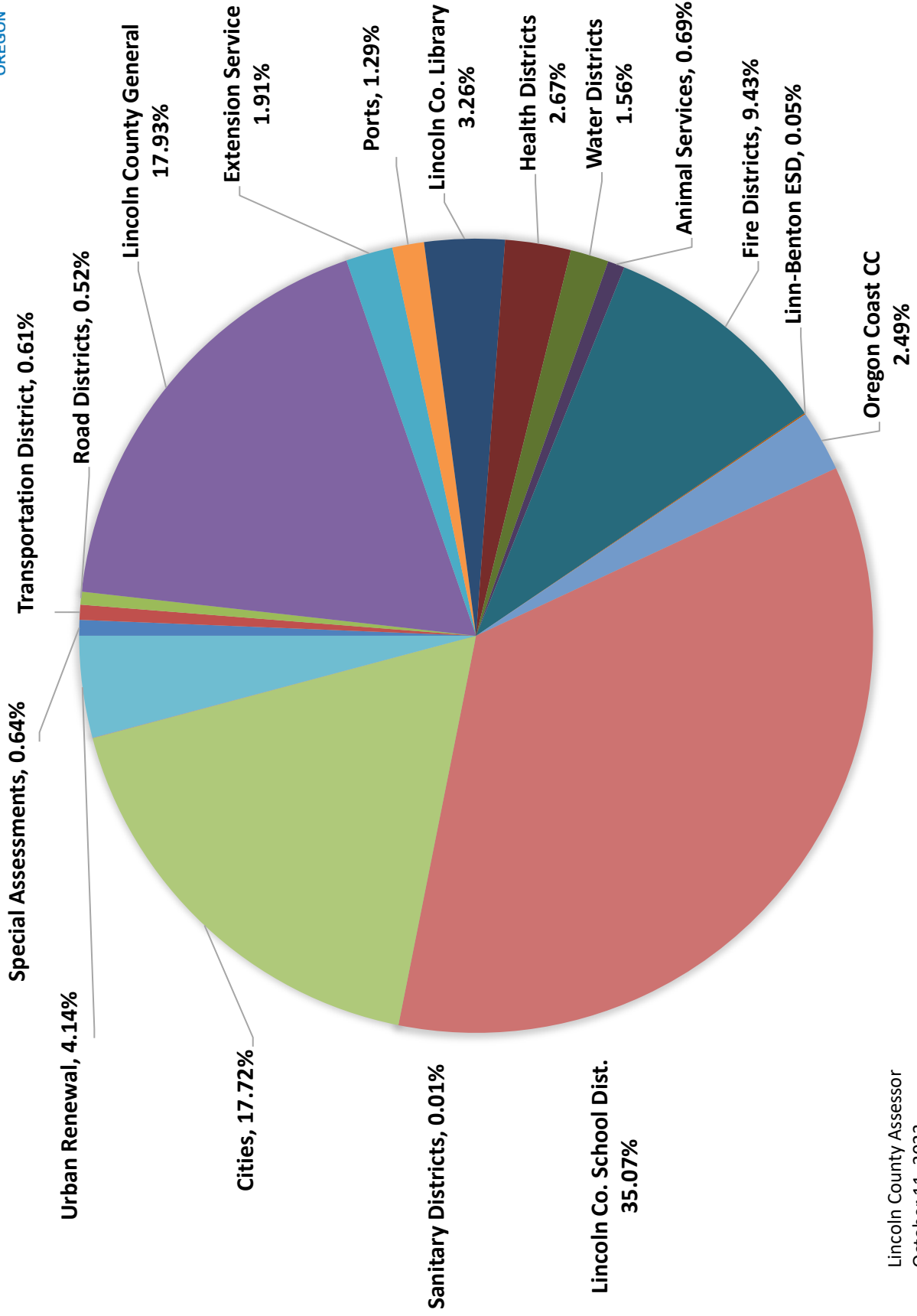
Owner of Record (Taxpayer)	Total Assessed Value	% of Total County Assessed Value	Taxes Imposed	% of All Countywide Taxes Imposed
Georgia Pacific Toledo LLC	\$245,949,790	2.54%	\$3,872,962	2.64%
Central Lincoln PUD	101,001,000	1.04%	1,435,445	0.98%
Weyerhaeuser Company	114,066,100	1.18%	1,434,118	0.98%
Northwest Natural Gas Co.	81,628,000	0.84%	1,363,930	0.93%
Pacificorp	53,585,470	0.55%	748,505	0.51%
Charter Communications	44,966,180	0.46%	740,720	0.50%
Devil's Lake Road LLC	41,247,320	0.43%	704,271	0.48%
Worldmark The Club	48,445,660	0.50%	621,644	0.42%
Hallmark Inns & Resorts Inc	23,331,080	0.24%	423,410	0.29%
Dulchich Realty/Pacific Choice Seafoods	19,773,050	0.20%	358,839	0.24%
Total Top Ten Tax Payers in the County	\$773,993,650	7.99%	\$11,703,845	7.96%
Remaining County Taxpayers	8,910,315,380	92.01%	135,251,684	92.04%
Total County	\$9,684,309,030	100.00%	\$146,955,529	100.00%

Requests for Information

The financial report is designed to provide a general overview of Seal Rock Water 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 information should be addressed to the Office Manager, Seal Rock Water District, 1037 NW Grebe Street, Seal Rock, Oregon 97376.



