

**SEAL ROCK WATER DISTRICT
OREGON**

AUDIT REPORT

JUNE 30, 2020

Prepared By
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SEAL ROCK WATER DISTRICT, OREGON

COMMISSIONERS

President	Robert Mills	PO Box 339 Seal Rock, OR 97376
Secretary	Saundra Mies-Grantham	7227 SW Abalone St. South Beach, OR 97366
Treasurer	Deanna Gravelle	PO Box 203 Newport, OR 97365
Commissioner	Karen Otta	9080 S. Coast Hwy. South Beach, OR 97366
Commissioner	Glen Morris	PO Box 283 Newport, OR 97365

ADMINISTRATION

District General Manager	Adam Denlinger
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REGISTERED AGENT

Joy King
PO Box 190
Seal Rock, OR 97376

SEAL ROCK WATER DISTRICT, OREGON

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Seal Rock Water District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Seal Rock Water District as of June 30, 2020, 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.

Members:
AICPA OSCP & OAIA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussions and analysis and defined employee pension plan (PERS) schedules and notes, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Seal Rock Water District's basic financial statements. The accompanying supplemental information, budget and actual and 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.


The budget and actual, budget reconciliation, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, budget and actual, reconciliation of budget basis to net position, and schedule of expenditures of federal awards, 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, 2020, on my consideration of Seal Rock Water 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 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 Seal Rock Water 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 Seal Rock Water 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, 2020 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.



SIGNE GRIMSTAD
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Newport, Oregon
November 30, 2020



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Seal Rock Water District

Management Discussion and Analysis (MD&A) Fiscal Year Ended June 30, 2020

The intent of the Management Discussion and Analysis is to provide highlights of the Seal Rock Water District's financial activities for fiscal year 2020, ending June 30, 2020. 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 \$32,942,604 with Capital Assets of \$21,240,722 net of accumulated depreciation. Current Assets are \$10,760,521 and other noncurrent assets are \$634,367. Deferred Outflows of Resources for Pension Contributions are \$306,994 at June 30, 2020.
- The assets of Seal Rock Water District exceeded its liabilities at the close of the fiscal year by \$10,310,298 (Net Position). Of this amount, \$1,495,881 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Net investment in capital assets, less related debt is \$714,241. Revenue Bonded debt is \$1,214,633 and General Obligation debt is \$9,237,449. Notes Payable is \$10,585,760.
- The District's net position decreased by \$133,805 from June 30, 2019.
- Total Operating Revenues for fiscal year 2019-20 were \$1,835,611 which is a decrease of 1.18% over the prior year. This change reflects the decreases in water services, other services and miscellaneous revenue.
- Total Operating Expenses for the fiscal year 2019-20 were \$2,740,866. This figure is 21.43% higher than the prior year, due primarily to increases in Payroll & Benefits, Maintenance, Repairs and Professional Services and General and Admin.
- Total Liabilities and Deferred Inflows of Resources are \$22,632,306 with long-term liabilities at \$21,434,402 current liabilities at \$1,145,972 and deferred inflows of resources for pension at \$51,932.

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 credit worthiness 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 cash balance during the reporting period.

Notes to Financial Statements

The notes to the financial statements found on pages 6 through 27 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 \$10,310,298 at the close of the fiscal year, a decrease of \$133,805 from the prior year. This is primarily due to the increase in long term liabilities. The District took out an interim loan with Truist Bank

to fund its Beaver Creek Source Water Project. This interim loan will be paid off by USDA-RUS using the District's Revenue Bond and General Obligation Bond.

69% of the District's net positions (\$7,066,708) reflect 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 rate payers, 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 (rate payers) or other sources, since capital assets cannot be used to liquidate these liabilities.

Net Position					
	2020	2019	2018	Difference 2020-2019	%
ASSETS					
Current Assets	\$10,760,521	\$3,688,188	\$3,338,586	\$7,072,333	191.76%
Capital Assets	21,240,722	20,892,350	20,254,981	348,372	1.67%
Other noncurrent Assets	634,367	669,260	702,679	(34,893)	-5.21%
Total Assets	32,635,610	25,249,798	24,296,246	7,385,812	29.25%
Deferred Outflows-Pension Contributions	306,994	295,790	253,183	11,204	3.79%
Total Assets & Deferred Outflows	32,942,604	25,545,588	24,549,429	7,397,016	28.96%
LIABILITIES					
Current Liabilities	1,145,972	886,340	907,470	259,632	29.29%
Long Term Liabilities	21,434,402	14,162,175	13,615,204	7,272,227	51.35%
Total Liabilities	22,580,374	15,048,515	14,522,674	7,531,859	50.05%
Deferred Inflows-Pension	51,932	52,970	25,513	(1,038)	-1.96%
Total Liabilities & Deferred Inflows	22,632,306	15,101,485	14,548,187	7,530,821	49.87%
NET POSITION					
Net Invested in Capital Assets	7,066,708	6,730,175	6,994,596	336,533	5.00%
Restricted	1,747,708	1,507,934	1,139,162	239,774	15.90%
Unrestricted	1,495,882	2,205,994	1,867,484	(710,112)	-32.19%
Total Net Position	\$10,310,298	\$10,444,103	\$10,001,242	(\$133,805)	-1.28%

A portion of the District's net position (17% or \$1,747,708) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (14% or \$1,495,882) may be used to meet the District's ongoing obligations to rate payers and creditors.

Operating and non-operating activities decreased the District's net position by \$133,805, a decrease of 1.3% over the previous year. The change in net position is comprised of

operating and non-operating loss of \$218,227 and capital contributions of \$84,422 which represents system development charges. Operating loss decreased net position by \$905,255 primarily due to increases in Payroll and Benefits, Water Purchase, Maintenance, Repairs & Professional Services, General and Administration and Depreciation. Increases in Payroll and Benefits account for the District's proportionate share of the system wide pension liability.

Governmental Accounting Standard Board Statement 68 (GASB 68) requires governmental entities that participate in 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, 2020 was .0520851 or \$900,947.

At end of the FY 2019-20 the District's financial reports reflected deferred outflows of resources of \$306,994. This amount was derived by adding the differences between expected and actual experience, which was \$49,685, changes in assumptions which was \$122,224, net difference between projected and actual earnings on investments which was \$0, changes in proportionate share which was \$37,395 and the contributions the District made subsequent to measurement date which was \$97,690. The District also reported deferred inflows of resources of \$51,932. This amount was the differences between employer contributions and employer's proportionate share of system contributions.

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 postemployment benefits (OPEB). The District provides an implicit rate subsidy for retiree health insurance premiums through 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, and mortality rate and other inputs. The total OPEB liability was estimated at June 30, 2020 by Milliman Actuarial Services for both plans. At June 30, 2020, 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

