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SEAL ROCK WATER DISTRICT
Regular Board Meeting
Thursday, March 12, 2020 @ 4:00 pm
1037 NW Grebe Street, Seal Rock 97376

1. Call Regular Meeting to Order:

2. Announcements/Visitor Public Comments:

Public comment period provides the public with an opportunity to address the Commissioners regarding Items on the agenda. Please limit comments to (10) minutes.

3. Consent Calendar:

Managers' reports included under consent calendar are an executive summary provided to Commissioners as an update of system conditions, projects, and programs. Management welcomes your feedback and request for more detailed information regarding any item before or during the meeting:

- | | |
|---|--------------------------------------|
| • Invoice List | February – 2020 through March - 2020 |
| • Board Meeting Minutes | February 13, 2020 |
| • Financial Report / Approve Invoices | February – 2020 through March - 2020 |
| • USDA Project Monitoring Report No. 50 | March 12, 2020 |
| • General Manager's Monthly Report | February – 2020 through March - 2020 |

4. Discussion and Information Items:

- Consider proposal from WHA Insurance to provide insurance of record services.
Presented by: Joy King, Office Manager

- Consider Primary Source Water Project Update.
Presented by: Adam Denlinger, General Manager
Jeff Hollen, Legal Counsel, law office of Ouderkirk & Hollen

- Consider Primary Source Water Project Interim Financing.
Presented by: David Ulbricht, Director of Advisory Services

5. Decision Items:

- Consider proposal from OAWU to acquire surplus property - 2008 Vermeer Trailer Mounted Vac-Unit, VIN# 5H2BF16228LD81144.
Presented by: Adam Denlinger, General Manager

- Consider SRWD June 30, 2019 final audit report.
Presented by: Joy King, Office Manager

- Consider authorizing the district to issue a Notice of Award for the Beaver Creek Source Water Project
Presented by: Adam Denlinger, General Manager

6. Reports, Comments and Correspondence:

- GM Will be attending the Western Governors' Association Workshop in The Dalles, March 18th through 20th
- SRWD Budget Committee Meeting April 16, 2020 @ 6:00 pm.

7. Executive Session: according to ORS 192.660(2), Concerning:

The SRWD Board will now meet in Executive Session, pursuant to ORS 192.660(2)(h); To consult with legal counsel concerning the legal rights and duties of a public body with regards to current litigation or litigation likely to be filed. Representatives of the news media and designated staff shall be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news media are specifically directed not to report on any of the deliberations. No final decisions shall be made in Executive Session.

8. Adjournment: Next Meeting: April 9, 2020 @ 4:00 p.m. Regular Board Meeting or establish date.

THIS AGENDA MAY BE AMENDED UNTIL 3:00 PM THE DAY BEFORE THE MEETING

SPECIAL ACCOMMODATIONS WILL BE PROVIDED WITH 48 HOUR NOTICE, CALL 541-563-3529
IF HEARING IMPAIRED, PLEASE CALL TTY#1-800-735-1232
This Institution is an Equal Opportunity Employer and Service Provider

ORIGINAL

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
03-5717				
OREGON DEQ WESTERN REGI	021820	DEQ Discharge Permit	02/18/2020	2,193.00
Total 03-5717:				2,193.00
Grand Totals:				2,193.00

Dated: 2/19/20

General Manager: A. Wick

Dated: _____

Treasurer: _____

[Handwritten signature]

ORIGINAL

Report Criteria:
Detail report.
Invoices with totals above \$0 included.
Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
03-5734				
LINCOLN COUNTY CIRCUIT CO	022120	Total Fair Market Value Offered (Love Thy Neighbor)	02/21/2020	2,050.00
Total 03-5734:				2,050.00
Grand Totals:				2,050.00

Dated: 02/21/20

General Manager: A. Duhon

Dated: _____

Treasurer: _____

Report Criteria:

Detail report.
Invoices with totals above \$0 included.
Paid and unpaid invoices included.

ORIGINAL

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
01-1310				
CHARLES &/OR KATHERYN GA	022520	Refund Overpayment Final Bill	02/25/2020	10.34
DINA BIESTERFELD	022820	Refund Overpayment	02/28/2020	9.24
Total 01-1310:				19.58
01-5271				
CHARTER COMMUNICATIONS	007859702192	Internet (Office)	02/19/2020	114.98
Total 01-5271:				114.98
01-5280				
PETTY CASH	022720	Report printout from Lincoln County	02/27/2020	1.00
Total 01-5280:				1.00
01-5290				
PETTY CASH	022720	Name plate (Gravelle)	02/27/2020	12.00
PETTY CASH	022720	Name plate (Paul Berg)	02/27/2020	12.00
Total 01-5290:				24.00
01-5291				
PETTY CASH	022720	Postage	02/27/2020	15.50
US POSTAL SERVICE - WALDP	022120	Bulk Mailing	02/21/2020	883.72
Total 01-5291:				899.22
01-5310				
SECRETARY OF STATE	063019	Audit Filing Fee	06/30/2019	250.00
Total 01-5310:				250.00
01-5360				
PETTY CASH	022720	Tea for Strategic Planning Meeting	02/27/2020	1.99
PETTY CASH	022720	Supplies for MCWPP Meeting 200109	02/27/2020	18.05
PETTY CASH	022720	Card & flowers for John Garcia	02/27/2020	31.67
Total 01-5360:				51.71
01-5610				
CENTRAL LINCOLN P.U.D.	022120	Utility Services	02/21/2020	3,053.84
Total 01-5610:				3,053.84
01-5634				
ANALYTICAL LABORATORY GR	124367	Coliform, Presence/Absence by SM 9223 B	02/12/2020	257.00
ANALYTICAL LABORATORY GR	124523	Coliform, Presence/Absence by SM 9223 B	02/15/2020	47.00
Total 01-5634:				304.00
Grand Totals:				4,718.33

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
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Dated: FEB-28-2020

General Manager: A. Williams

Dated: _____

Treasurer: _____

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

6

**SEAL ROCK WATER DISTRICT
MINUTES OF THE
Regular Board Meeting
February 13, 2020**

Call Regular Meeting to Order:

President Rob Mills called the regular board meeting to order at 4:00 p.m., Thursday, February 13, 2020.

Present:

Commissioner Rob Mills, President; Commissioner Glen Morris, Treasurer; Commissioner Sandra Mies-Grantham, Secretary; Commissioner Karen Otta, member; Commissioner Deanna Gravelle, member. Staff: Adam Denlinger, General Manager; Joy King, Office Manager; Jeff Hollen, Legal Counsel. See sign in sheet for public attendance.

Announcements/Public Comments:

Adam Denlinger, GM reported to the Board that at the February 7-9 SDAO Conference held at Seaside, he was voted out during the business meeting of at Large Big Six Board by one point.