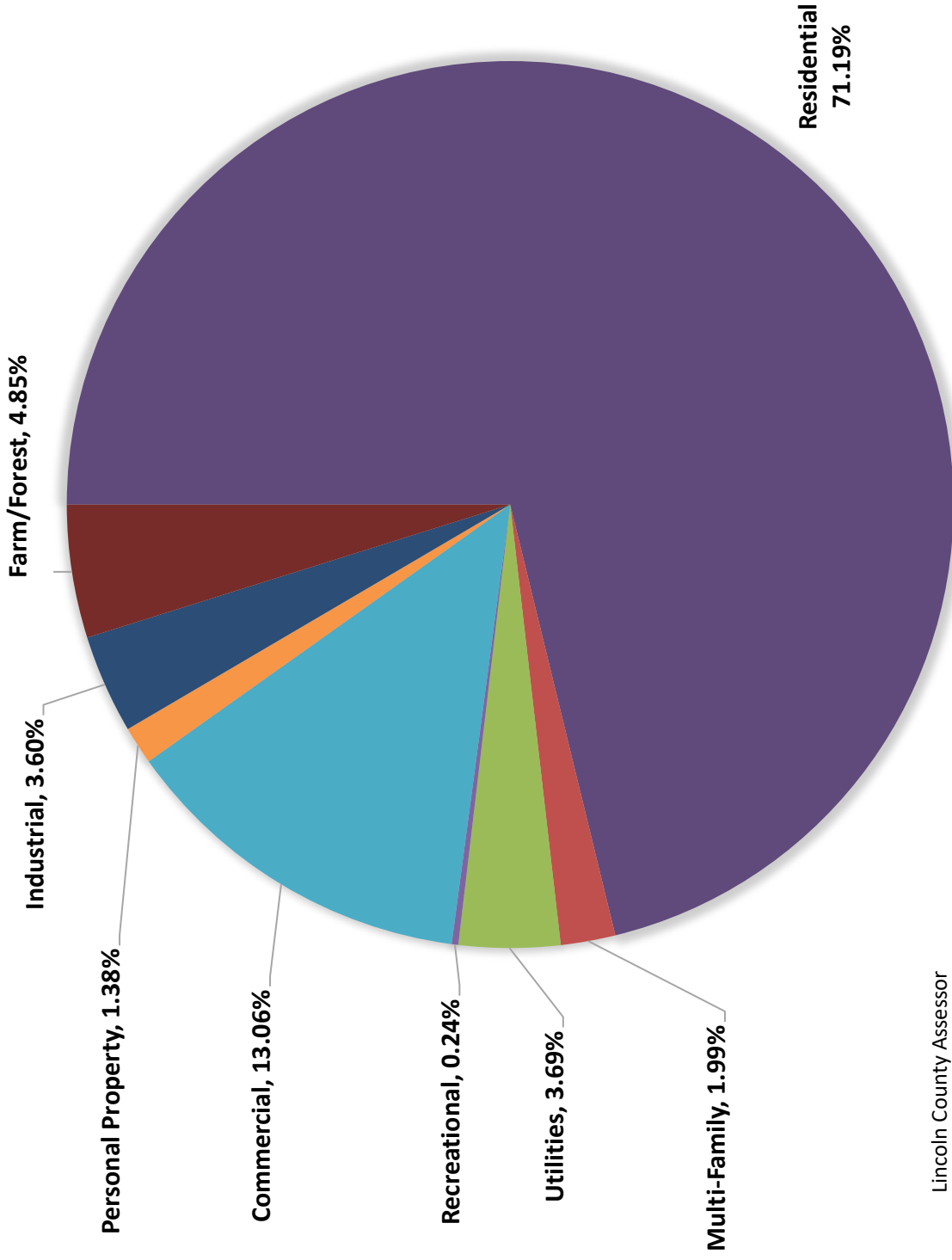
LINCOLN COUNTY 2023-24 YOUR TAX DOLLAR DISTRIBUTION



Lincoln County Assessor
October 11, 2023



WHO PAYS LINCOLN COUNTY PROPERTY TAXES 2023-24



Lincoln County Assessor
October 11, 2023

Supplemental Continuing Disclosure Information
Seal Rock Water District
November 30, 2023

General Obligation Debt Capacity/Limitation		2022-23	2023-24
Real Market Value		1,410,651,095	1,653,145,447
General Obligation Debt Capacity (10.0% of RMV)		141,065,110	165,314,545
Outstanding Obligations Subject to Limitation ⁽¹⁾		14,560,307	13,671,339
Remaining General Obligation Debt Capacity		126,504,803	151,643,206
Percent of Remaining Debt Capacity/Total Debt Capacity		89.68%	91.73%
Percent of Outstanding Obligation/Total Debt Capacity		10.32%	8.27%
Percent of Outstanding Obligation/Real Market Value		1.03%	0.83%

Source: the District

Consolidated Tax Rates Per \$1,000
TAX CODE AREA: 326 (AV \$204,561.250)
REPRESENTS 24.4% OF DISTRICT'S ASSESSED VALUE ON ROLL

Fiscal Year	Real Market Value ⁽¹⁾	Assessed Value ⁽²⁾	Net Tax Imposed	Billing Rate Per		Consolidated Rate	Percent Collected as of	
				\$1,000 of Taxable	Bond Levy Rate Per \$1,000 of Assessed Value ⁽³⁾		Year of Levy (4)	11/30/2023
2023-24	1,653,145,447	835,264,130	1,227,554	0.1259	1.3468	1.4727	In Process pf Collection	89.59%
2022-23	1,410,651,095	801,232,070	1,543,294	0.1259	1.8033	1.9292	97.87%	98.66%
2021-22	1,174,447,691	766,966,200	893,505	0.1259	1.0421	1.1680	98.08%	99.22%
2020-21	981,026,166	734,519,500	835,296	0.1259	1.0142	1.1401	97.96%	99.56%
2019-20	921,297,820	707,936,610	860,627	0.1259	1.0937	1.2196	97.23%	99.94%
2018-19	856,241,708	676,620,410	853,360	0.1259	1.1384	1.2643	97.12%	99.97%
2017-18	852,959,535	635,866,995	1,059,581	0.1259	1.5021	1.6280	96.90%	99.98%

(1) Value represents the Real Market Value of taxable properties, including special assessed properties such as farms. This value is also commonly referred to as the "Measure 5 value" by county assessors.

(2) Assessed Value used to compute levy rates is the total Assessed Value of property in the District, excluding urban renewal and any other offsets.

(3) Bond Levy Rate is the voter-approved levy rate for obligation bonds outside of the tax limitation measure.

(4) In process of collection.

Source: Lincoln County Treasurer and Assessor, November 30, 2023

Seal Rock Water District
Outstanding Debt Obligations
As of November 30, 2023

Outstanding Debt	Date of Issue	Date of Maturity	Amount Issued	Outstanding Principal Amount
Revenue Obligations				
Water Revenue Installment Bonds (USDA)	6/1/2012	6/1/2042	1,505,000	1,088,436
Notes Payable - IFA	12/1/2016	12/1/2023	126,285	0
2020 Revenue Bond (USDA)	11/18/2020	11/18/2051	2,547,000	2,347,711
2022 Revenue Bond (IFA)	12/1/2022	12/1/2051	2,451,000	2,341,589
Total Revenue Obligations			6,629,285	5,777,736
General Obligation Bonds				
General Obligation Bonds, Series 2011	10/27/2011	10/27/2041	1,626,200	1,178,408
General Obligation Bonds, Series 2012	6/13/2012	6/1/2032	5,000,000	2,155,000
General Obligation Bonds, Series 2013	2/27/2013	6/1/2036	2,075,000	1,360,000
General Obligation Bonds, Series 2016	12/1/2016	12/1/2041	3,451,000	2,640,006
General Obligation Bonds, Series 2021	12/17/2021	12/17/2047	6,549,000	6,337,925
Total General Obligations			18,701,200	13,671,339
Total Outstanding Obligations			\$25,330,485	\$19,449,075

Source: The District.

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

STATEMENT OF NET POSITION - PROPRIETARY FUND
as of June 30, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 2,706,727
Accounts receivable	212,730
Property taxes receivable	45,720
Receivable grants/loans	4,767
Prepaid expenses	78,370
Inventory	208,827
Note receivable	38,304
Total current assets	3,295,445

Noncurrent assets

Prepaid bond insurance	14,337
Note receivable, long-term	505,577
Total noncurrent assets	519,914

Capital assets

Land	400,729
Construction in progress	314,140
Plant and equipment (net of depreciation)	32,307,146
Total capital assets	33,022,015

Total assets	36,837,374
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Deferred outflows of resources - pension contributions

Total assets and deferred outflows of resources	283,429
	37,120,803

LIABILITIES

Current liabilities

Accounts payable	908,371
Compensated absences	50,320
Unearned revenue	57,687
Accrued interest, \$144,602 payable from restricted	173,268
Current portion of long-term debt, \$858,351 payable from restricted	988,741
Total current liabilities	2,178,387

Long-term liabilities

Net pension liability	708,799
Compensated absences, net	60,131
Forgivable loan (refundable advance)	1,030,000
Revenue bonds, net	5,733,335
General obligation bonds, net	13,158,754
Total long-term liabilities	20,691,019
Total liabilities	22,869,406

Deferred inflows of resources - pension

Total liabilities and deferred inflows of resources	286,064
	23,155,470

NET POSITION

Net invested in capital assets	11,812,265
Restricted	
Debt service	748,917
Construction	192,069
Unrestricted	1,212,082
Total net position	\$ 13,965,333

The notes to the financial statements are an integral part of this statement.