	2020	2019	Restated 2018	Difference 2020-2019	%
OPERATING REVENUES					
Water Service	\$1,761,016	\$1,767,111	\$1,774,367	(\$6,095)	-0.34%
Other Services	46,859	55,331	54,175	(8,472)	-15.31%
Miscellaneous	27,736	35,054	12,305	(7,318)	-20.88%
Total Operating Revenues	1,835,611	1,857,496	1,840,847	(21,885)	-1.18%
OPERATING EXPENSES					
Payroll and Benefits	1,030,546	901,625	880,740	128,921	14.30%
Water Purchase	353,359	342,026	370,914	11,333	3.31%
Maintenance and Repair	426,200	138,644	126,889	287,556	207.41%
General and Admin	119,257	107,076	103,692	12,181	11.38%
Professional Services	95,722	64,700	68,700	31,022	47.95%
Depreciation	715,782	702,995	590,534	12,787	1.82%
Total Operating Expenses	2,740,866	2,257,066	2,141,469	483,800	21.43%
OPERATING INCOME (LOSS)	(905,255)	(399,570)	(300,622)	(505,685)	126.56%
NON OPERATING REVENUES (EXPENSES)					
Interest Income	55,349	62,772	54,622	(7,423)	-11.83%
Property Taxes	841,682	840,331	1,004,919	1,351	0.16%
Grants/Loan Proceeds	174,238	206,120	1,548,700	(31,882)	-15.47%
Boundary Income	0	0	33,044	0	0.00%
Disposal of Assets	(5,215)	0	0	(5,215)	0.00%
Interest Expense	(379,026)	(358,555)	(386,745)	(20,471)	5.71%
Total Nonoperating Revenues (Expenses)	687,028	750,668	2,254,540	(63,640)	-8.48%
Income (Loss) Before Contributions	(218,227)	351,098	1,953,918	(569,325)	-162.16%
CAPITAL CONTRIBUTIONS	84,422	91,763	90,562	(7,341)	-8.00%
CHANGES IN NET POSITION	(133,805)	442,861	2,044,480	(576,666)	-130.21%
Net Position - Beginning of Year	10,444,103	10,001,242	7,956,762	442,861	4.43%
Net Position - End of Year	\$10,310,298	\$10,444,103	\$10,001,242	(\$133,805)	-1.28%

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 decreased by \$710,112 over the previous year. The District used part of its reserve to fund Phase IV – Beaver Creek Source Water Improvements preliminary expenses which is reimbursable from loan proceeds. These preliminary expenses included the Phase IV Beaver Creek Primary Source Water project final engineering design.

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 to 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 has a \$6.5 million remaining General Obligation Bond Authority which will be issued in the future to finance a portion of the District's Phase IV Beaver Creek Primary Source Water Project.

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 towards the Beaver Creek Source Water Project. The annual payment will be \$365,697 with an interest rate of 2.75%. 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) will be 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 will be 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 will be 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 will be a membrane filtration system which meets the Oregon Health Authority's target microbial removal rates. The storage reservoirs will be a 500,000 gallons and 250,000 gallons welded steel tanks, 50-foot diameter tank constructed on the Makai site at the treatment facility. The finished water pipeline will be a 12-inch ductile iron line trenched to connect the new storage facility to the District's existing system. Contractual project completion date is August 2021.

Funds from USDA-RD will also be used to refinance an existing line of credit from Cashmere Valley Bank. Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies.

The current financial condition, staff capabilities, operating and Capital Improvement Plans (CIP) to meet anticipated growth within the service area, are well balanced and under control. It is usually understood by the Board of Commissioners and staff that due to the primary source water project the district staffing level will likely increase by 3 FTEs and will be reflected in future budgets.

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. On October 30, 2017, the SRWD Board of Commissioners approved a resolution notifying the city of Toledo that the District intends to terminate the 2012 SRWD City of Toledo water purchase agreement effective October 31, 2020. Due to delays in project development which were outside of the district's control, it was clear that the project would not be completed by the termination date and that the district would need to secure a short-term water supply. Therefore, through negotiation with the City of Toledo the district was successful at developing and approving a short-term water purchase agreement which went into effect on November 1, 2020 through 2021. The wholesale water rate from Toledo includes a variable rate starting at \$4.75/1000 per thousand gallons for the first 8,000,000 gallons, \$5.25/1000 for the next 6,000,000 gallons and \$6.00/1000 thereafter. This rate structure also includes a monthly base rate of \$5,686.29.

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 \$483,800 over the prior year and Net Operating loss increase of 127% over the prior year, due to the increase in Payroll and Benefits, Water Purchase, Maintenance and Repair, General and Administrative, Professional Services, and Depreciation. Net Position decreased by \$133,805 due primarily to decreases in operating and non-operating revenues and increases in operating expenses.

Capital Assets and Debt Administration

Capital Assets

Seal Rock Water District's investment in capital assets as of June 30, 2020 is \$21.2 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 increased by 1.7% compared to the prior year. This figure includes the newly completed 2 Pressure Reducing Valves and new meter installations

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

Current year expenditures were primarily related to the cost of completing a portion of USDA-RD funded Phase 3 improvements and engineering fees for the contract award and completion of the District's Automated Meter Integration (AMI) project.

AMI Integration project was successfully completed on July 29, 2017 and placed into full operation including the Customer Portal. Working with a small surplus of available grant funds left over from Phase 3 improvements, the District approved Change Order No. 3 for the installation of 2 new Pressure Reducing Valves (PRVs) to be installed in the Bayshore Community and the Sandpiper Community. Installation of both PRVs was completed in February 2019. Some remaining grant funding is being used to enhance AMI system performance in the north section of the system.

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 finance agreement include a loan in the amount of \$2,451,000 and a forgivable loan (grant) amount of \$1,030,000. 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 Beaver Creek Source Water Project. Expected completion date for this project is August 2021.

Long Term Debt

At the end of the fiscal year, Seal Rock Water District had long-term debt outstanding of \$21,037,843. \$1,214,633 of this is secured by revenue bonds, \$10,585,760 is notes payable and \$9,237,450 (includes bond premium of \$141,041) is general obligation bonds payable from property tax revenue. There is a portion of this debt that is payable within the next fiscal year, therefore, classified as current debt of \$570,330.

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 \$30,479,047 for fiscal year 2020-21. 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 2020-21 are 21.62% for Tier 1/Tier 2 and 15.39% for OPSRP.
- Health Insurance Premium continues to increase.

- Pursuant to Section 3.2.4 of the 2012 Water Purchase Agreement, the Seal Rock Water District Board of Commissioners adopted a resolution terminating the 2012 Water Purchase Agreement effective October 31, 2020. Pursuant to Sections 6.2.1.1.2, and Section 6.2.2.3, the District will no longer be obligated to fund future major or minor capital improvements related to the delivery of water to the District effective on the date the letter was received. A hand delivered notice was presented to the City Manager on October 30, 2017.
- Because the District has supported Toledo capital improvements totaling more than \$2.4M in the past 3 years, and because there exists a delivery system between the District and the City, the District Board of Commissioners approved to enter into negotiations for future provision of water to and from the City. The potential exists that long-term benefits for the City and the District could be recognized through collaboration. Ongoing discussions with the City of Toledo continue and the District has attended several City Council Meetings to provide information related to District improvements.
- Through negotiation with the City of Toledo the district was successful at developing and approving a short-term water purchase agreement which went into effect on November 1, 2020 through 2021. The wholesale water rate from Toledo includes a variable rate starting at \$4.75/1000 per thousand gallons for the first 8,000,000 gallons, \$5.25/1000 for the next 6,000,000 gallons and \$6.00/1000 thereafter. This rate structure also includes a monthly base rate of \$5,686.29.
- The District staff and engineers successfully completed installation of the Automated Meter Integration (AMI) system. AMI Metering project was awarded to Ferguson Enterprises for the installation of Sensus metering technology with a Notice to Proceed approved by the SRWD Board of Commissioners and issued on September 8, 2017. Completion date for the AMI project was July 29, 2018. The total project cost including engineering cost is \$1,539,626. By transitioning to AMI technology meters, the District will eliminate manual meter reading, will reduce re-read requests due to erroneous meter readings, and will ultimately reduce the operating costs of the water system by reducing the number of man-hours required to read and process meter recordings. The district anticipates completing additional improvements to the AMI system with grant funding left over from Phase 3 improvements.
- On December 1, 2017, the District presented 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).
- The original LOC with Key Bank used to finance the District's share of Toledo Improvements was refinanced with Cashmere Valley Bank in February 2017. \$383,500.00 remains available as a line-of-credit. The July 2, 2019 Letter of

Conditions (LOC) from USDA-RD considers that the Cashmere Valley Debt obligation will be refinanced using a revenue bond.