Commissioner Deanna Gravelle informed the Board that she attended the Lincoln County Special District Meeting on Saturday and she has read the orientation packet she received from the staff.

Consent Calendar:

Items on the consent calendar are Invoice List for January/February 2020; January 8, 2020 minutes of the regular board meeting; January/February 2020 Financial Report; General Manager's Report. Commissioner Karen Otta motioned to approve the consent calendar. Commissioner Karen Otta made a date correction on the January 8, board meeting minutes page 1, line 56. The date should be changed to Feb 13 instead of Feb 15. Motion was seconded by Commissioner Sandra Mies-Grantham. Commissioner Glen Morris abstained from voting since he was not present at the January 8 board meeting. Motion was passed 4 – 0.

Discussion and Information Items:

Source Water Project Update: The GM reported that 16 prime bidders attended the mandatory pre-bid conference on January 23 held at the Seal Rock Garden Club. The district engineer received questions from the bidders and in response issued two contract addenda. The district staff responded to several requests for information from potential bidders and also provided site visits to different project locations. District staff, engineer and attorney worked together in response to the issues raised by the County PWD. The solutions to satisfy the county are included in the addenda. The bid opening was pushed out to February 27 to give the bidders time to review the additional information.

The removal of the trees from the Makai Water Treatment Site was not included in the contract, so district crews removed the trees with the assistance of the Job Corp crew.

DEQ permit in returning the backwash from the treatment plant requires a 20 feet pipe extending from the utility easement to Beaver Creek main stream. District staff and engineer will meet with DEQ representatives to discuss the possibility of discharging the backwash into an existing storm drain culvert on Beaver Creek Road that discharges directly into Beaver Creek. If DEQ approves this, the district will also seek permission from the county who owns the culvert.

Business Oregon IFA as one of the project funding agencies requires language regarding the Davis Bacon Act to be included in the construction contract. The engineer will include that language in the addenda to satisfy the funding agency. Attorney Jeff Hollen updated the board regarding the easement of the property owned by Love Thy Neighbor. The district's consultants are dealing with the owner's lawyer in going through the process of obtaining the easement for lot 503. The district has satisfied all the requirements for the easement through lot 500 owned by Majesty Jams and Sinks which the district received the final order for immediate possession of the easement signed by the court. Default against CL-PUD and Oregon Coast Bank for possession of the easement through lot 500 was also signed by the court.

The district will follow conditions of the contract regarding notification of property owners before entering the property to work on the easements, by giving three weeks notice ahead.

FY 2018-19 Audit Report:

The audit is mostly done but there's one issue that needs to be resolved before it will be finalized. It needs to be reviewed by another auditor from Portland who comes and helps Grimstad and Associates. The auditor gave assurance that the final audit report will be filed by the extension date which is February 28. Staff is recommending when the draft audit is received, it will be emailed to each of the board for review and comments. To comply with the public meeting law, those who have comments should only respond to district staff and not to each board member. The final FY 2018-19 Audit Report will be presented to the board during the March 12 regular board meeting.

Insurance Agent of Record:

The district was visited by Steve Silva, a WHA insurance agent whose main office is in Eugene and Wilsonville. They have clients along the Oregon Coast who are SDAO members with SDIS Insurance and would like to make a presentation of the

63 different services they offer to the board. District staff believe now is the time to explore other options for insurance agent of
64 record. It was the consensus of the board to invite a WHA insurance agent to do a presentation during the March 12 regular
65 board meeting.
66

67 **Mid-Coast Water Conservation Consortium**

68 **IGA and By Laws:**

69 The GM presented a draft updated Intergovernmental Agreement and By Laws of the Mid-Coast Water Providers
70 Conservation Consortium. It needs to be reviewed by legal counsel before it becomes the final version.
71

72 **Decision Items:**

73 **Budget Committee Members:**

74 Three of the Budget Committee Members' terms expired on June 2019. They were notified during the last budget
75 committee meeting on April 18, 2019, and they agreed to be reappointed to serve another 3 year term. Commissioner Glen
76 Morris motioned to reappoint James Senn, Barry Compton, and Barbara Flewellyn to serve as budget committee members
77 for another 3 year term. Commissioner Karen Otta seconded the motion. Motion was passed 4 – 0. Commissioner Deanna
78 Gravelle left early to attend another engagement.
79

80 **Reports, Comments, and Correspondence:**

81 **Recognition Plaque:**

82 The GM informed the board that the two glassmakers approached by district staff create the recognition plaque designed by
83 commissioner Karen Otta don't have the materials needed to make it. The GM will work with Patricia Karlsen to find an
84 alternative plaque design.
85

86 **Resignation:**

87 Commissioner Glen Morris announced that he is resigning as the Treasurer of the Board effective immediately and
88 motioned to appoint Commissioner Deanna Gravelle to be the Treasurer of the Board. Commissioner Sandra Mies-
89 Grantham seconded the motion. Motion was passed 4 – 0.
90

91 **Adjournment:** Commissioner Glen Morris motioned to adjourn the meeting. President Rob Mills adjourned the meeting at
92 5:05 p.m.
93

94 **Next Board Meeting:** March 12, 2020, at 4:00 p.m. Regular Board Meeting.
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103 _____
104 Approved by Secretary

Date:

Date: 3/2/20

Monthly Statistics		Comments				
Total customers	2596	Includes new connection Less Abandoned / Forfeited meter plus 3 SRWD meters (shop X 2 & office) plus 1 Hydrant meter				
New connections	1					
Reinstalls	0					
Abandonments / Forfeitures / Meter Removed	0					
Financial Report		Checking/MM	LGIP/PFMMA	Fund Balances	Comments	
General	\$177,695.05	\$17,257.84	\$194,952.89			
Bond	\$745,617.43	\$0.00	\$745,617.43			
Capital Projects	\$163,745.58	\$477,623.00	\$641,368.58		\$2,691,821.79 G.O. Bond Proceeds;	
Revenue Bond	\$2,717.82	\$36,759.64	\$39,477.46			
Rural Development Reserve	\$0.00	\$58,055.53	\$58,055.53			
Dist. Office/Shop Reserve	\$58,055.53	\$137,823.15	\$195,878.68			
Depreciation Reserve	\$0.00	\$214,446.75	\$214,446.75			
SDC (formerly SIP)	\$0.00	\$450,773.12	\$450,773.12		\$992,179.50 SDC collections thru 2/29/20	
Water Source Improvement Rsrv	\$0.00	\$886,126.85	\$886,126.85			
TOTALS	\$1,147,831.41	\$2,278,865.88	\$3,426,697.29			
General Fund Review		Current	FYTD	Budgeted Amount	Comments	
Revenue	\$145,075.84	1,372,262.44	\$2,479,200.00			
Expenses	\$161,260.87	1,264,622.96	\$2,479,200.00		Contingency \$100,000; Transfers \$448,570; Total expenses budgeted \$1,930,630	
Net Gain or (Loss) from Operations	-\$16,185.03	\$107,639.48				
Water Sales Revenue Comparison		Month	FYTD	Comments		
Projected Water Sales	\$132,385	\$1,194,019		Leak Adjustments & Billings Adjustments (YTD = July - June)		
Actual + In Lieu of Water Sales Less H2O CR	\$139,527	\$1,237,081		Less: Billing Adj YTD \$669.88; Leak Adj YTD \$33.05		
Over or (Under)	\$7,141.77	\$43,061.93		TOTAL YTD ADJUSTMENTS \$701.77		
Gallage Comparison		Current	Prior Year	Cost Comparison	Current	Prior Year
Gallons Purchased	6,472,000	7,968,000	Toledo Charges	\$23,752.25	\$25,816.30	
Gallons Sold (includes accountable loss)	6,700,192	6,524,013	SRWD Sales	\$134,953.39	\$132,384.66	
Variance %	-3.53%	18.12%	Ratio: Sales/Cost	5.68	5.13	
Accountable Water Loss (gallons)	733,000		City of Newport Intertie Usage		46,568	
Approval To Pay Bills		Payroll 2/14/20 \$21286.85	Payroll 2/28/20 \$20833.18			
Month of:	February	(after meetings)	March			
	GF A/P	\$4,939.49	GF A/P	\$36,628.33	up to 5/6/20	
	CPF A/P	\$0.00	CPF A/P	\$0.00		
	City of Toledo	\$0.00	City of Toledo	\$0.00		
	Bond Fund	\$0.00	Bond / Rev Bond Fund	\$0.00		
	Depreciation Rsv	\$0.00	Depreciation Rsv	\$0.00		
	AMI Project-Phase 3	\$0.00	AMI Project-Phase 3	\$0.00		
	Master Plan - Phase 3	\$0.00	Master Plan - Phase 3	\$0.00		
	MP - Phase 4 (IFA)	\$0.00	MP - Phase 4 (IFA)	\$5,348.43		
	Prelim. MP- Phase 4(USD/	\$4,243.00	Prelim. MP- Phase 4(USDA)	\$23,498.25		
	SDC Fund	\$0.00	SDC Fund	\$0.00		
	SRWD Funded	\$0.00	SRWD Funded	\$0.00		
Monthly Accrual Statistics		Beg. Balance	Accrued	Used/Paid	Balance	
	1/31/2020				2/29/2020	
Office Overtime Hours (2-01)	0.00	0.00	0.00	0.00		
Field Overtime Hours (2-02)	0.00	0.00	0.00	0.00		
PTO (3-01)	2495.76	121.86	23.25	2594.37		
Comp Time (9-01 / 9-02)	114.01	50.26	18.50	145.77		



PO Box 190 – 1037 NW Grebe Street – Seal Rock, Oregon 97376
Phone: 541.563.3529 – Fax 541.563.4246 – Web: www.srwd.org

Seal Rock Water District

General Manager's Report:
 Board Meeting March 12, 2020

This report is an executive summary provided with this Board agenda to Commissioners with recommended actions if any. Detailed information, staff reports, and supporting materials are provided within the full agenda packet.

PHASE-4 SOURCE WATER PROJECT:

Following years of discussions with stakeholders and neighboring property owners, and a thorough permitting effort, the District is embarking on construction of its own water supply. Water will be withdrawn from Beaver Creek near the South Beaver Creek Road Bridge. Raw water will be pumped to a secure site located above the Makai development, where it will be treated using a modern membrane filtration technology. Phase-4 improvements project continues to move forward with several critical path tasks currently in progress:

- Staff continues working with representatives from USDA-RD, the District's finance consultant, and Bond Counsel in preparation for executing Phase-4 interim financing.
- On February 27th the district received 7-bids for the Beaver Creek Source Water project.
- Notice of Intent to Award was issued to all bidders on February 28th.

The District intends to proceed with issuing a Notice of Award to R&G Excavating, Inc., after 7 days, if no protests are received. During the bid opening the District received the following bids for the project. The bid amounts are listed from low to high. The base bid amounts were publicly opened and read aloud immediately after 2:00 p.m. on February 27, 2020. All seven bidders were eligible to submit a bid for the project by having attended the mandatory pre-bid meeting, which was held on January 23, 2020.

Bid Results for Phase IV Beaver Creek Water Supply: Tabulation prepared by: Paul Berg, Jacobs Engineering

Bidder	Lump Sum Bid Price for Base Bid
R&G Excavating, Inc.	\$10,690,000
JW Fowler Co.	\$11,903,000
Pacific Excavation, Inc.	\$11,990,000
Laskey Clifton Corp.	\$13,127,351
K&E Excavating	\$13,257,640
McClure & Sons, Inc.	\$13,989,025
Emery & Sons, Inc.	\$14,957,449

Seal Rock Water District is an Equal Opportunity Service Provider and Employer.

Adam Denlinger, General Manager

adenlinger@srwd.org

www.srwd.org

SEAL ROCK WATER DISTRICT JUNE 31, 2019 AUDIT REPORT:

District and staff have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In the opinion of the district's auditor, the financial statements referred to in the June 30, 2019 Audit Report present fairly, in all material respects, the respective financial position of the business-type activities of Seal Rock Water District as of June 30, 2019, 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. Audit report has been filed with the State and is available on the district's website for review by the public.

Other notable activities for the month include:

- Reviewed Easement and access agreements related to Phase-4 improvements.
- Facilitated district Staff/Safety meeting on November 18, 2019.
- With the assistance of a contractor, District field crews completed tree removal at the Makai water treatment plant site.
- Attended on-site Beaver Creek water quality field meeting with representatives from DEQ and the district's engineer.
- Hosted the Mid-Coast Municipal and Water District working group meeting on Feb 25th.
- Worked with general counsel and Title Company to coordinate closing of easements.
- Attended the annual OAWU Management Conference March 2nd through the 6th.



March 3, 2020

Board of Commissioners
Seal Rock Water District
PO Box 190
Seal Rock, OR 97376

RE: Insurance Agent of Record

Seal Rock Water District Board of Commissioners:

WHA Insurance is a major supporter of SDAO/SDIS and provides insurance and risk management services for many Special Districts throughout the state of Oregon. Our staff of dedicated service professionals is available to handle your District's insurance and risk management needs in a variety of ways. We are interested in becoming your insurance Agent of Record. I ask that you consider WHA Insurance for your insurance and risk management needs by appointing me as your official insurance Agent of Record. I have included a summary of services which I will briefly discuss during my board meeting visit at the Seal Rock Water District on March 12, 2020.

If you have any questions regarding WHA Insurance, you may contact me directly.