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 for the Year Ended June 30, 2023

OPERATING REVENUE	
Water service pledged as security for revenue bonds	\$ 2,151,988
Service connections	46,922
Other operating revenue	<u>37,884</u>
Total operating revenue	<u>2,236,794</u>
OPERATING EXPENSES	
Payroll and benefits	1,118,627
Water purchase	159,497
Maintenance and repairs	256,262
General and administrative	150,496
Professional services	184,378
Depreciation	<u>1,136,245</u>
Total operating expenses	<u>3,005,505</u>
OPERATING INCOME (LOSS)	<u>(768,711)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	45,601
Property taxes	1,485,878
Grants	248,380
Loss on disposal of capital assets	(264)
Interest expense	<u>(453,309)</u>
Total nonoperating revenue (expenses)	<u>1,326,286</u>
Income (loss) before contributions	557,575
CAPITAL CONTRIBUTIONS	<u>88,092</u>
Change in net position	645,667
NET POSITION - Beginning of year	<u>13,319,666</u>
NET POSITION - End of year	<u><u>\$ 13,965,333</u></u>

The notes to the financial statements are an integral part of this statement.

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
for the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 2,181,050
Cash payments for goods and services	(891,026)
Cash payments for employees and benefits	(1,173,496)
Net cash provided (used) by operating activities	116,528
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	1,473,210
Grants	354,832
Note receivable receipts	36,536
Net cash provided (used) by noncapital financing activities	1,864,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(608,936)
Loan proceeds	851
Principal paid on debt	(931,520)
Interest paid on debt	(473,236)
Capital contribution by customers	88,092
Net cash provided (used) by capital and related financing activities	(1,924,749)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	45,601
Net increase (decrease) in cash and cash equivalents	101,958
Cash and cash equivalents - Beginning of year (restricted \$1,385,048)	2,604,769
Cash and cash equivalents - End of year (restricted \$1,664,735)	\$ 2,706,727
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (768,711)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	1,136,245
Rounding adjustment	1
(Increase) decrease in operating assets	
Accounts receivable	(50,759)
Inventory	(15,914)
Prepaid expenses	(8,123)
Increase (decrease) in operating liabilities	
Accounts payable	(116,356)
Accrued compensated absences	5,027
Net pension liability	(59,896)
Unearned revenue	(4,986)
Net cash provided (used) by operating activities	\$ 116,528

The notes to the financial statements are an integral part of this statement.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
as of June 30, 2023

	<u>MCWCC</u>	<u>MCWPP</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 18,102	\$ 9,212	\$ 27,314
LIABILITIES			
Accounts payable	-	-	-
NET ASSETS			
Held by fiduciary	<u>\$ 18,102</u>	<u>\$ 9,212</u>	<u>\$ 27,314</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
for the Year Ended June 30, 2023

	<u>MCWCC</u>	<u>MCWPP</u>	<u>Total</u>
ADDITIONS			
Water Districts contributions	\$ 62,000	\$ -	\$ 62,000
Government grants	-	30,119	30,119
Total additions	<u>62,000</u>	<u>30,119</u>	<u>92,119</u>
DEDUCTIONS			
Consultant services	43,908	23,723	67,631
Indirect costs	-	2,246	2,246
Total deductions	<u>43,908</u>	<u>25,969</u>	<u>69,877</u>
Changes in fiduciary net assets	18,092	4,150	22,242
Net assets, beginning of year	<u>10</u>	<u>5,062</u>	<u>5,072</u>
Net assets, end of year	<u>\$ 18,102</u>	<u>\$ 9,212</u>	<u>\$ 27,314</u>

Mid-Coast Water Conservation Consortium (MCWCC) was established by 4 Lincoln County municipalities and 1 water district to develop a framework for a mid-coast water conservation consortium.

Mid-Coast Water Planning Partnership (MCWPP) was established to study the availability of water for current and future use on the central Oregon coast under the direction of Oregon Water Resources Department (ORWD).

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Seal Rock Water District (District) prepares its financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing USGAAP for state and local governments through its pronouncements (statements and interpretations).

The more significant of the District's accounting policies are described below.

Reporting Entity

The District is a municipal corporation and is exempt from federal income taxes. The District operates under the laws of the State of Oregon for the purpose of providing water service to customers within the boundaries of the District. There are five commissioners elected for terms of four years. The elections are held on odd numbered years with terms expiring on a staggered basis.

There are various other governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities and accordingly, their financial information is not included in these financial statements.

Basis of Accounting and Presentation

The District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting utilizing accounting principles applicable to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary funds considered all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The District's investment policies are governed by Oregon statutes. The 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, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

Inventory

Inventories are valued at cost, which approximates net realizable value, using the first-in/first-out (FIFO) method. The cost of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Cash and receivables held in the Debt Service, RD Requirement Reserve, and Revenue Bond are classified as restricted assets on the Statement of Net Position as their use is limited to servicing debt and construction.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Taxes

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, sidewalks and similar public domain items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined in the District's capitalization policy as having a historic cost or fair value in excess of \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated fair value at the date of the donation.

Additions, improvements, and other capital outlays that significantly improve the useful life or increase the capacity of an asset are capitalized. Other costs incurred for maintenance and repairs are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and structures	50 years
Equipment	5 - 25 years
Vehicles	5 years
Infrastructure	50 years

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused personal time off (PTO). All PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

Pensions

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27*, the District's 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 OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has one item that qualifies for reporting in this category, that is deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the District recognizes pension expense. Deferred outflows are included in the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, that is deferred amounts relating to pensions. This amount is deferred and recognized as an inflow of resources in the period when the District recognizes pension income. Deferred inflows are included in the proprietary funds Statement of Net Position.

Net Position

Net Position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements.

Net position is divided into three components:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position - consists of assets that are restricted by the District's creditors, by enabling legislation, by grantors, and other contributors.

Unrestricted - all other net position is reported in this category.

Operating Revenues, Non-Operating Revenues and Operating Expenses

The District has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing water. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization. Non-operating revenues are revenues not directly attributable to the services provided. This includes investment interest, capital contributions, and gain (loss) on sale of capital assets.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

Pursuant to Oregon Local Budget Law, Oregon Revised Statutes Chapter 294.305 through 294.770, the District manages its operations through fund accounting. An operating budget is adopted prior to each fiscal year for all funds. The budget is adopted on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available to finance expenditures of the current period). Expenses are generally recognized when the related liability has been incurred. The exception is interest on general long-term debt, which is recognized when due.