- 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.

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: *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. 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 towards the Beaver Creek source water project.

All of these factors were considered in preparing the Seal Rock Water District's budget for 2020-21.

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 11/30/20
2020-21	981,026,166	734,519,500	835,296	0.1259	1.0142	In Process of Collection	90.04.%
2019-20	921,297,820	707,936,610	860,627	0.1259	1.1384	97.23%	98.39%
2018-19	856,241,708	676,620,410	853,360	0.1259	1.5021	97.12%	99.01%
2017-18	852,959,535	635,866,995	1,059,581	0.1259	0.9487	96.90%	99.43%
2016-17	787,299,983	619,210,470	663,436	0.1259	0.9225	96.89%	99.96%
2015-16	663,486,573	597,760,160	623,764	0.1259	0.9127	96.37%	99.58%
2014-15	704,621,926	609,717,600	630,686	0.1259	1.1000	96.36%	99.62%

(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, 2020

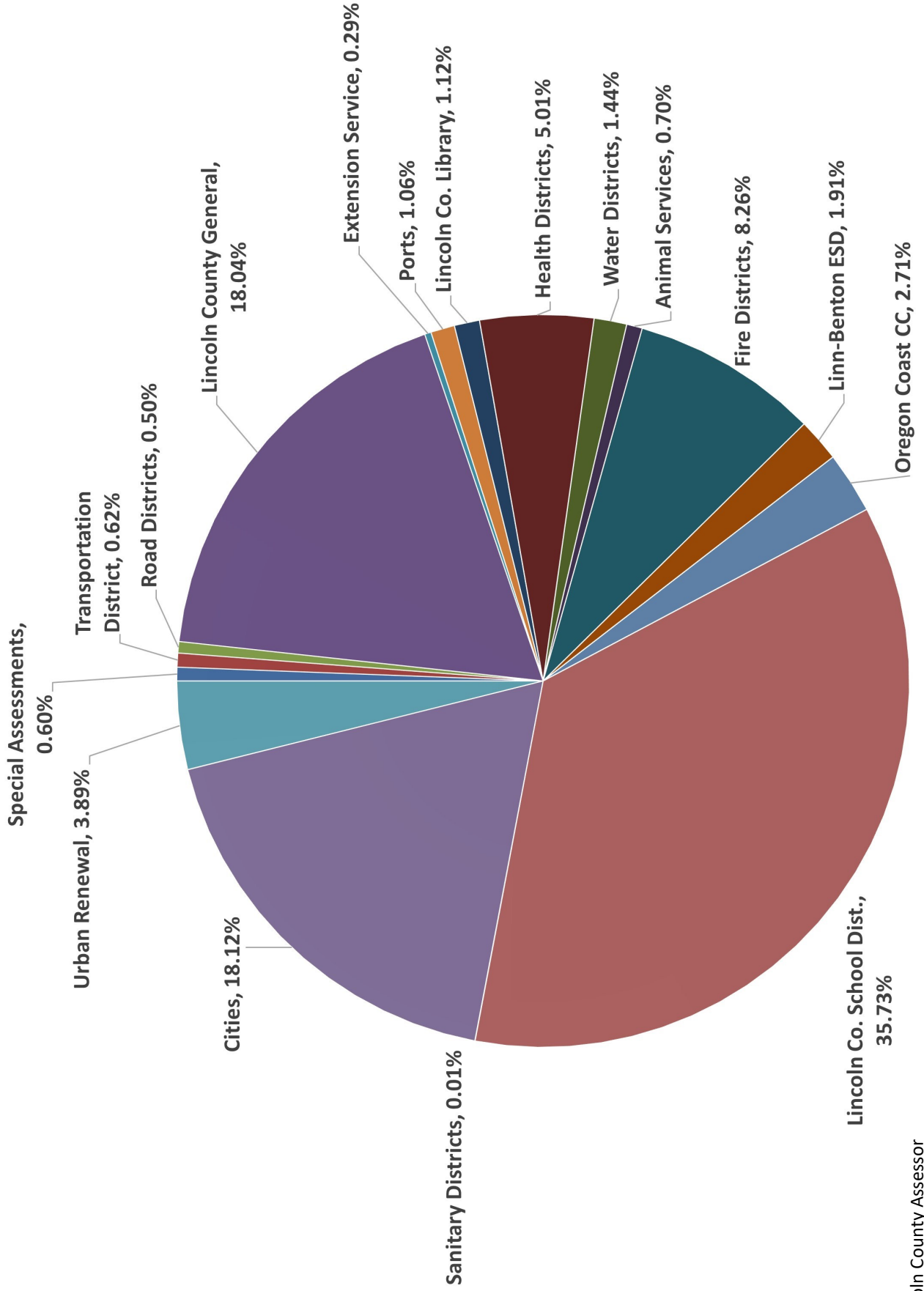
**LINCOLN COUNTY
MAJOR TAXPAYERS
FOR 2020-21**

Owner of Record (Taxpayer)	Total Assessed Value	% of Total County Assessed Value	Taxes Imposed	% of All Countywide Taxes Imposed
Georgia Pacific Toledo LLC	\$216,083,870	2.52%	\$3,370,180	2.62%
Central Lincoln PUD	107,344,000	1.25%	1,539,376	1.20%
Northwest Natural Gas Co.	59,837,620	0.70%	986,441	0.77%
Weyerhaeuser	70,112,400	0.82%	847,436	0.66%
Charter Communications	40,024,400	0.47%	655,833	0.51%
Devil's Lake Road LLC	37,849,530	0.44%	630,923	0.49%
Worldmark The Club	43,702,750	0.51%	581,674	0.45%
Nestucca Forests LLC	63,573,460	0.74%	450,342	0.35%
Century Link	30,303,000	0.35%	444,926	0.35%
Pacificorp	31,175,000	0.36%	430,203	0.33%
Total Top Ten Tax Payers in the County	\$700,006,030	8.17%	\$9,937,334	7.72%
Remaining County Taxpayers	7,864,968,400	91.83%	118,807,223	92.28%
Total County	\$8,564,974,430	100.00%	\$128,744,557	100.00%