Sincerely,

Steve Silva
Loss Control
Field Service Agent
541-284-5116
ssilva@whainsurance.com

2930 Chad Drive, Suite 100, Eugene, OR 97408

Phone 541-342-4441 - 800-852-6140 - Fax 541-342-3786 - Email info@WHAINSURANCE.com



Seal Rock Water District
WHA Insurance Board Meeting Presentation
March 12, 2020 4:00 PM

Presentation Topics

Mission Statement

Agency Overview

Public Entities Team

Service – Collapsed view

Risk Management

Liability

Workers' Compensation

Claims

Property

Auto

Crime

Health Benefits

Expanded view of services - Distribute at presentation

Example of some services – Distribute at presentation

Other Insurance Lines

Agent of Record Process

Questions

2930 Chad Drive, Suite 100, Eugene, OR 97408

Phone 541-342-4441 - 800-852-6140 - Fax 541-342-3786 - Email info@WHAINSURANCE.com



Seal Rock Water District

DATE ACTION REQUESTED: March 12, 2020							
Ordinance		Resolution		Motion	X	Information	
Date Prepared: March 3, 2020				Dept.: Administration			
SUBJECT: Phase-4 Interim Financing				Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org, 541-563-4447			

RECOMMENDED BOARD ACTION:

Consider a motion authorizing Seal Rock Water District to execute an interim financing agreement to fund Phase-4 improvements approved under authorization by the Untitled States Department of Agriculture Rural Development Program (USDA-RD).

FINANCIAL IMPACTS:

The Rural Development, Rural Utility System general obligation loan will not exceed \$ 6,549,000.00, with a grant not to exceed \$2,799,500.00, along with a USDA-RD revenue bond in the amount of \$2,547,000.00. Conditions of funding provided by USDA-RD include obtaining interim financing immediately prior to the start of construction to finance improvements during construction. Construction is anticipated to start May 2020.

BACKGROUND:

Following years of discussions with stakeholders and neighboring property owners, and a thorough permitting effort, the District is embarking on construction of its own water supply. Water will be withdrawn from Beaver Creek near the South Beaver Creek Road Bridge. Raw water will be pumped to a secure site located above the Makai development, where it will be treated using a modern membrane filtration technology.

The District has advertised for Bids on December 18th with responses due February 27, 2020 to construct the following Beaver Creek Water Supply and Water Treatment Project: River intake, raw water pump station, and treatment facility located on real property already owned by the District, nearly 10,000 feet of 14-inch HDPE pipeline plus other smaller diameter pipelines and conduits, approximately 4,000-square-foot treatment plant CMU building, membrane equipment installation, other water treatment components, two welded steel tanks, one holding approximately 250,000 gallons and one holding approximately 500,000 gallons, one portable and one installed backup generator, and related facilities. Source of funding for the construction of the Project and refinancing of the existing short-term line-of-credit is being provided from the State of Oregon Safe Drinking Water Program and the US Department of Agriculture Rural Utilities Service. The Project cost is estimated at \$15,376,500, which is intended to be funded as follows:

- State of Oregon Loan/Grant - \$2,451,000 Loan and a \$1,030,000 Forgivable Loan
- USDA Loan (GO Bond Authorization) - \$6,549,000
- USDA Loan (Revenue Bond) - \$2,547,000
- USDA Grant - \$2,799,500

A. Denlinger

General Manager

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March 4, 2020

Summary of Financing Proposals



SEAL ROCK WATER DISTRICT

**Full Faith & Credit Financing Note, Series 2020
Beaver Creek Water Project
Proposal Evaluation and Summary**

SDAO ADVISORY SERVICES LLC

David Ulbricht, Director of Advisory Services
328 NE Davis Street, Suite 3
McMinnville, Oregon 97128
503.472.9965 | dulbricht@sdao.com

Special Districts Association of Oregon Advisory Services LLC ("SDAOAS") is a registered municipal advisor with the Securities and Exchange Commission pursuant to Section 15B(a)(2) of the Securities Exchange Act of 1934 (the "Act") and the Municipal Securities Rulemaking Board. SDAOAS is providing the information contained herein and/or accompanying materials (the "Materials") for discussion or general informational purposes only for a possible issuance of municipal securities the District may be considering.

See "Important Disclosures" contained herein.

Summary and Information

- 1.) **\$9,096,000 Full Faith & Credit Financing Note;**
- 2.) **Request for Proposals issued on February 17, 2018;**
 - a. **RFP distributed to approximately 40 financial institutions (7 Responses Received);**
- 3.) **Dated: March 15, 2020;**
- 4.) **Maturity: March 15, 2022;**
- 5.) **Interest Payments due each September 15 and March 15, commencing September 15, 2020;**

Proposed Financing Structure

The following illustrations represent mathematical calculations of potential interest costs associated with financing proposals to fund the capital costs and improvements to the Seal Rock Water District Beaver Creek Water Treatment Project. Proposed interest rates are based on information received from financial institutions intent to provide funding. Actual interest rates and estimated costs of issuance may vary. This illustration provides information and is not intended to be a recommendation, proposal or suggestion or otherwise considered advice.

Financial Institution Financing Proposals

Proposal 1 - Opus Bank
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)

Proposal 2 - KeyBank
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)

Proposal 3 - BB&T (Trust)
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)

Proposal 4 - Western Alliance Bank
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)

Par Structure				Par Structure				Par Structure				Par Structure			
Fiscal Year End	Opus Bank			Fiscal Year End	KeyBank			Fiscal Year End	BB&T (Trust)			Fiscal Year End	Western Alliance Bank		
	Principal	Interest	Total P&I		Principal	Interest	Total P&I		Principal	Interest	Total P&I		Principal	Interest	Total P&I
2021	\$0	\$173,734	\$173,734	2021	\$0	\$171,914	\$171,914	2021	\$0	\$164,638	\$164,638	2021	-	299,250	299,250
2022	9,096,000	173,734	9,269,734	2022	9,096,000	171,914	9,267,914	2022	9,096,000	164,638	9,260,638	2022	9,096,000	299,250	9,395,250
Total	9,096,000	347,467	9,443,467	Total	9,096,000	343,829	9,439,829	Total	9,096,000	329,275	9,425,275	Total	9,096,000	598,517	\$9,694,517
PRELIMINARY - SUBJECT TO REVISION				PRELIMINARY - SUBJECT TO REVISION				PRELIMINARY - SUBJECT TO REVISION				PRELIMINARY - SUBJECT TO REVISION			