Major functional categories identify the legal level of budgetary control above which expenditures are not authorized. The major functional categories are personnel services, materials and services, capital outlay, debt service, interfund transfers, and operating contingency. The Board of Commissioners may select a lower level of appropriations than the budget committee in which case the legal level of appropriation is stated in the appropriation resolution. The expenditure budget for the year is adopted through the appropriation resolution and only the Board may adjust appropriations. Appropriations lapse at the end of the fiscal year, June 30.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30 are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>
Cash and cash equivalents	\$ 1,041,992
Cash and cash equivalents - restricted	<u>1,664,735</u>
Total cash, cash equivalents and investments	<u>\$ 2,706,727</u>

Cash, cash equivalents and investments as of June 30 consist of the following:

	<u>Balance</u>
Petty cash	\$ 800
Deposits with financial institutions	2,349,211
Investments - external investment pool	<u>356,716</u>
Total	<u>\$ 2,706,727</u>

Restricted cash represents funds for debt retirement of \$771,735 and construction of \$893,000.

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$2,747,010.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminates the requirement of certificates of participation and created a shared liability structure of qualified depositories. At year end, \$250,000 of the District's deposits were insured by the FDIC and the remaining balance was in a qualified depository bank, Umpqua Bank.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

At year end, the District has total funds of \$356,716 (fair value) in the Local Government Investment Pool.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council. At the end of the fiscal year, the fair value of the District's deposits with the LGIP approximately equals the value of the pool shares. The OSTF financial statements are available at <http://ost.state.or.us>.

Investments in the LGIP are available upon demand (one day).

Credit risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The District has no investment policy that would further limit its investment choices. The LGIP is not subject to credit rating.

Concentration of credit risk

The District places no limit on the amount the District may invest in any one issuer.

NOTE 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Property taxes	\$ 45,720	\$ 3,642	\$ 42,078
Accounts receivable	212,730	212,730	0
Grants/loan receivable	4,767	0	4,767
Total receivables	\$ 263,217	\$ 216,372	\$ 46,845

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 4 – RECEIVABLES - Continued

Accounts Receivable

Uncollected accounts receivable are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible accounts has been established.

Property Taxes

Uncollected property taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

NOTE 5 - NOTE RECEIVABLE

In November 2001, the District entered into an Intergovernmental Urban Service Agreement (IGA) with the City of Newport transferring part of the District's service area in South Beach to City of Newport for \$1,800,000 including interest at 6.5% for lost revenue, payable over 30 years with annual payments of principal plus interest totaling \$60,000. The properties in the South Beach service area continue to pay property taxes to the District for the outstanding bonded indebtedness.

In May 2014, Amendment No. 1 to the IGA clarified the boundaries of the service area and that the properties located in the service area are subject to taxes for bonded indebtedness.

In March 2015, Amendment No. 2 to the IGA specified that the City of Newport's debt to the District for lost revenue plus the portion of the bonded indebtedness, excluding the 2013 refunding general obligation bond (originally the 2007 general obligation bond) for the withdrawn properties is \$1,800,000. The City of Newport's share of the 2013 refunding general obligation bond was calculated as \$55,322, which was paid in full on July 1, 2015. The remaining term for the bonds is twenty years.

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Note receivable, City of Newport	\$ 543,881	\$ 475,967	\$ 67,914

The note receivable maturity schedule is as follows:

Year Ending June 30	Balance	Unrestricted	Restricted
2024	\$ 38,304	\$ 30,961	\$ 7,343
2025	39,942	32,464	7,478
2026	40,448	34,040	6,408
2027	42,338	35,693	6,645
2028	44,210	37,425	6,785
2029-2034	235,950	216,480	19,470
2035-2039	95,998	88,904	7,094
2040-2043	6,691	0	6,691
Totals	\$ 543,881	\$ 475,967	\$ 67,914

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 6 - CAPITAL ASSETS

Below are the major classes of capital assets:

	7/1			6/30
	Balance	Increases	Decreases	Balance
Non-depreciable				
Land	400,729	-	-	400,729
Construction in progress	15,842,016	640,517	(16,168,393)	314,140
Total nondepreciable	<u>16,242,745</u>	<u>640,517</u>	<u>(16,168,393)</u>	<u>714,869</u>
Depreciable				
Buildings	1,992,897	9,249,265	-	11,242,162
Furn/equip/vehicles	1,092,573	226,873	(122,379)	1,197,067
Water system	22,689,377	6,949,275	-	29,638,652
Total depreciable	<u>25,774,847</u>	<u>16,425,413</u>	<u>(122,379)</u>	<u>42,077,881</u>
Accumulated Depreciation				
Buildings	446,194	227,663	-	673,857
Equipment	737,154	93,237	(122,115)	708,276
Water system	7,573,257	815,345	-	8,388,602
Total acc deprec	<u>8,756,605</u>	<u>1,136,245</u>	<u>(122,115)</u>	<u>9,770,735</u>
Total, net of depreciation	<u>17,018,242</u>	<u>15,289,168</u>	<u>(264)</u>	<u>32,307,146</u>
Capital assets, net	<u>33,260,987</u>	<u>15,929,685</u>	<u>(16,168,657)</u>	<u>33,022,015</u>

Depreciation expense for the year was \$1,136,245.

NOTE 7 - LONG-TERM DEBT

Revenue Bonds

A revenue bond in the amount of \$1,505,000, payable from water system net operating revenue, was issued June 1, 2012. The bond is payable in annual installments of \$74,332 with interest at 2.75%, maturity 2042. Current balance is \$1,088,436.

A revenue bond in the amount of 2,547,000, payable from water system net operating revenue, was issued November 18, 2020, is payable in annual installments of \$109,853 including interest at 1.75%, matures November 18, 2050, and requires reserve accumulating monthly receipts of \$915 to total one annual loan payment in 10 years. Current balance is \$2,415,296.

A revenue bond in the amount of \$2,451,000, payable from water system net operating revenue, was issued December 19, 2017. The bond is payable in annual installments of \$94,972 with interest at 1%, beginning December 1, 2022, maturing December 1, 2051. Current balance is \$2,412,436.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds - Continued

The annual requirements to amortize the revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Future Requirements
2024	\$ 182,833	\$ 96,324	\$ 279,157
2025	185,832	93,325	279,157
2026	189,118	90,039	279,157
2027	192,353	86,804	279,157
2028	195,654	83,504	279,158
2029-2033	1,029,932	365,853	1,395,785
2034-2038	1,123,016	272,770	1,395,786
2039-2043	1,151,055	169,996	1,321,051
2044-2048	936,005	88,119	1,024,124
2049-2052	<u>730,370</u>	<u>20,913</u>	<u>751,283</u>
Totals	<u>\$ 5,916,168</u>	<u>\$ 1,367,647</u>	<u>\$ 7,283,815</u>

Notes Payable

On April 10, 2020, Truist Bank provided interim financing for the Beaver Creek Water Source Project Phase IV construction totaling \$9,096,000. The interim loan matures on March 15, 2022 with interest only payments each September 1 and March 1 at 1.81%. Loan principal plus accrued interest is due at loan maturity. The interim loan was reduced to \$6,549,000 with proceeds from the 2020 revenue bonds discussed above totaling \$2,547,000 in November 2020. The remaining balance of the loan was paid in full from the proceeds of general obligation bonds of \$6,549,000 that were issued on December 17, 2021. See the general obligation bonds section of this note.