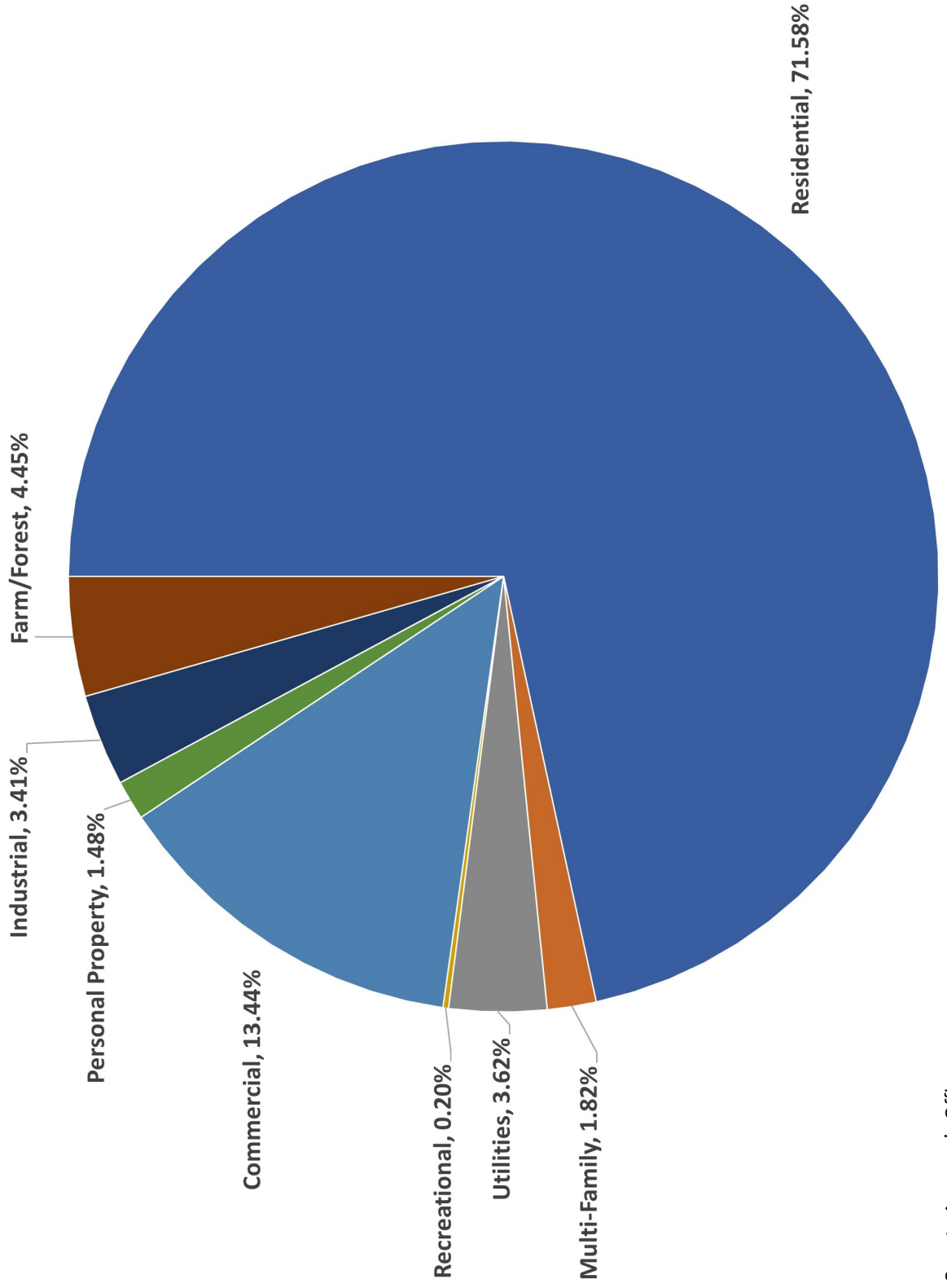
Requests for Information

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, P.O. Box 190, Seal Rock, Oregon 97376.

LINCOLN COUNTY 2020-21 YOUR TAX DOLLAR DISTRIBUTION



WHO PAYS LINCOLN COUNTY PROPERTY TAXES 2020-21



XIV

**Supplemental
Continuing Disclosure
Information**

Seal Rock Water District November 30, 2016

General Obligation Debt	2015-16	2016-17
Real Market Value	663,486,573	787,299,983
General Obligation Debt Capacity (10.0% of RMV)	66,348,657	78,729,998
Outstanding Obligations Subject to Limitation ⁽¹⁾	7,792,062	7,453,299
Remaining General Obligation Debt Capacity	58,556,595	71,276,699
Percent of Remaining Debt Capacity/Total Debt Capacity	88.26%	90.53%
Percent of Outstanding Obligation/Total Debt Capacity	11.74%	9.47%
Percent of Outstanding Obligation/Real Market Value	1.17%	0.95%

Source : the District

**Consolidated Tax Rates Per \$1,000
TAX CODE AREA: 326 (AV \$146,738,480)
REPRESENTS 23.70% OF DISTRICT'S ASSESSED VALUE ON ROLL**

Fiscal Year	Real Market Value ⁽¹⁾		Taxable Assessed Value ⁽²⁾		Net Tax Imposed		Billing Rate Per \$1,000 of Taxable		Bond Levy Rate Per \$1,000 of Assessed Value ⁽³⁾		Consolidated Rate	Percent Collected as of	
	Value	Value	Value	Value	Value	Value	Rate	Rate	Rate	Rate		Year of Levy	11/30/2016
2016-17	787,299,983	619,210,470	663,436	0.1259	0.9487	0.9487	1.0746	In process of collection	88.71%				
2015-16	663,486,573	597,760,160	624,764	0.1259	0.9225	0.9225	1.0484	97.48%	97.48%				
2014-15	704,621,926	609,717,600	630,683	0.1259	0.9127	0.9127	1.0386	96.36%	98.33%				
2013-14	696,506,325	574,993,497	727,905	0.1259	1.1000	1.1000	1.2259	95.78%	98.97%				
2012-13	746,917,907	571,208,327	797,076	0.1259	1.2264	1.2264	1.3523	95.30%	99.63%				
2011-12	818,312,397	556,310,453	414,947	0.1259	0.5990	0.5990	0.7249	94.87%	99.73%				
2010-11	889,096,236	536,285,156	215,440	0.1259	0.2664	0.2664	0.3923	94.68%	99.75%				

(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.

Source: Lincoln County Treasurer and Assessor

**Seal Rock Water District
Outstanding Debt Obligations
As of November 30, 2016**

Outstanding Debt	Date of Issue	Date of Maturity	Amount Issued	Outstanding Principal Amount
Revenue Obligations				
Water Revenue Installment Bonds (US Department of Agriculture)	6/1/2012	6/1/2042	1,505,000	1,367,686
Total Revenue Obligations			<u>1,505,000</u>	<u>1,367,686</u>
General Obligation Bonds				
General Obligation Bonds, Series 2011	10/27/2011	10/27/2041	1,626,200	1,498,299
General Obligation Bonds, Series 2012	6/13/2012	6/1/2032	5,000,000	4,065,000
General Obligation Bonds, Series 2013	2/27/2013	6/1/2036	2,075,000	1,890,000
Total General Obligations			<u>8,701,200</u>	<u>7,453,299</u>
Total Outstanding Obligations			<u>\$10,206,200</u>	<u>\$8,820,985</u>

Source: The District.

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2020

ASSETS

Current assets

Cash and cash equivalents	\$ 10,270,225
Accounts receivable	130,347
Property taxes receivable	56,291
Receivable grants/loans	3,094
Prepaid expense	58,888
Inventory	208,376
Note receivable	33,300
Total current assets	<u>10,760,521</u>

Noncurrent assets

Prepaid bond insurance	19,115
Note receivable, long-term	615,252
Total noncurrent assets	<u>634,367</u>

Capital assets

Land	400,729
Construction in progress	2,712,239
Plant and equipment (net of depreciation)	18,127,754
Total capital assets	<u>21,240,722</u>
Total assets	<u>32,635,610</u>

Deferred outflows of resources - pension contributions

Total assets and deferred outflows of resources	<u>32,942,604</u>
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LIABILITIES

Current liabilities

Accounts payable	372,145
Compensated absences	22,088
Unearned revenue	57,885
Accrued interest payable from restricted	123,524
Current portion of long-term debt, payable from restricted	570,330
Total current liabilities	<u>1,145,972</u>

Long-term liabilities

Net pension liability	900,947
Compensated absences, net	65,943
Notes payable, net	10,567,721
Revenue bond, net	1,173,703
General Obligation bonds, net	8,726,088
Total long-term liabilities	<u>21,434,402</u>
Total liabilities	<u>22,580,374</u>

Deferred inflows of resources - pension

Total liabilities and deferred inflows of resources	<u>51,932</u>
	<u>22,632,306</u>

NET POSITION

Net invested in capital assets	7,066,708
Restricted	
Debt service	497,726
Construction	1,249,982
Unrestricted	<u>1,495,882</u>
Total net position	<u>\$ 10,310,298</u>

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

SEAL ROCK WATER DISTRICT, OREGON

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS for the Year Ended June 30, 2020**