**Proposal 5 - Washington Federal
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)**

**Proposal 6 - Columbia Bank
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)**

**Proposal 7 - Umpqua Bank
Seal Rock Water District
FF&C Financing Note (Beaver Creek Project)**

Fiscal Year End	Washington Federal			Fiscal Year End	Columbia Bank			Fiscal Year End	Umpqua Bank		
	Principal	Interest	Total P&I		Principal	Interest	Total P&I		Principal	Interest	Total P&I
2021	\$ -	\$ 179,191	\$ 179,191	2021	\$ -	\$ 216,485	\$ 216,485	2021	\$ -	\$ 211,755	\$ 211,755
2022	9,096,000	179,191	9,275,191	2022	9,096,000	216,485	9,312,485	2022	9,096,000	211,755	9,307,755
Total	9,096,000	358,382	9,454,382	Total	9,096,000	432,970	9,528,970	Total	9,096,000	423,510	9,519,510

PRELIMINARY - SUBJECT TO REVISION

PRELIMINARY - SUBJECT TO REVISION

PRELIMINARY - SUBJECT TO REVISION

Seal Rock Water District
Illustration of Assumed Sources & Uses and Bond Statistics
Financial Institutions - Par Bond Structure

	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5	Proposal 6	Proposal 7
	Opus Bank	KeyBank	BB&T (Truist)	Western Alliance Bank	Washington Federal	Columbia Bank	Umpqua Bank
Assumed Sources of Funds							
Par Amount of Issue	\$ 9,096,000.00	\$ 9,096,000.00	\$9,096,000	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00
Premium	-	-	-	-	-	-	-
Total Sources	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00
Assumed Uses of Funds							
Underwriting/Lender's Origination Fee	\$ 4,093.20	\$ -	\$ -	\$ 2,274.00	\$ -	\$ 2,500.00	\$ 1,000.00
Hawkins Delafed & Wood LLP (Estimated, not Confirmed)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
SDAO Advisory Svcs. (Muni Advisor)	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00
Oregon State Treasury (MDAC Fee)	909.60	909.60	909.60	909.60	909.60	909.60	909.60
Bank Counsel	6,000.00	5,000.00	7,500.00	7,500.00	5,000.00	3,000.00	8,000.00
Rounding Amount (returned to District for project)	0.00	-	-	-	-	-	-
Deposit to Project Fund	9,057,497.20	9,062,590.40	9,060,090.40	9,057,816.40	9,062,590.40	9,062,090.40	9,058,590.40
Total Uses	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00	\$ 9,096,000.00
Bond Statistics							
Average Life (years)	2,000 Years	2,000 Years	2,000 Years	2,000 Years	2,000 Years	2,000 Years	2,000 Years
True Interest Cost*	1.9669%	1.9181%	1.8522%	3.3460%	1.9982%	2.4111%	2.3790%
Net Interest Cost*	1.9655%	1.9175%	1.8512%	3.3437%	1.9975%	2.4102%	2.3775%
Bond Yield for Arbitrage Purposes*	1.9100%	1.8900%	1.8100%	3.2900%	1.9700%	2.3800%	2.3280%
All Inclusive Cost (AIC)	2.1273%	2.0784%	2.0124%	3.5092%	2.1566%	2.5724%	2.5402%
Dated Date	3/15/2020	3/15/2020	3/15/2020	3/15/2020	3/15/2020	3/15/2020	3/15/2020
Final Maturity	3/15/2022	3/15/2022	3/15/2022	3/15/2022	3/15/2022	3/15/2022	3/15/2022

Note: Costs of Issuance are estimated and are subject to change.
 *Interest and bond yields are only estimates for illustrative purposes and are based on SDAOAS' experience with comparable transactions. Actual interest and bond yields will vary.
 PRELIMINARY - SUBJECT TO REVISION

Supporting Data – Financial Institutions

Responses to RFP Questions

Seal Rock Water District - USDA (Interim) Financing - March 4, 2020

Response Question	Opus Bank	KeyBank	BB&T (Trust)	Western Alliance Bank	Washington Federal	Columbia Bank	Umpqua
1 Identified Conflicts of Interest	No	No	No	No	No	No	No
2 Pending or Past Litigation that may impact ability to provide financing services	No	No	No	No	No	No	No
3 Additional Information Relevant to assist decision making	NA	NA	NA	NA	NA	NA	NA

Seal Reef Water District - USDA (Interim) Financing - March A, 2020

1	The indicative fixed interest rate(s) which would be charged on a 30/90 day term.
2	Loan/Acceptance/Organization Fee
3	Redemption Provisions
4	Legal counsel fees, if any. Based on usual opinions for the District and draft documents will be provided by Haverly DeLoe & Wood LLP, Portland, Oregon. Please indicate if you require further legal opinions. Please provide an estimate of any additional legal fees and the maximum cap upon any additional legal fees.
5	Any additional requirements prior to formal credit approval
6	Clearly identify any requested changes to the Form of Agreement.
7	Self-reporting requirements during the term of the financing
8	Identify any additional proposed terms and conditions.
9	Any additional Lender Costs.
10	Estimate of how much time is needed to close

Recurrence Description	Bank	KeyBank	BBK T (Trust)	Wachovia Alliance Bank	Washington Federal	Columbia Bank	Truist
1	1.00%	1.00%	1.01%	1.25%	1.07%	2.00%	2.02%
2	Indicative (Rate locked 2 wks prior to closing)	Indicative Rate (Rate locked no more than 7 days prior to closing)		Indicative rate. Rate locked two weeks prior to closing			Indicative Rate locked 2-weeks prior to closing
3	6/4/2020	NA	4/1/2020	5/12/2018	4/11/2020	5/31/2020	5-weeks
4	0.45%	\$	\$	0.25%	\$	\$ 2,500.00	\$ 1,000.00
5	Can be prepaid at any time without a premium	Can be prepaid, in whole, after 12 months.	Can be prepaid in whole on any date without a penalty	Can be prepaid in whole or in part, on any date, commencing March 15, 2021, without a penalty	Any time, in whole or in part, without penalty	Can be prepaid without a penalty	
6	\$ 6,000	\$ 6,000	\$ 7,500	Did not identify	\$ 5,000	\$ 8,000	\$ 8,000
7	Formal offer subject to audit and diligence	None stated	NA	NA	NA	NA	NA
8	None identified	None identified	None identified	1) Can be drawn upon prior to draw schedule or fully funded at closing			
9	Personals	Audit within 270-days of FYE	Audit within 270-days with FYE	Audit within 270-days with FYE	Audit within 270-days with FYE	Audit within 270-days with FYE	Audit within 270-days with FYE
10	Budgets	Annual Budgets	Budget within 60-days of adoption	Annual Certificate of Rate Coverage	Budgets within 90-days of adoption	Budgets within 90-days of adoption	Budgets within 90-days of adoption
11	Annual Debt Service Coverage Calculations			Budget within one month of adoption	See other		
12	Annual Operating Data on Borrower's System			Monthly construction reports			
13	Rate Covenant 1.25x	See below	NA	Rate Covenant 1.15x			
14	Additional Debt Test 1.25x	None	None	Additional Debt Test 1.15x			
15	None	None	None	None	None	None	None
16	3-6 weeks	2 weeks	2 weeks	2 weeks	2 weeks		See 1 and 3 above
17	Subject to Final Credit Approval	Subject to Final Credit Approval		Project Summary and/or photos, Project Schedule with milestone completion dates.	Subject to credit approval process.		Rate assumes a relationship amount for current deposits at Truist
18		Establish Project Service Agreement. Drawers subject to Lender approval. USDA must approve draw requests. Lender may require additional provisions upon review of USDA Take-out letter.		Updates on Permitting, Design, Construction			
19	Default Rate	1%	1.0%	1.0%	1.0%	1.0%	Add 1.00%