On August 13, 2015, the Oregon Infrastructure Financing Authority approved a forgivable loan of \$20,000 and a long-term note with proceeds not to exceed \$130,000, at a rate of 1%, on a cost-reimbursement basis for Project S16002. The project was completed in December 2016 and funds received on January 26, 2017 totaled \$146,285. Requirements for the forgivable loan were met and \$20,000 was recorded as a grant in 2017. The loan portion totaled \$126,285 and is payable in annual payments of principal and interest beginning December 31, 2017 through 2023. The outstanding balance was \$18,404 at June 30, 2023.

On December 19, 2017 the Oregon Business Development Department (OBDD) awarded a forgivable loan of \$1,030,000 and a long-term loan with proceeds not to exceed \$2,451,000 on a cost-reimbursement basis for Project S18011. OBDD funds disbursed to the District totaled \$2,451,000 for the long-term loan and \$1,030,000 for the forgivable loan at June 30, 2023. The long-term loan was reclassified to the revenue bonds section of this note on the prior page. The forgivable portion of the loan does not require repayment if the District completes the Project on time and at Project completion date, has average monthly residential water rates for the water supplied by the new water system which are at or above the affordability rate of \$50.21 per 7,500 gallons.

The annual requirements to amortize the notes payable, excluding the forgivable loan, are as follows:

Year Ending June 30,	Principal	Interest	Total Future Requirements
2024	<u>\$18,404</u>	<u>\$ 183</u>	<u>\$18,587</u>

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds

General Obligation Bonds are direct obligations and pledge the full faith and credit of the government.

On October 27, 2011 the District issued a GO Bond for \$1,626,000 with a rate of 3.75%, maturing 2042. The current balance is \$1,223,732.

On June 13, 2012 the District issued a GO Bond for \$5,000,000 with a rate of 2 - 4%, maturing 2032. The current balance is \$2,155,000.

On February 13, 2015 the District issued a GO Refunding Bond for \$2,075,000 with a rate of 2-4%, maturing 2036. The current balance is \$1,360,000.

On December 1, 2016 the District issued a GO Bond for \$3,451,000 with a rate of 1.875%, maturing 2041. The current balance is \$2,762,418.

On December 17, 2021 the District issued a GO Bond for \$6,549,000 with a rate of 1.75%, maturing 2047. The current balance is \$6,337,925.

The annual requirements to amortize the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Future Requirements
2024	\$ 787,504	\$ 320,183	\$ 1,107,687
2025	804,964	300,573	1,105,537
2026	758,178	279,909	1,038,087
2027	781,281	261,006	1,042,287
2028	799,565	241,122	1,040,687
2029-2033	3,413,290	927,938	4,341,228
2034-2038	2,805,675	540,931	3,346,606
2039-2043	2,439,805	249,155	2,688,960
2040-2048	<u>1,248,813</u>	<u>55,209</u>	<u>1,304,022</u>
Totals	<u>\$13,839,075</u>	<u>\$3,176,026</u>	<u>\$ 17,015,101</u>

During the current year, the following changes occurred in long term debt:

	7/1 Balance	Additions	Payments	6/30 Balance	Due in One Year	Interest Paid
Revenue Bond	\$ 3,613,367	\$ 2,451,000	\$ 148,199	\$ 5,916,168	\$ 182,833	\$ 130,958
Notes payable	2,487,805	(2,451,000)	18,401	18,404	18,404	368
Forgivable loan	1,029,149	851	0	1,030,000	0	0
GO Bonds	<u>14,603,994</u>	<u>0</u>	<u>764,919</u>	<u>13,839,075</u>	<u>787,504</u>	<u>340,318</u>
Total	<u>\$21,734,315</u>	<u>\$ 851</u>	<u>\$931,519</u>	20,803,647	<u>\$ 988,741</u>	<u>\$ 471,644</u>
				Bond premium <u>107,183</u>		
				Total <u>\$20,910,830</u>		

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 8 - COMPENSATED ABSENCES

Compensated absences are liquidated by the General Fund. Changes in compensated absences are as follows:

	<u>7/01 Balance</u>	<u>Earned</u>	<u>Taken</u>	<u>6/30 Balance</u>	<u>Due in One Year</u>
Compensated absences	\$ <u>105,424</u>	\$ <u>55,346</u>	\$ <u>50,319</u>	\$ <u>110,451</u>	\$ <u>50,320</u>

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report (CAFR) and Actuarial Valuation that can be obtained by writing to: Oregon PERS, PO Box 23700, Tigard OR 97281-3700 or at: <http://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx> .

1. PERS Tier One/Tier Two Pension (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 and 1.67 percent for police/fire members and general service members respectively) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were making contribution before August 21, 1981), or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or had reached at least 50 years of age before ceasing employment with a participating employer (ages 45 and 55 for police/fire members and general service members respectively). Participants are eligible for retirement after reaching ages 50 and 55 for police/fire members and general service members respectively. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS – Continued

1. PERS Tier One/Tier Two Pension (Chapter 238)

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided that one or more of the following conditions is met:

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

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job related injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty-related disability, service time is computed to ages 55 and 58 for fire members and general service members respectively when determining the monthly benefit.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0 percent.

2. OPSRP Defined Benefit Pension Program (238A)

Pension Benefits - The ORS 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 is multiplied by the number of years of service and the final average salary. To be classified as a fire member the individual must be continuously employed as a fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

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

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The COLA is capped at 2.0 percent.

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS - Continued

3. OPSRP Individual Account Program (238A)

Pension Benefits - An OPSRP Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement a member of the OPSRP IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan 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, rollover account, and vested employer optional contribution account balances. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump sum payment.

Recordkeeping - PERS contracts with Voya Financial to maintain IAP participant records.

Contributions:

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. 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 funding policy applies to the OPERS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the District for the year ending June 30, 2023 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2023.

The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments and their rates have been reduced. District contributions for the year ending June 30, 2023 were \$132,033, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2023 were 21.70 percent for Tier One/Tier Two General Service, 18.65 percent of OPSRP General Service Members, 23.44 percent for OPSRP Police and Fire Members, and 6 percent for OPSRP Individual Account Members.