OPERATING REVENUES	
Water service pledged as security for revenue bonds	\$ 1,761,016
Hookups	46,859
Miscellaneous income	<u>27,736</u>
Total operating revenues	<u>1,835,611</u>
OPERATING EXPENSES	
Payroll and benefits	1,030,546
Water purchase	353,359
Maintenance and repairs	426,200
General and administrative	119,257
Professional services	95,722
Depreciation	<u>715,782</u>
Total operating expenses	<u>2,740,866</u>
OPERATING INCOME (LOSS)	<u>(905,255)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	55,349
Property taxes	841,682
Grants	174,238
Loss on disposal of capital assets	(5,215)
Interest expense	<u>(379,026)</u>
Total nonoperating revenues (expenses)	<u>687,028</u>
Income (loss) before contributions	(218,227)
CAPITAL CONTRIBUTIONS	<u>84,422</u>
Change in net position	(133,805)
NET POSITION - Beginning of year	<u>10,444,103</u>
NET POSITION - End of year	<u>\$ 10,310,298</u>

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

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,843,433
Cash payments for goods and services	(684,449)
Cash payments for employees and benefits	<u>(876,314)</u>
Net cash provided (used) by operating activities	<u>282,670</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	845,721
Grants	476,550
Note receivable receipts	<u>31,826</u>
Net cash provided (used) by noncapital financing activities	<u>1,354,097</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,069,370)
Loan proceeds	9,193,319
Principal paid on debt	(2,171,958)
Interest paid on debt	(350,031)
Capital contributed by customers	<u>84,422</u>
Net cash provided (used) by capital and related financing activities	<u>5,686,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>55,349</u>
Net increase (decrease) in cash and cash equivalents	7,378,498
Cash and cash equivalents - Beginning of year (restricted \$1,561,945)	<u>2,891,727</u>
Cash and cash equivalents - End of year (restricted \$8,843,967)	<u>\$ 10,270,225</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (905,255)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	715,782
Amortization	(11,286)
Loss on disposal of capital assets	5,215
(Increase) decrease in operating assets	
Grants receivable	(21,377)
Accounts receivable	7,822
Inventory	(9,556)
Prepaid expense	(8,217)
Increase (decrease) in operating liabilities	
Accounts payable	327,862
Accrued compensated absences	22,488
Net pension liability	131,744
Accrued interest	28,995
Unearned revenue	<u>(1,547)</u>
Net cash provided (used) by operating activities	<u>\$ 282,670</u>

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Seal Rock Water District (District) prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP 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, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

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.

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, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2020

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, it's 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, it's deferred amounts relating to pensions. This amount is deferred and recognized as an inflow of resources in the period when the District's 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.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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	\$ 1,426,258
Cash and cash equivalents - restricted	<u>8,843,967</u>
Total cash, cash equivalents and investments	<u><u>\$10,270,225</u></u>

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

	<u>Balance</u>
Petty cash	\$ 800
Deposits with financial institutions	9,435,591
Investments - external investment pool	<u>833,834</u>
Total	<u><u>\$10,270,225</u></u>

Restricted cash represents funds for debt retirement of \$432,126 and construction of \$8,411,841.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$10,296,399.

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.

Investments

At year end, the District has total funds of \$833,834 (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.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Property taxes	\$ 56,291	\$ 5,944	\$ 50,347
Accounts receivable	130,347	130,347	0
Grants/loan receivable	3,094	0	3,094
Total receivables	<u>\$ 189,732</u>	<u>\$ 136,291</u>	<u>\$ 53,441</u>

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

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.

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	<u>\$ 648,552</u>	<u>\$ 560,510</u>	<u>\$ 88,042</u>

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 5 - NOTE RECEIVABLE - Continued

The note receivable maturity schedule is as follows:

Year Ending June 30	Balance	Unrestricted	Restricted
2021	\$ 33,300	\$ 26,856	\$ 6,444
2022	34,835	28,160	6,675
2023	36,536	29,527	7,009
2024	38,304	30,961	7,343
2025	39,942	32,464	7,478
2026-2031	216,419	187,817	28,602
2032-2036	238,113	224,725	13,388
2037-2041	7,637	0	7,637
2042-2043	3,466	0	3,466
Totals	<u>\$ 648,552</u>	<u>\$ 560,510</u>	<u>\$ 88,042</u>

NOTE 6 - CAPITAL ASSETS

Below is the major classes of capital assets:

	7/1 Balance	Increases	Decreases	6/30 Balance
Non-depreciable				
Land	\$ 400,729	\$ 0	\$ 0	\$ 400,729
Construction in progress	<u>1,952,410</u>	<u>949,322</u>	<u>(189,493)</u>	<u>2,712,239</u>
Total non-depreciable	<u>2,353,139</u>	<u>949,322</u>	<u>(189,493)</u>	<u>3,112,968</u>
Depreciable				
Building	1,982,246	10,650	0	1,992,896
Furn./equip./vehicles	926,458	75,530	(66,658)	935,330
Water system	<u>22,322,220</u>	<u>223,360</u>	<u>(14,287)</u>	<u>22,531,293</u>
Total depreciable	<u>25,230,924</u>	<u>309,540</u>	<u>(80,945)</u>	<u>25,459,519</u>
Accumulated depreciation				
Building	316,534	42,903	0	359,437
Equipment	660,613	67,350	(66,658)	661,305
Water system	<u>5,714,566</u>	<u>605,529</u>	<u>(9,072)</u>	<u>6,311,023</u>
Total accum. depreciation	<u>6,691,713</u>	<u>715,782</u>	<u>(75,730)</u>	<u>7,331,765</u>
Total, net of depreciation	<u>18,539,211</u>	<u>(406,242)</u>	<u>(5,215)</u>	<u>18,127,754</u>
Capital assets, net	<u>\$ 20,892,350</u>	<u>\$ 543,080</u>	<u>\$ (194,708)</u>	<u>\$21,240,722</u>

Depreciation expense for the year was \$715,782.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 7 - LONG-TERM DEBT

Revenue Bond

A revenue bond in the amount of \$1,505,000, payable from water system net operating revenues, 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 \$1,214,633.

The annual requirements to amortize the revenue bond is as follows:

Fiscal Year Ending	Principal	Interest	Total Future Requirements
6-30-21	\$ 40,930	\$ 33,402	\$ 74,332
6-30-22	42,056	32,277	74,333
6-30-23	43,212	31,120	74,332
6-30-24	44,401	29,932	74,333
6-30-25	45,622	28,711	74,333
2026-2030	247,631	124,031	371,662
2031-2035	283,606	88,056	371,662
2036-2040	324,807	46,856	371,663
2041-2042	142,368	5,893	148,261
Totals	<u>\$ 1,214,633</u>	<u>\$ 420,278</u>	<u>\$ 1,634,911</u>

Notes Payable

On April 19, 2017, the District established a line of credit with a maximum draw of \$2,000,000, with Cashmere Valley Bank. The note a tax-exempt, non-revolving loan, with a maturity date of April 1, 2030. The current interest rate is 2.7% until April 1, 2020. On April 10, 2020 this line of credit was paid off with an interim loan of \$9,096,000 from Truist Bank, described in the next paragraph.

On April 10, 2020, Truist Bank provided interim financing for the Beaver Creek Water Source Project Phase IV construction totaling \$9,096,000 less \$1,639,414 paid to Cashmere Valley Bank to retire the Project construction line of credit including interest of \$22,914, and \$35,960 in loan costs for net proceeds to the District of \$7,420,676. 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 is scheduled to be paid in full through issuance of revenue bonds totaling \$2,547,000 in November 2020 and general obligation bonds of \$6,549,000 after completion of project construction currently scheduled for August 2021.

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 \$73,063 at June 30, 2020.