Seal Rock Water District - USDA (Interim) Financing - March 4, 2020

Par \$ 9,096,000

Proposer	Opus Bank	KeyBank	BB&T (Truist)	Western Alliance Bank	Washington Federal	Columbia Bank	Umpqua
Par	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00
Interest	347,467.00	343,829.00	329,275.00	598,517.00	358,382.00	432,970.00	423,510.00
Total Debt Service	9,443,467.00	9,439,829.00	9,425,275.00	9,694,517.00	9,454,382.00	9,528,970.00	9,519,510.00
Bond Proceeds							
Par Amount	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00
Premium	-	-	-	-	-	-	-
Total Sources	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00	9,096,000.00
Underwriting/Lender Costs							
Loan Fee	4,093.20	-	-	2,274.00	-	2,500.00	1,000.00
Bank Counsel	6,000.00	5,000.00	7,500.00	7,500.00	5,000.00	3,000.00	8,000.00
Total Bank Costs	10,093.20	5,000.00	7,500.00	9,774.00	5,000.00	5,500.00	9,000.00
Note Proceeds	9,085,906.80	9,091,000.00	9,088,500.00	9,086,226.00	9,091,000.00	9,090,500.00	9,087,000.00
Estimated Cost of Issuance							
Hawkins Delafield & Wood	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
SDAO Advisory	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00
Bond Registrar/Paying Agent	-	-	-	-	-	-	-
Credit Rating	-	-	-	-	-	-	-
Municipal Bond Insurance	-	-	-	-	-	-	-
OST - MDAC Fee	909.60	909.60	909.60	909.60	909.60	909.60	909.60
Total Other Costs	28,409.60	28,409.60	28,409.60	28,409.60	28,409.60	28,409.60	28,409.60
Total all Costs of Issuance	38,502.80	33,409.60	35,909.60	38,183.60	33,409.60	33,909.60	37,409.60
Deposit to Project Fund	9,057,497.20	9,062,590.40	9,060,090.40	9,057,816.40	9,062,590.40	9,062,090.40	9,058,590.40
Yield Statistics							
Net Interest Cost	1.9655%	1.9175%	1.8512%	3.3437%	1.9975%	2.4102%	2.3775%
True Interest Cost	1.9669%	1.9181%	1.8527%	3.3460%	1.9982%	2.4111%	2.3790%
All-in Interest Cost	2.1273%	2.0784%	2.0124%	3.5092%	3.1586%	2.5724%	2.5402%
Bond Arbitrage Yield	1.9100%	1.8900%	1.8100%	3.2900%	1.9700%	2.3800%	2.3280%

Seal Rock Water District - USDA (Interim) Financing - March 4, 2020

Least Interest Cost	\$ 329,275.00	BB&T (Truist)
	\$ 343,829.00	Key Bank
Highest Interest Cost	\$ 598,517.00	Western Alliance Bank
Least Financing Costs	\$ 33,409.60	Key Bank/Washington Federal
Highest Financing Cost	\$ 38,502.80	Opus Bank
Least Net Proceeds	\$ 9,057,497.20	Opus Bank
Highest Net Bond Proceeds	\$ 9,062,590.40	KeyBank/Washington Federal
	9,060,090.40	BB&T (Truist)

Lowest Net Interest Cost	1.8512%	Truist
Lowest True Interest Cost	1.8522%	Truist
Lowest All-in Interest Cost	2.0124%	Truist
Lowest Bond Arbitrage Yield	1.8100%	Truist

Disclosure

SDAO Advisory Services LLC ("SDAOAS") is a registered municipal advisor with the Securities and Exchange Commission pursuant to Section 15B(a)(2) of the Securities Exchange Act of 1934 (the "Act") and the Municipal Securities Rulemaking Board.

SDAOAS is providing the information contained herein and/or accompanying materials (the "Materials") for discussion or general informational purposes only for a possible issuance of municipal securities the District may be considering.

Municipal Securities Rulemaking Board Rule G-17 requires a municipal advisor to deal fairly at all times with municipal issuers and with all persons and shall not engage in any deceptive, dishonest or unfair practice. As a municipal advisor, SDAOAS may provide advice concerning the structure, timing, terms, and other similar matters concerning an issuance of municipal securities the District is considering. As a municipal advisor, SDAOAS has a fiduciary duty to the District under the federal securities law and is therefore is required by federal law to act in the best interests of the District without regard to its own financial or other interests.

Under MSRB Rule G-23, SDAOAS will not be able to serve as underwriter or placement agent for any notes, bonds or other securities to be issued and sold as part of the General Obligation Bond Sale.

The Materials do not include any recommendations or suggestions that the District take or refrain from taking any action with regard to an issuance of municipal securities and are not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934 or Rule 15Ba1-1 thereunder. The Materials are intended to provide information of a factual or educational nature.

SDAOAS has not identified any additional potential or actual conflicts of interest that require disclosure.

Any opinions or estimates contained in the Materials represent the judgment of SDAOAS at this time, and are subject to change without notice. Interested parties are advised to contact SDAOAS for more information.

If the District has any questions or concerns about the above disclosures, please contact SDAOAS.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that the Materials do not constitute tax advice and shall not be used for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Governmental Finance

5130 Parkway Plaza Boulevard
Charlotte, North Carolina 28217
Phone (704) 954-1700
Fax (704) 954-1799

February 20, 2020

To: Seal Rock Water District, Oregon

Truist Bank ("Lender") is pleased to offer this proposal for the financing requested by the Seal Rock Water District, OR ("Borrower").

PROJECT: Full Faith & Credit Interim Financing

AMOUNT: \$9,096,000

MATURITY DATE: March 15, 2022

INTEREST RATE: 1.81%

TAX STATUS: Tax Exempt-BQ

PAYMENTS: Interest: Semi-Annual commencing September 1, 2020
Principal: At maturity or early redemption

INTEREST RATE CALCULATION: 30/360

SECURITY: Full faith and credit pledge

PREPAYMENT TERMS: Prepayable in whole on any date without penalty

RATE EXPIRATION: April 2, 2020

LEGAL REVIEW FEE: \$7,500

FUNDING: The financing shall be fully funded at closing and allow for a maximum of four funding disbursements in the form of wires or checks.