The employees contribute 6% of their salary to their retirement and the employer contributes the required employer's contribution.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS - Continued

Net Pension Liability

At June 30, 2023, the District reported a net pension liability of \$708,799 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of December 31, 2021, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to June 30, 2023. The District's proportionate share of the system-wide net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the District were 0.00462904 and 0.00501718 for the years ended June 30, 2023 and 2022 respectively. For the year ended June 30, 2023, the District recognized pension expense (income) of (\$59,896). At June 30, 2023, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,406	\$ 4,420
Changes of assumptions	111,214	1,016
Net difference between projected and actual earnings on investments	0	126,720
Changes in proportionate share	6,052	66,247
Contributions made subsequent to measurement date	131,757	0
Differences between employer contributions and employer's proportionate share of system contributions	0	87,661
Total	<u>\$ 283,429</u>	<u>\$ 286,064</u>

Deferred outflows of resources of \$283,429 relates to District contributions made subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)</u>
2024	\$ (28,002)
2025	(46,607)
2026	(81,733)
2027	33,869
2028	(11,919)
Total	<u>\$ (134,392)</u>

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS - Continued

Actuarial Valuations

The employer contribution rates effective July 1, 2021, through June 30, 2023, were set using the entry age normal cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Valuations

Valuation Date	December 31, 2021, rolled forward to June 30, 2022
Experience Study Report	2022, published September 2022
Actuarial Cost Method	Entry age normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Fair value of assets, excluding reserves
Actuarial Assumptions	
Inflation rate	2.40%
Long-term expected rate of return	6.90%
Discount rate	6.90%
Projected salary increases	3.40% overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Disabled retirees:</i> Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS - Continued

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities 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 future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2020 experience study, which reviewed experience for the four-year period ending December 31, 2020.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2022 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plans were invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt securities	15.0	25.0	20.0
Public equity	27.5	37.5	32.5
Private equity	14.0	21.0	17.5
Real estate	9.5	15.5	12.5
Alternatives portfolio	7.5	17.5	15.0
Opportunity portfolio	0.0	5.0	0.0
Risk parity	0.0	2.5	2.5
Total			<u><u>100.0%</u></u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Total		<u><u>100.00%</u></u>

Assumed Inflation - Mean 2.40%

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.20 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 was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Discount Rate

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

	<u>1% Decrease (5.90)%</u>	<u>Current Disc. Rate (6.90)%</u>	<u>1% Increase (7.90)%</u>
Net Pension Liability (Asset)	<u>\$ 1,256,994</u>	<u>\$ 708,799</u>	<u>\$ 249,985</u>

Changes in Plan Provisions Subsequent to Measurement Date

Starting July 1, 2020, Senate Bill 1049 required member contributions to their AIP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month, 0.75% for OPSRP members and 2.5% for Tier 1/Tier 2 members' salaries previously contributed to the member's IAP began funding the new Employee Pension Stability Accounts to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. PERS estimates that approximately \$125 million in member contributions will be redirected in fiscal year 20-21.

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

As a member of 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 (OPEB) administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 9 - RETIREMENT BENEFITS - Continued

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA) (continued)

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. 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.

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.50 and 0.43 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2023, 2022, and 2021 were paid and equaled the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). The other postemployment benefits for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums administered by the Special District Association of Oregon (SDAO), and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2023 by Milliman Actuarial Services for both plans. At June 30, 2023, the District's net OPEB liability/(asset) and deferred inflows and outflows were determined by Management not to be material to the financial statements taken as a whole.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 11 - OTHER INFORMATION

Tax Abatement

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments that enter into tax abatement agreements to disclose information about those agreements. The District has not entered into any tax abatement agreements as of the end of the fiscal year; therefore, there are no amounts to disclose.

Commitments

Project Phase IV

Beaver Creek Water Source Project Phase IV was designed and engineered by CH2M HILL Engineers, Inc. (aka Jacobs Engineering Group). CH2M HILL will continue to act as the District's representative, assume all duties and responsibilities, and have the rights and authority assigned to Engineer in the contract documents in connection with the completion of Phase IV. Amendment 5 to the engineering contract totaling \$55,960 for services provided from July 23 through November 23, 2023.

In December 2019, the District engaged R&G Excavating, Inc. as the contractor for the Beaver Creek Water Source Project Phase IV construction of facilities including river intake, raw water pumping station, all piping, 4,000 square foot water treatment plant, membrane filtration equipment installation, as well as other water treatment components, two welded steel tanks (250,000 and 500,000 gallons), one portable and one installed backup generators, and related facilities. This contract has an effective date of April 30, 2020 in the amount of \$10,690,000. Construction is to be substantially completed within 448 days from the effective date (July 22, 2021), with final payment due within 480 days (August 24, 2021). Phase IV was not completed timely, and is subject to arbitration on the contract amount remaining and on project completion.

In October 2016, SDAO Advisory Services, LLC was engaged as a municipal advisor on an on-going basis regarding the issuance of municipal securities, financial products, direct bank loans, conduit borrowings or other financing alternatives and related matters. Specifically, SDAO will advise on the issuance of bonds (debt securities) for the Project Phase IV. Revenue bonds were issued in November 2020. General obligations bonds were issued in 2022.

Economic Dependency

Seal Rock Water District purchases water, when necessary, primarily from the City of Newport, and the City of Toledo when the Beaver Creek Water System requires maintenance.

Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets, torts, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2023

NOTE 11 - OTHER INFORMATION - Continued

Evaluation of Subsequent Events

Water System

In July 2023, water was discovered on the floor of the new water treatment plant. A pipe connecting the lower end of the membrane module burst resulting in flooding throughout the building. Clean-up was performed and the District worked with the engineers and the pipe manufacturer to determine the cause of the broken pipe.

The District's water contains higher than expected levels of organic materials during low water flow periods. Consideration to install an additional final filter system, a Granular Activated Carbon filter system, to improve the taste and scent of finished water from the water system will likely be added to the water treatment plant with costs covered by remaining USDA grant funds, if any, after arbitration with the contractor for the new water source project construction is settled.

In August 2023, the water treatment plant lost use of its server and the engineering firm and Dell technician brought the system back into working condition. While on site, the membrane modules were examined to determine how to effectively clean the filtration units for best performance while maintaining the health of the membranes. The District is awaiting the final comprehensive report, but did determine that the process for cleaning the skids, and for preparing water for consumption need to be corrected by the manufacturer.

In September 2023, engineers, District staff, and USDA representatives met to perform the 11th month warranty walkthrough of the water treatment plant. District staff noted several concerns which were discussed and addressed. Also, more engineering services were required with the extension of the project completion date from August 24, 2021, resulting in an amendment to the engineering contract for \$55,960 for engineering services provided from July 23 through November 23, 2023.

In October 2023, the District received a final pay application from the construction contractor for the new water treatment plant in an amount exceeding \$800,000. The application is currently being reviewed by District staff, the engineering firm, and legal counsel.

Arbitration with the construction contractor is currently expected to begin in December 2023 or January 2024.

Watershed Chemical Spraying

In August 2023, the District learned that an application for aerial application of pesticides in the Beaver Creek watershed is planned to prepare for timber replanting during the period from September 2 through November 30, 2023. District staff contacted the timberland owner, spraying contractor, and applicable state departments to attempt to mitigate the risk of contaminated water to the District's water customers. Community meetings were held at the District's office with many in attendance. The State of Oregon is unable to prevent the aerial spraying as long as the contractor complies with permit conditions. Oregon Department of Environmental Quality recommends suspending water pumping while spraying is in progress, and sampling creek water before and after pesticide spraying and after major rain events.