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 \$1,416,697 at June 30, 2020. Repayment of the loan begins on December 1, 2021, with annual payments of \$60,118 including principal and interest at 1%, maturing on December 1, 2051. The forgivable portion of the loan does not require repayment if the District 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.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 7 - LONG-TERM DEBT - Continued

Notes Payable

The annual requirements to amortize the notes payable are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
6-30-21	\$ 18,039	\$ 153,935	\$ 171,974
6-30-22	9,154,946	179,355	9,334,301
6-30-23	59,537	14,128	73,665
6-30-24	59,949	13,532	73,481
6-30-25	41,961	12,933	54,894
2026-2030	216,186	58,287	274,473
2031-2035	227,214	47,258	274,472
2036-2040	238,804	35,667	274,471
2041-2045	250,985	23,485	274,470
2046-2050	263,788	10,684	274,472
2051	<u>54,351</u>	<u>544</u>	<u>54,895</u>
Totals	<u>\$10,585,760</u>	<u>\$ 549,808</u>	<u>\$ 11,135,568</u>

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 \$1,350,109.

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 \$3,030,000.

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 \$1,600,000.

On December 1, 2016 the District issued a GO Bond for \$3,451,000 with a rate of 1.875%, maturing on December 1, 2041. Annual payments of principal plus interest total \$174,207, with a final payment of \$173,308. The current balance is \$3,116,300.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
6-30-21	\$ 511,361	\$ 262,194	\$ 773,555
6-30-22	530,054	244,301	774,355
6-30-23	553,845	225,710	779,555
6-30-24	572,736	209,269	782,005
6-30-25	586,731	193,124	779,855
2026-2030	2,572,427	729,284	3,301,711
2031-2035	1,959,756	387,862	2,347,618
2036-2040	1,299,070	157,472	1,456,542
2041-2042	<u>510,429</u>	<u>19,279</u>	<u>529,708</u>
Totals	<u>\$ 9,096,409</u>	<u>\$2,428,495</u>	<u>\$ 11,524,904</u>

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 7 - LONG-TERM DEBT - Continued

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

	7/1			6/30	Due in	Interest
	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>One Year</u>	<u>Paid</u>
Revenue Bond	\$ 1,254,467	\$ 0	\$ 39,834	\$ 1,214,633	\$ 40,930	\$ 34,498
Notes payable	3,026,801	9,193,319	1,634,360	10,585,760	18,039	45,646
GO Bonds	<u>9,594,172</u>	<u>0</u>	<u>497,763</u>	<u>9,096,409</u>	<u>511,361</u>	<u>279,579</u>
 Total	 <u>\$13,875,440</u>	 <u>\$ 9,193,319</u>	 <u>\$2,171,957</u>	 20,896,802	 <u>\$ 570,330</u>	 <u>\$ 359,723</u>
			Bond premium	<u>141,041</u>		
			Total	<u>\$21,037,843</u>		

NOTE 8 - COMPENSATED ABSENCES

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

	7/01			6/30	Due in
	<u>Balance</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u>	<u>One Year</u>
Compensated absences	<u>\$ 65,543</u>	<u>\$ 55,811</u>	<u>\$ 33,323</u>	<u>\$ 88,031</u>	<u>\$ 22,088</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.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

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

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.

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:

1. The member was employed by a OPERS employer at the time of death,
2. 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.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

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.

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.

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

3. OPSRP Individual Account Program (238A)

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, 2020 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, 2015 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2017.

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, 2020 were \$97,690, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2020 were 32.10 percent for Tier One/Tier Two General Service, 18.18 percent of OPSRP General Service Members, 22.81 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, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2020, the District reported a net pension liability of \$900,947 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2019, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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 0.00520851 and 0.00499688 for the years ending June 30, 2020 and 2019 respectively. For the year ended June 30, 2020, the District recognized pension expense (income) of \$131,744. At June 30, 2020, 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	\$ 49,685	\$ 0
Changes of assumptions	122,224	0
Net difference between projected and actual earnings on investments	0	25,541
Changes in proportionate share	37,395	0
Contributions made subsequent to measurement date	97,690	0
Differences between employer contributions and employer's proportionate share of system contributions	<u>0</u>	<u>26,391</u>
Total	<u>\$ 306,994</u>	<u>\$ 51,932</u>

Deferred outflows of resources of \$97,690 relates to pensions resulting from District contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Year Ended <u>June 30</u>	<u>Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)</u>
2021	\$ 90,394
2022	13,604
2023	29,007
2024	22,606
2025	<u>1,760</u>
Total	<u>\$ 157,371</u>

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation Date	December 31, 2017, rolled forward to June 30, 2019
Experience Study Report	2016, published July 26, 2017
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
Actuarial Assumptions	
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50% 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> RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs, as described in the valuation.</p> <p><i>Disabled retirees:</i> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

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 2016 experience study, which reviewed experience for the four-year period ending December 31, 2016.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, 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 plan was 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>Assumed Asset Allocation</u>		
<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	13.5	21.5	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
Opportunity portfolio	0	3.0	<u>0</u>
Total			<u><u>100.0%</u></u>

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	<u>1.88%</u>	3.84%
Total	<u><u>100.00%</u></u>	
Assumed Inflation - Mean		2.50%

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

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 7.20 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 (6.20 percent) and one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20)%</u>	<u>Current Disc. Rate (7.20)%</u>	<u>1% Increase (8.20)%</u>
Net Pension Liability (Asset)	\$ 1,442,787	\$ 900,947	\$ 447,502
<i>Changes in Plan Provisions Subsequent to Measurement Date</i>			

Subsequent to the June 30, 2018 measurement date, the Oregon legislature enacted Senate Bill 1049. Elements of the bill include a variety of policy and program changes. The most significant component of the bill is a one-time re-amortization of Tier 1 and Tier 2 unfunded actuarial liability from 20 to 22 years. Amortization reverts back to 20 years on January 2, 2020. A lawsuit was filed challenging Senate Bill 1049 but the Oregon Supreme Court upheld the Senate Bill stating its provisions were constitutional.

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, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2020

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, 2020, 2019, and 2018 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, 2020 by Milliman Actuarial Services for both plans. At June 30, 2020, 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, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2020

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.

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).

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 are expected to be issued upon project completion.

In July 2019, Hawkins, Delafield & Wood, LLP were engaged as bond counsel for revenue bonds with USDA (United States Department of Agriculture). Revenue bonds totaling \$2,547,000 were issued in November 2020.

Economic Dependency

Seal Rock Water District purchases 100% of its water from the City of Toledo.

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, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2020

NOTE 11 - OTHER INFORMATION - Continued

Evaluation of Subsequent Events

Bonds

In August 2020, the District began work on closing the revenue bond portion of the interim loan of \$2,547,000 to reduce the interest rate from 2.75% to 1.75%. The revenue bond closed in November 2020 with proceeds paid to Truist Bank reducing the \$9,096,000 loan by that amount. The line of credit with Cashmere Valley Bank was also refinanced at this time for a lower interest rate.

Pandemic

In the beginning of March 2020, the COVID-19 virus was declared a global pandemic and later in the same month the Oregon governor issued Executive Order No. 20-12 which directed Oregonians to "Stay Home, Save Lives". It is anticipated communities will be severely impacted with the temporarily closing of businesses. The District anticipates an increases of expenses and is monitoring possible impact on revenue sources.

On September 29, 2020, the State of Oregon approved COVID-19 Phase 2 reopening of the District.