DOCUMENTATION: It shall be the responsibility of the Borrower to retain and compensate counsel to appropriately structure the financing documents according to Federal and State statutes. Documents shall include provisions that will outline appropriate changes to be implemented in the event that this transaction is determined to be taxable or non-bank qualified in accordance with the Internal Revenue Code. These provisions must be acceptable to Lender.

Lender shall also require the Borrower to provide an unqualified bond counsel opinion, a no litigation certificate, and evidence of IRS Form 8038 filing. Lender and its counsel reserve the right to review and approve all documentation before closing. Lender will not be required to present the bond for payment.

REPORTING

REQUIREMENTS:

Lender will require financial statements to be delivered within 270 days after the conclusion of each fiscal year-end throughout the term of the financing or in accordance with state requirements.

Lender shall have the right to cancel this offer by notifying the Borrower of its election to do so (whether this offer has previously been accepted by the Borrower) if at any time prior to the closing there is a material adverse change in the Borrower's financial condition, if we discover adverse circumstances of which we are currently unaware, if we are unable to agree on acceptable documentation with the Borrower or if there is a change in law (or proposed change in law) that changes the economic effect of this financing to Lender.

Costs of counsel for the Borrower and any other costs will be the responsibility of the Borrower.

The stated interest rate assumes that the Borrower expects to borrow no more than \$10,000,000 in the current calendar year and that the financing will qualify as qualified tax-exempt financing under the Internal Revenue Code. Lender reserves the right to terminate this bid or to negotiate a mutually acceptable interest rate if the financing is not qualified tax-exempt financing.

Lender appreciates the opportunity to offer this financing proposal. Please call me at (704) 954-1704 with your questions and comments. We look forward to hearing from you.

Sincerely,

Truist Bank



William B. DaSilva
Assistant Vice President



Pete Sullivan
Vice President
425 Pike Street
Seattle, WA 98101
206-626-8111
pete.sullivan@wafd.com

February 28, 2020

David Ulbricht
Director of Advisory Services
S|D|A|O Advisory Services LLC
dulbricht@sdao.com

Regarding: \$9,096,000 Non-Revolver Line of Credit

Dear Mr. Ulbricht:

We enclose a summary of terms and conditions outlining the proposed terms under which Washington Federal Bank N.A. (Wafd Bank) may extend credit to Seal Rock Water District. Please note that this is not a commitment to lend.

Essentially, we're offering the District a fixed rate line of credit with no unused fees. The rate will be fixed at 1.97% for the life of the line. This is unusual I know, but it'll give the District a chance to understand and clearly calculate their borrowing costs.

Wafd Bank appreciates the opportunity to provide our financing proposal. Please call Pete Sullivan at 206-626-8111 to discuss any questions or comments you may have regarding our proposal. We look forward to working with you.

Sincerely,

Pete Sullivan
Vice President

**Seal Rock Water District
Financing Proposal**



Parties to the Transaction:

BORROWER: Seal Rock Water District (the "Borrower")
LENDER: Washington Federal Bank N.A. (the "Bank")

The Facility:

FACILITY: Non-Revolving Line of Credit (the "Credit Facility")
FACILITY AMOUNT: \$9,096,000 (not to exceed)
CLOSING DATE: March 15, 2020 (estimated)
DRAWS Draws under the Credit Facility may be requested on any banking day.
INTEREST CALCULATION: All calculations of interest shall be made on a 30-day month and a 360-day year.
REPAYMENT: The Borrower must repay the Credit Facility in semi-annual payments of accrued interest on March 15 and September 15, starting September 15, 2020
PREPAYMENT: The Borrower may prepay the Credit Facility in whole or in part at any time without penalty.
MATURITY: The Credit Facility will mature, and all unpaid principal and interest will be due and payable on 3/15/2022.
SECURITY: The full faith and credit and taxing power of the Borrower will be pledged to pay the Credit Facility. The Borrower will covenant to levy annually a direct ad valorem tax upon all of the taxable property within the Borrower's limits which is sufficient, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay all principal and interest when due. This tax shall be in addition to all other taxes of the Borrower and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution. The obligation is not subject to appropriation and is on parity with all full faith and credit debt of the Borrower.

The Credit Facility will also be secured by (1) the proceeds of the water revenue bond that the Borrower intends selling to USDA Rural Development, or other purchaser; (2) a parity interest in all rates, charges and receipts arising from the operation or ownership of the Water System, after the payment of Costs of Maintenance and Operation of the System (the "Net Revenue").

Fees and Expenses:

ORIGINATION FEE: \$0.00
UNUSED COMMITMENT FEE: \$0.00
BANK COUNSEL FEE: \$5,000 – Hillis, Clark, Martin & Peterson

Rates:

INTEREST RATE: The rate below is firm until closing.
1.97% Tax-Exempt Fixed Rate
Rates quoted are for the Seal Rock Water, a Tax-Exempt entity.
EXPIRATION: This proposal letter shall automatically expire on March 31, 2020.

Covenants and Financial Reporting Requirements:

COVENANTS: Usual and customary for transactions of this type.
REPORTING REQUIREMENTS: The Borrower shall provide the following information and statements in form and content acceptable to the Bank:
(a) Within 270 days after the close of each financial year of the Borrower, the complete audited financial statements of the Borrower.

Description of Basic Terms and Conditions

DOCUMENTATION: Documentation will be usual and customary for transactions of this type, including:
(a) A copy of the Resolution passed by the Council/Board authorizing the issuance of the Credit Facility;
(b) A receipt of the original signed Note or Bond at closing;
(c) The resolution or financing/bond purchase agreement ("Agreement"), prepared by bond counsel and subject to approval by Bank Counsel.



- i. The Agreement will include, but is not limited to, the terms and conditions outlined herein, as well as provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, events of default and remedies;
- (d) An unqualified legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel that:
 - i. The resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; and
 - ii. The resolution and all documents related to the Credit Facility constitute a legally binding obligation of the Borrower and enforceable according to their terms (subject to standard exceptions).
 - iii. Opinion of counsel that the term portion of the loan under the revolving line of credit option will be treated in parity with all other senior lien holders at the time of conversion.

EVENTS OF DEFAULT: Usual and customary in transactions of this type including, without limitation the following:

- (a) Nonpayment of principal, interest, fees or other amounts; or a
- (b) Failure to perform or observe covenants/reporting requirements set forth in the loan documentation;

Description of the Process:

THE PROPOSAL: This summary of terms is not a commitment. It represents a willingness on the part of the Bank to seek approval to provide the commitment indicated herein and consummate a transaction based on the terms and conditions outlined in the proposal and is subject to:

- (a) Final credit approval (see "Credit Process" below),
- (b) Such any due diligence as Bank may require, and
- (c) Agreement as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).