The District has evaluated subsequent events through November 30, 2023, the date which the financial statements were available to be issued.

SEAL ROCK WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET LIABILITY (ASSET)
as of June 30, 2023

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal. Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset) Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00393	\$ 200,660	\$ 413,981	48.47%	92.0%
2015	0.00393	(89,129)	425,633	-20.94%	103.6%
2016	0.00454	260,819	423,759	61.55%	91.9%
2017	0.00465	698,307	441,799	158.06%	80.5%
2018	0.00492	663,408	464,754	142.74%	83.1%
2019	0.00499	756,962	483,584	156.53%	82.1%
2020	0.00521	900,947	521,465	172.77%	80.2%
2021	0.00504	1,100,010	548,922	200.39%	75.8%
2022	0.00502	600,380	553,816	108.41%	87.6%
2023	0.00463	708,799	701,830	100.99%	84.5%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

This schedule is presented to illustrate the requirements to show information for 10 years.

SEAL ROCK WATER DISTRICT, OREGON
SEAL ROCK, OREGON

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
as of June 30, 2023

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency /(Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 21,527	\$ 21,654	\$ (127)	\$ 425,633	5.09%
2015	22,008	22,392	(384)	423,759	5.28%
2016	40,348	40,897	(549)	441,799	9.26%
2017	42,432	42,432	-	464,754	9.13%
2018	64,846	64,846	-	483,584	13.41%
2019	67,315	67,315	-	521,465	12.91%
2020	97,690	97,690	-	548,922	17.80%
2021	97,838	97,838	-	554,257	17.65%
2022	103,765	103,765	-	553,816	18.74%
2023	131,757	131,757	-	701,830	18.77%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date for each year presented.

This schedule is presented to illustrate the requirements to show information for 10 years.

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF
CONTRIBUTIONS for the Year Ended June 30, 2022

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/GASB68-Letter-from-the-Actuary.pdf>.

Changes in Assumptions

A summary of key changes implemented since the December 31, 2019 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/GASB68-Letter-from-the-Actuary.pdf>.

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published on July 24, 2019 and can be found at:

https://www.oregon.gov/PERS/Documents/Exp_Study_2018.pdf.

GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There were no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

SEAL ROCK WATER DISTRICT

SUPPLEMENTARY INFORMATION SECTION

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

DESCRIPTION OF BUDGETARY FUNDS

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary comparison schedules include the following funds:

General Fund

The fund is used to account for the financial resources of the District that are not accounted for in any other fund. Principal sources of revenue are water sales, service fees and property taxes. Primary expenditures are for system maintenance and general administration.

Capital Projects Fund

The fund is used to account for expenditures for major construction and improvement. Principal sources of revenue are grants, loans, and bond proceeds.

Debt Service Fund

The fund is used to account for the accumulation of resources for, and the payment of debt principal and interest for general obligation bond. The principal sources of revenue are from property taxes.

Rural Development Requirement Reserve Fund

The fund is used to account for the accumulation of resources reserved for the payment of debt principal as required by the USDA Rural Development. The primary sources of revenue are investment interest and transfers from other funds.

Revenue Bond Reserve Fund

The fund is used to account for the accumulation of resources for, and the payment of debt principal and interest for revenue bonds. The principal source of revenue is transfers from the General Fund.

System Development Charges Fund

The fund is used to account for financial resources to be used for major system improvement. The primary revenue source is system development charges and investment income.

Water Source Improvement Reserve Fund

The fund is used to account for financial resources to be used for a portion of major capital repair, improvement expenditures incurred by the City of Toledo, and to develop another source of water. The primary revenue source is transfers from the General Fund.

SLARRA/Depreciation Reserve Fund (Short-Lived Asset Replacement Reserve Account)

The fund is used to account for financial resources for the replacement of vehicles and equipment. The primary source of revenues are transfers from the General Fund.

SRWD Land & Building Reserve Fund

The fund is used to account for financial resources to be used for the maintenance of the administrative office and shop. The primary revenue source is investment income.

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

GENERAL FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Water sales	\$ 2,179,600	\$ 2,151,988	\$ (27,612)
Service connections	22,500	46,922	24,422
Miscellaneous	35,000	20,956	(14,044)
Grants	3,000	-	(3,000)
Interest	30,700	31,010	310
Subdivision assessments	1,000	-	(1,000)
Note receivable receipts	-	29,526	29,526
Sale of equipment/capital assets	35,000	-	(35,000)
Prior year refund	2,500	-	(2,500)
Property taxes	95,500	95,450	(50)
Total revenue	2,404,800	2,375,852	(28,948)
EXPENDITURES			
Personnel services	1,357,000	1,178,523	178,477
Materials and services	893,800	750,633	143,167
Capital outlay	57,500	49,724	7,776
Contingency	100,000	-	100,000
Total expenditures	2,408,300	1,978,880	429,420
Excess (deficiency) of revenue over expenditures	(3,500)	396,972	400,472
OTHER FINANCING SOURCES (USES)			
Transfers in (out), net	(318,500)	(318,500)	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(322,000)	78,472	400,472
FUND BALANCE - Beginning of year	322,000	652,883	330,883
FUND BALANCE - End of year	\$ -	731,355	\$ 731,355
GAAP ADJUSTMENTS - Reconciled to June 2022		13,477,448	
Note receivable receipts		(29,526)	
Capital assets activity			
Additions		49,724	
Asset transfers		16,375,689	
Asset disposals		(264)	
Depreciation		(1,136,245)	
Long-term debt activity			
Principal payments		128,036	
Interest accrued		923	
Pension activity, net		59,896	
FUND BALANCE - End of Year (GAAP basis)		\$ 29,657,036	

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

CAPITAL PROJECTS FUND

	Original Budget	Final Budget	Actual	Variance
REVENUE				
Loan proceeds	\$ -	\$ -	\$ 851	\$ 851
Grants	700,000	1,100,000	248,380	(851,620)
Interest	20	20	133	113
Total revenue	700,020	1,100,020	249,364	(850,656)
EXPENDITURES				
Capital outlay	950,020	1,350,020	617,407	732,613
Excess (deficiency) of revenue over expenditures	(250,000)	(250,000)	(368,043)	(118,043)
FUND BALANCE - Beginning of year	250,000	250,000	(267,712)	(517,712)
FUND BALANCE - End of year	\$ -	\$ -	(635,755)	\$ (635,755)
 GAAP ADJUSTMENTS - Reconciled to June 2022			(2,503,492)	
Capital assets activity				
Additions			617,407	
Asset transfers			(16,168,393)	
Long-term debt activity				
Loan proceeds			(851)	
Prepaid bond costs			(1,593)	
Principal payments			803,483	
Bond premium amortization			11,286	
Interest accrued			7,719	
 FUND BALANCE - End of Year (GAAP basis)			\$ (17,870,189)	