Intergovernmental Agreement

In October 2020, the wholesale water purchase agreement with the City of Toledo was approved by the District's Board of Commissioners. The agreement continues the purchase of water from the City of Toledo through December 31, 2021 at rates established in the agreement, plus an \$81,587 retroactive one-time payment due at signing, and a \$117,354 charge for minor capital improvements from fiscal years 2017 through 2020, with \$44,854 due at signing and \$72,500 due by July 30, 2021. The agreement begins November 1, 2020 for 14 months (until Project completion) with an option to extend the agreement for another year, if necessary.

The District has evaluated subsequent events through November 30, 2020, the date which the financial statements were available to be issued.

**SEAL ROCK WATER DISTRICT
OREGON**

REQUIRED SUPPLEMENTAL SECTION

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET) as of June 30, 2020**

**OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Seven 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	0.393%	\$ 200,660	\$ 413,981	48.5%	92.0%
2015	0.393%	(89,129)	425,633	-20.9%	103.6%
2016	0.454%	260,819	423,759	61.5%	91.9%
2017	0.465%	698,307	441,799	158.1%	80.5%
2018	0.492%	663,408	464,754	142.7%	83.1%
2019	0.499%	756,962	483,584	156.53%	82.1%
2020	0.521%	900,947	521,465	172.77%	80.2%

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. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
as of June 30, 2020

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Seven Fiscal Years

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Defecency /(Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 21,527	\$ 21,654	\$ (127)	\$ 425,633	5.06%
2015	22,008	22,392	(384)	423,759	5.19
2016	40,348	40,897	(549)	441,799	9.13
2017	42,432	42,432	0	464,754	9.13
2018	64,846	64,841	0	483,584	13.41%
2019	67,315	67,315	0	521,465	12.91%
2020	97,690	97,690	0	548,922	17.80%

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. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SEAL ROCK WATER DISTRICT, OREGON
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, 2020**

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/2019/2018-GASB68.pdf>.

Changes in Assumptions

A summary of key changes implemented since the December 31, 2016 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/2019/2018-GASB68.pdf>.

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the System, which was published on July 26, 2017 and can be found at:
<https://www.oregon.gov/PERS/Documents/2016-Exp-Study.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.

Subsequent to the June 30, 2018 measurement date, the Oregon legislature enacted Senate Bill 1049. Elements of the bill include a variety of policy and program changes. The most significant component of the bill is a one-time re-amortization of Tier 1 and Tier 2 unfunded actuarial liability from 20 to 22 years. Amortization reverts back to 20 years on January 2, 2020. A lawsuit was filed challenging Senate Bill 1049 but the Oregon Supreme Court upheld the Senate Bill stating its provisions were constitutional.

**SEAL ROCK WATER DISTRICT
OREGON**

SUPPLEMENTAL SECTION

SEAL ROCK WATER DISTRICT, 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.

R.D. 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 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 sources are 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, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

GENERAL FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Water sales	\$ 1,790,000	\$ 1,761,016	\$ (28,984)
Service connections	25,500	46,859	21,359
Miscellaneous	42,300	22,317	(19,983)
Grants	3,000	0	(3,000)
Interest	34,200	34,792	592
Subdivision assessments	1,000	0	(1,000)
Boundary withdrawal	0	25,613	25,613
Property taxes	<u>83,200</u>	<u>84,880</u>	<u>1,680</u>
Total revenues	<u>1,979,200</u>	<u>1,975,477</u>	<u>(3,723)</u>
EXPENDITURES			
Personnel services	919,700	898,802	20,898
Materials and services	945,930	700,676	245,254
Capital outlay	65,000	29,014	35,986
Contingency	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total expenditures	<u>2,030,630</u>	<u>1,628,492</u>	<u>402,138</u>
Excess (def) of revenues over expenditures	(51,430)	346,985	398,415
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(448,570)</u>	<u>(406,070)</u>	<u>42,500</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(500,000)	(59,085)	440,915
FUND BALANCE - Beginning of year (Budget basis)	<u>500,000</u>	<u>392,261</u>	<u>(107,739)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	333,176	<u>\$ 333,176</u>
GAAP ADJUSTMENTS - Reconciled to June 2019		17,663,125	
City of Newport taxes		(25,613)	
Capital asset activity			
Additions		53,315	
Asset transfers		256,225	
Asset disposals		(5,215)	
Depreciation		(715,782)	
Long-term debt activity			
Principal payments		57,694	
Interest accrued		195	
Pension activity, net		<u>(131,744)</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ 17,485,376</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

CAPITAL PROJECTS FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Loan proceeds	\$ 15,623,500	\$ 8,884,082	\$ (6,739,418)
Grants	0	174,238	174,238
Interest	<u>5,000</u>	<u>3,707</u>	<u>1,293</u>
 Total revenues	 15,628,500	 9,062,027	 (6,566,473)
EXPENDITURES			
Capital outlay	<u>16,554,000</u>	<u>2,565,822</u>	<u>13,988,178</u>
 Excess (def) of revenues over expenditures	 (925,500)	 6,496,205	 7,421,705
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>170,000</u>	<u>127,500</u>	<u>(42,500)</u>
 Excess (def) of revenues over expenditures after other sources (uses)	 (755,500)	 6,623,705	 7,379,205
FUND BALANCE - Beginning of year (Budget basis)	<u>755,500</u>	<u>998,734</u>	<u>243,234</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	7,622,439	<u>\$ 7,622,439</u>
 GAAP ADJUSTMENTS - Reconciled to June 2019		(10,802,812)	
Capital asset activity			
Additions		949,322	
Asset transfers		(189,493)	
Long-term debt activity			
Loan proceeds		(9,193,319)	
Prepaid bond costs		(1,593)	
Principal payments		2,114,264	
Bond premium amortization		11,286	
Interest accrued		<u>(29,190)</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ (9,519,096)</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

DEBT SERVICE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	\$ 1,000	\$ 381	\$ (619)
Property taxes	749,280	756,802	7,522
Boundary withdrawal income	10,480	8,984	(1,496)
Miscellaneous income	<u>500</u>	<u>0</u>	<u>(500)</u>
 Total revenues	 761,260	 766,167	 4,907
EXPENDITURES			
Debt service	<u>777,400</u>	<u>777,343</u>	<u>57</u>
 Excess (def) of revenues over expenditures	 (16,140)	 (11,176)	 4,964
 Unappropriated ending fund balance	 (373,860)	 0	 373,860
FUND BALANCE			
Beginning of year (Budget basis)	<u>390,000</u>	<u>429,147</u>	<u>39,147</u>
 End of year (Budget basis)	 <u>\$ 0</u>	 417,971	 <u>\$ 417,971</u>
 GAAP ADJUSTMENTS - Reconciled to June 2019		49,594	
City NP taxes		(6,213)	
2013 RGOB Adv		<u>2,647</u>	
 FUND BALANCE - End of Year (GAAP basis)		 <u>\$ 463,999</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

R.D. REQUIREMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 80	\$ 70	\$ (10)
EXPENDITURES			
Capital outlay	<u>61,710</u>	<u>0</u>	<u>61,710</u>
Excess (def) of revenues over expenditures	(61,630)	70	61,700
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>7,430</u>	<u>7,430</u>	<u>0</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(54,200)	7,500	61,700
FUND BALANCE			
Beginning of year (Budget basis)	<u>54,200</u>	<u>54,284</u>	<u>84</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 61,784</u>	<u>\$ 61,784</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

REVENUE BOND FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 20	\$ 30	\$ 10
EXPENDITURES			
Debt service	<u>147,160</u>	<u>114,924</u>	<u>32,236</u>
Excess (def) of revenues over expenditures	(147,140)	(114,894)	32,246
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>137,140</u>	<u>137,140</u>	<u>0</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(10,000)	22,246	32,246
FUND BALANCE			
Beginning of year (Budget basis)	<u>10,000</u>	<u>11,481</u>	<u>1,481</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 33,727</u>	<u>\$ 33,727</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

SYSTEM DEVELOPMENT CHARGES FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 1,800	\$ 1,637	\$ (163)
System development charges	<u>58,728</u>	<u>84,422</u>	<u>25,694</u>
 Total revenues	 60,528	 86,059	 25,531
EXPENDITURES			
SDC Improvements	<u>450,528</u>	<u>31,840</u>	<u>418,688</u>
 Excess (def) of revenues over expenditures	 (390,000)	 54,219	 444,219
FUND BALANCE			
Beginning of year (Budget basis)	<u>390,000</u>	<u>421,396</u>	<u>31,396</u>
 End of year (Budget basis)	 <u>\$ 0</u>	 <u>\$ 475,615</u>	 <u>\$ 475,615</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

WATER SOURCE IMPROVEMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 8,000	\$ 11,002	3,002
EXPENDITURES			
Capital outlay	<u>878,000</u>	<u>0</u>	<u>878,000</u>
Excess (def) of revenues over expenditures	(870,000)	11,002	881,002
FUND BALANCE			
Beginning of year (Budget basis)	<u>870,000</u>	<u>877,900</u>	<u>7,900</u>
End of year (Budget basis)	<u><u>\$ 0</u></u>	<u><u>\$ 888,902</u></u>	<u><u>\$ 888,902</u></u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

SLARRA/DEPRECIATION RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 1,000	\$ 1,354	\$ 354
EXPENDITURES			
Capital outlay	<u>342,500</u>	<u>61,662</u>	<u>280,838</u>
Excess (def) of revenues over expenditures	(341,500)	(60,308)	281,192
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>134,000</u>	<u>134,000</u>	<u>0</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(207,500)	73,692	281,192
FUND BALANCE			
Beginning of year (Budget basis)	<u>207,500</u>	<u>208,094</u>	<u>594</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 281,786</u>	<u>\$ 281,786</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2020**

SRWD LAND & BUILDING RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 2,000	\$ 2,376	\$ 376
EXPENDITURES			
Capital outlay	<u>142,500</u>	<u>5,070</u>	<u>137,430</u>
Excess (def) of revenues over expenditures	(140,500)	(2,694)	137,806
FUND BALANCE			
Beginning of year (Budget basis)	<u>140,500</u>	<u>140,899</u>	<u>399</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 138,205</u>	<u>\$ 138,205</u>

SEAL ROCK WATER DISTRICT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2020

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
General Fund	\$ 1,975,477	\$ 2,034,562	\$ (59,085)
Capital Projects Fund	9,189,527	2,565,822	6,623,705
Debt Service Fund	766,167	777,343	(11,176)
R. D. Requirement Reserve Fund	7,500	0	7,500
Revenue Bond Fund	137,170	114,924	22,246
System Development Charges Fund	86,059	31,840	54,219
Water Source Improvement Reserve Fund	11,002	0	11,002
Depreciation Reserve Fund	135,354	61,662	73,692
SRWD Land & Building Reserve Fund	2,376	5,070	(2,694)
 Total budgetary basis	 \$ 12,310,632	 \$ 5,591,223	 6,719,409
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Note receivable activity			
City of Newport taxes			(31,826)
2013 RGOB Advance			2,647
Capital asset activity			
Additions			1,069,369
Disposals			(5,215)
Depreciation			(715,782)
Long-term debt activity			
Loan proceeds			(9,193,319)
Prepaid bond costs			(1,593)
Principal payments			2,171,958
Bond premium amortization			11,286
Interest accrued			(28,995)
Pension activity, net			(131,744)
 Change in net position			 (133,805)
 NET POSITION - Beginning of year			 10,444,103
 NET POSITION - End of year			 \$ 10,310,298

**SEAL ROCK WATER DISTRICT
OREGON**

SINGLE AUDIT SECTION

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2020

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Department of Agriculture			
<i>Program:</i>			
Water and Waste Disposal Systems for Rural Communities (grant funds)	10.760		\$ 2,283,672
Water and Waste Disposal Systems for Rural Communities (pending grant funds)	10.760		<u>174,238</u>
<i>Subtotal CFDA 10.760</i>			<u>2,457,910</u>
Environmental Protection Agency			
<i>Passed through:</i>			
Oregon Business Development Department			
<i>Program:</i>			
Capitalization Grants for Drinking Water State Revolving Funds (loan funds)	66.468	S18011	<u>97,320</u>
<i>Subtotal CFDA 66.468</i>			<u>97,320</u>
<i>Total Environmental Protection Agency</i>			<u>97,320</u>
<i>Total Federal Expenditures</i>			<u><u>\$ 2,555,230</u></u>

SEAL ROCK WATER DISTRICT, OREGON

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2020**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of Seal Rock Water District (the District) under programs of the federal government for the year ended June 30, 2020. The information in the SEFA is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - FEDERAL LOAN

The U.S. Department of Agriculture (USDA), Rural Development, Rural Utilities Service (RUS) provided a loan of \$3,451,000 to assist in funding the water system improvement project. The entire amount of the loan was received on October 27, 2015, and was spent in 2016 and 2017. The loan obligation is payable over 25 years, and requires annual payments of \$174,207.

Oregon Business Development Department (OBDD) awarded a forgivable loan \$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 \$1,416,697 at June 30, 2020. Repayment of the loan begins on December 1, 2021, with annual payments of \$60,118 including principal and interest at 1%, maturing on December 1, 2051. The forgivable portion of the loan does not require repayment if the District 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 year end principal balance of the loan since inception is as follows:

<u>Grantor/Program</u>	<u>CFDA</u>	<u>Dated</u>	<u>Matures</u>	<u>Year Ended June 30,</u>	<u>Loan Balance</u>
US Department of Agriculture Water and Waste Disposal Systems for Rural Comm.	10.760	10/27/15	10/27/45	2020	\$3,116,300
				2019	\$3,229,945
				2018	\$3,341,499
				2017	\$3,451,000
				2016	\$3,451,000
Oregon Business Development Dept. Capitalization Grants for Drinking Water State Revolving Funds (loan funds)	66.468	12/19/17	12/1/51	2020	\$1,416,697
				2019	\$1,319,378
				2018	\$ 232,122

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon 97376

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, 2020, 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, 2020.

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 the Seal Rock Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 the 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 may exist that have not been identified.

Compliance and Other Matters

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 grants agreements, 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. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
November 30, 2020

GRIMSTAD & ASSOCIATES

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon 97376

Report on Compliance for Each Major Federal Program

I have audited Seal Rock Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Seal Rock Water District's major federal programs for the year ended June 30, 2020. Seal Rock Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Seal Rock Water District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether

noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seal Rock Water District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Seal Rock Water District's compliance.

Members:
AICPA OSCPA & OAlA

Opinion on Each Major Federal Program

In my opinion, Seal Rock Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.


Report Internal Control Over Compliance

Management of Seal Rock Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Seal Rock Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Seal Rock Water District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
November 30, 2020

FINDINGS AND RECOMMENDATIONS

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended June 30, 2020

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued?	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	CFDA No.
Water and Waste Disposal Systems for Rural Communities	10.760
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs?	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**SEAL ROCK WATER DISTRICT
Seal Rock, Oregon**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
for the Year Ended June 30, 2020**

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued?	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	CFDA No.
Water and Waste Disposal Systems for Rural Communities	10.760
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs?	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**SEAL ROCK WATER DISTRICT
OREGON**

COMPLIANCE SECTION

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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, 2020, 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, 2020.

Compliance

As part of obtaining reasonable assurance about whether Seal Rock Water District financial statements are free of 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 determination of financial statement amounts. 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:

- Accounting records and related internal control structure.
- 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.

Members:
AICPA OSCPA & OAIA

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) to determine the 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 may exist that have not been 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, 2020