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

DEBT SERVICE FUND - GENERAL OBLIGATION BONDS

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 3,500	\$ 3,420	\$ (80)
Property taxes	1,383,220	1,390,428	7,208
Note receivable receipts	8,100	7,009	(1,091)
Miscellaneous	1,500	14,255	12,755
Total revenue	1,396,320	1,415,112	18,792
EXPENDITURES			
Debt service	1,105,280	1,105,237	43
Tax credit reserve 2013	34,140	-	34,140
Total expenses	1,139,420	1,105,237	34,183
Excess (deficiency) of revenue over expenditures	256,900	309,875	52,975
Unappropriated ending fund balance	(646,900)	-	646,900
FUND BALANCE			
Beginning of year (Budget basis)	390,000	398,104	8,104
End of year (Budget basis)	\$ -	707,979	\$ 707,979
GAAP ADJUSTMENTS - Reconciled to June 2022		38,123	
Note receivable receipts		(7,009)	
2013 RGOB Advance		2,663	
FUND BALANCE - End of Year (GAAP basis)		\$ 741,756	

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

RURAL DEVELOPMENT REQUIREMENT RESERVE FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 100	\$ 9	\$ (91)
EXPENDITURES			
Capital outlay	98,090	-	98,090
Excess (deficiency) of revenue over expenditures	(97,990)	9	97,999
OTHER FINANCING SOURCES (USES)			
Transfers in	10,990	10,990	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(87,000)	10,999	97,999
FUND BALANCE			
Beginning of year (Budget basis)	87,000	87,674	674
End of year (Budget basis)	\$ -	\$ 98,673	\$ 98,673

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

REVENUE BOND RESERVE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	\$ 20	\$ 3	\$ (17)
Miscellaneous	-	10	10
Total revenues	20	13	(7)
 EXPENDITURES			
Debt service	305,010	297,926	7,084
Excess (deficiency) of revenue over expenditures	(304,990)	(297,913)	7,077
 OTHER FINANCING SOURCES (USES)			
Transfers in	304,790	304,790	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(200)	6,877	7,077
 FUND BALANCE			
Beginning of year (Budget basis)	200	284	84
End of year (Budget basis)	\$ -	\$ 7,161	\$ 7,161

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

SYSTEM DEVELOPMENT CHARGES FUND

	Original and Final Budget	Actual	Variance
REVENUE			
System development charges (SDC)	\$ 44,500	\$ 88,092	\$ 43,592
Interest	200	1,712	1,512
	44,700	89,804	45,104
EXPENDITURES			
SDC improvements	704,700	44,839	(659,861)
Excess (deficiency) of revenue over expenditures	(660,000)	44,965	704,965
FUND BALANCE			
Beginning of year (Budget basis)	660,000	652,842	(7,158)
End of year (Budget basis)	\$ -	697,807	\$ 697,807
GAAP ADJUSTMENTS:			
Capital asset additions		44,839	
Capital asset transfers		(21,729)	
FUND BALANCE - End of Year (GAAP basis)		\$ 720,917	

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

WATER SOURCE IMPROVEMENT RESERVE FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 2,000	\$ 4,346	\$ 2,346
EXPENDITURES			
Capital outlay	250,150	-	250,150
Excess (deficiency) of revenue over expenditures	(248,150)	4,346	252,496
OTHER FINANCING SOURCES (USES)			
Transfers	(109,850)	(109,850)	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(358,000)	(105,504)	252,496
FUND BALANCE			
Beginning of year (Budget basis)	358,000	359,166	1,166
Rounding adjustment	-	(1)	(1)
Beginning of year (Budget basis), restated	358,000	359,165	1,165
End of year (Budget basis)	\$ -	\$ 253,661	\$ 253,661

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

SLARRA/DEPRECIATION RESERVE FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 500	\$ 1,669	\$ 1,169
EXPENDITURES			
Capital outlay	398,070	170,211	227,859
Excess (deficiency) of revenue over expenditures	(397,570)	(168,542)	229,028
OTHER FINANCING SOURCES (USES)			
Transfers in	112,570	112,570	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(285,000)	(55,972)	229,028
FUND BALANCE			
Beginning of year (Budget basis)	285,000	284,894	(106)
End of year (Budget basis)	\$ -	\$ 228,922	\$ 228,922

**SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON**

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2023

SRWD LAND AND BUILDINGS RESERVE FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 500	\$ 3,299	\$ 2,799
EXPENDITURES			
Capital outlay	139,500	15,356	124,144
Excess (deficiency) of revenue over expenditures	(139,000)	(12,057)	126,943
FUND BALANCE			
Beginning of year (Budget basis)	139,000	139,453	453
End of year (Budget basis)	\$ -	\$ 127,396	\$ 127,396

SEAL ROCK WATER DISTRICT
SEAL ROCK, OREGON

RECONCILIATION OF REVENUE AND EXPENDITURES (BUDGETARY BASIS)
TO THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
for the Year Ended June 30, 2023

	Total Revenue	Total Expenses	Net
Budgetary Basis			
General Fund	\$ 2,375,852	\$ 1,978,880	\$ 396,972
Capital Projects Fund	249,364	617,407	(368,043)
Debt Service Fund - GOBs	1,415,112	1,105,237	309,875
RD Requirement Reserve Fund	9	-	9
Revenue Bond Reserve Fund	13	297,926	(297,913)
System Development Charges Fund	89,804	44,839	44,965
Water Source Improvement Reserve Fund	4,346	-	4,346
SLARRA/Depreciation Reserve Fund	1,669	170,211	(168,542)
SRWD Land and Buildings Reserve Fund	3,299	15,356	(12,057)
Total budgetary basis	\$ 4,139,468	\$ 4,229,856	(90,388)
Add (deduct) items to reconcile to net income on a financial reporting basis			
Note receivable activity			
City of Newport taxes			(36,535)
2013 RGOB advance			2,663
Capital asset activity			
Additions			897,537
Disposals			(264)
Depreciation			(1,136,245)
Long-term debt activity			
Loan proceeds			(851)
Prepaid bond costs			(1,593)
Principal payments			931,519
Bond premium amortization			11,286
Interest accrued			8,642
Pension activity, net			59,896
Change in net position			645,667
NET POSITION - Beginning of year			13,319,667
Rounding adjustment			(1)
NET POSITION - Beginning of year, restated			13,319,666
NET POSITION - End of year			\$ 13,965,333

SEAL ROCK WATER DISTRICT

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATE
Certified Public Accountants

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**Independent Auditor's Report
Required by Oregon State Regulations**

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Seal Rock Water District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Seal Rock Water District's basic financial statements, and have issued my report thereon dated November 30, 2023.

Compliance

As part of obtaining reasonable assurance about whether Seal Rock Water District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I considered necessary to address the required comments and disclosures which included, but were not limited to the following:

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

In connection with my testing nothing came to my attention that caused me to believe the Seal Rock Water District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

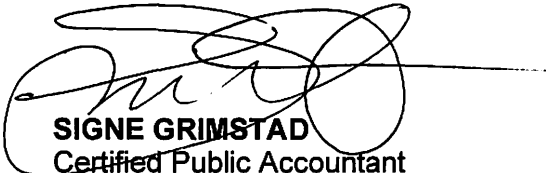
In planning and performing my audit of the financial statements, I considered Seal Rock Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seal Rock Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Seal Rock Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Purpose of This Report

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, and Oregon Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these parties.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
November 30, 2023