CREDIT PROCESS: The credit process will take approximately 4-weeks from the point at which the Bank is officially awarded the transaction and has in its possession all materials necessary to undertake a full credit analysis.

Washington Federal is a Seattle based; FDIC insured financial institution with total assets in excess of \$16 billion. Washington Federal and assigned contacts have specific experience in lending to governmental issuers.

Contacts:

BANK: Washington Federal Bank N.A.



Pete Sullivan
425 Pike Street
Seattle, WA 98101
206-626-8111
pete.sullivan@wafd.com

BANK COUNSEL:

Hillis Clark Martin & Peterson P.S.
Brandon Pond
999 Third Avenue, Suite 4600
Seattle, Washington 98104
206.470-7623
brandon.pond@hcmp.com

Agreement by the Borrower:

By signing below, the Borrower agrees to engage the Bank to provide the Credit Facility pursuant to the terms and conditions stated in this proposal, including the Borrower's responsibility for the Bank's legal fees even if closing & funding does not occur.

Please evidence your agreement with the foregoing by signing and returning a copy of this document to the Bank.

Accepted and Agreed to:

Seal Rock Water District

Signature: _____ **Date:** _____

Printed Name: _____

Disclosure:

The transaction contemplated by this term sheet is an arm's length, commercial transaction between you and the Bank, in which the Bank (i) is acting solely as a principal and for its own interest; (ii) is not acting as a municipal advisor or financial advisor to you; (iii) has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to you with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto; and (iv) is not recommending that you take any action with respect to the transaction contemplated by this term sheet, and before taking any action with respect to the contemplated transaction, you should discuss the information contained herein with your own legal, accounting, tax, financial and other advisors, as it deems appropriate.

The only obligations the Bank has to you with respect to the transaction contemplated hereby are set forth in this term sheet. If you would like a municipal advisor in this transaction that has legal fiduciary duties to you, you are free to engage a municipal advisor to serve in that capacity. This term sheet is provided to you pursuant to and in reliance upon the "bank exemption" provided under the municipal advisor rule of the Securities and Exchange Commission, Rule 15Ba1-1 et seq.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.



A) Cover Letter



Pete Sullivan
Vice President
425 Pike Street
Seattle, WA 98101
206-626-8111
pete.sullivan@wafd.com

February 28, 2020

David Ulbricht
Director of Advisory Services
S|D|A|O Advisory Services LLC
dulbricht@sdao.com

Regarding: \$9,096,000 Non-Revolving Line of Credit

Dear Mr. Ulbricht:

We enclose a summary of terms and conditions outlining the proposed terms under which Washington Federal Bank N.A. (Wafd Bank) may extend credit to Seal Rock Water District. Please note that this is not a commitment to lend.

Essentially, we're offering the District a fixed rate line of credit with no unused fees. The rate will be fixed at 1.97% for the life of the line. This is unusual I know, but it'll give the District a chance to understand and clearly calculate their borrowing costs.

Wafd Bank appreciates the opportunity to provide our financing proposal. Please call Pete Sullivan at 206-626-8111 to discuss any questions or comments you may have regarding our proposal. We look forward to working with you.

Sincerely,


Pete Sullivan
Vice President

**ATTACHMENT I
SERIES 2020 AGREEMENT**

**Seal Rock Water District
(Beaver Creek Water Treatment Project)**

Assumptions:

- 1) Dated/Delivery Date: March 15, 2020 (Date Subject to Change. Date will be agreed to after award);
- 2) Credit Rating: Not applicable;
- 3) Par Amount: \$9,096,000
- 4) First Interest Payment: September 2020 (Subject to change);
- 5) First Principal Payment: At maturity or early redemption, but no later than 2-years from the date of issuance;
- 6) Interest Calculation: 30/360 day basis
- 7) Cost/Fee Breakdown: See format below:

Bank Cost and Fee Components:

	Estimated	Not-to-Exceed
Lending or Commitment Fee	\$ -	\$ -
Expenses (provide detail below)	\$ 5,000.00	\$ 5,000.00
Total	\$ 5,000.00	\$ 5,000.00

Expense Detail	Amount
Bank Counsel	\$ 5,000.00
Documentation	\$ -
Courier/Overnight Packages/Communication	\$ -
Any other fees	\$ -
Total	\$ 5,000.00

**Seal Rock Water District
Estimated Maturity Schedule**

Due March	
15 of	Principal
Year	Amount
2022	9,096,000

(1) Principal Payment Amount provided are for Illustration Only. Actual and Final Par Amount and Principal Payment Amounts and Dates are subject to change.

B) Financing and Structure Component

1)	The Rate is firm until closing at 1.97% - This is a Tax-Exempt Fixed Rate from closing until Maturity. This proposal shall automatically expire on March 31, 2020.
2)	Bank Attorney Fees: \$5,000 (maximum) There are no other fees, either origination or unused fees for this line of credit.
3)	The Borrower may prepay the Credit Facility in whole or in part at any time without penalty.
4)	Bank Attorney Fees: \$5,000 (maximum).
5)	<p>This summary of terms is not a commitment. It represents a willingness on the part of the Bank to seek approval to provide the commitment indicated herein and consummate a transaction based on the terms and conditions outlined in the proposal and is subject to:</p> <p>(a) <input checked="" type="checkbox"/> Final credit approval (see "Credit Process" below), (b) <input checked="" type="checkbox"/> Such any due diligence as Bank may require, and (c) <input checked="" type="checkbox"/> Agreement as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).</p> <p>The credit process will take approximately 4-weeks from the point at which the Bank is officially awarded the transaction and has in its possession all materials necessary to undertake a full credit analysis.</p>
6)	<p>Documentation will be usual and customary for transactions of this type, including:</p> <p>(a) <input checked="" type="checkbox"/> copy of the Resolution passed by the Council/Board authorizing the issuance of the Credit Facility; (b) <input checked="" type="checkbox"/> receipt of the original signed Note or Bond at closing; (c) <input checked="" type="checkbox"/> The resolution or financing/bond purchase agreement ("Agreement"), prepared by bond counsel and subject to approval by Bank Counsel. i. <input checked="" type="checkbox"/> The Agreement will include, but is not limited to, the terms and conditions outlined herein, as well as provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, events of default and remedies; (d) <input checked="" type="checkbox"/> An unqualified legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel that: i. <input checked="" type="checkbox"/> The resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; and ii. <input checked="" type="checkbox"/> The resolution and all documents related to the Credit Facility constitute a legally binding obligation of the Borrower and enforceable according to their terms (subject to standard exceptions). iii. <input checked="" type="checkbox"/> Opinion of counsel that the term portion of the loan under the revolving line of credit option will</p>
7)	<p>The Borrower shall provide the following information and statements in form and content acceptable to the Bank:</p> <p>(a) <input checked="" type="checkbox"/> Within 270 days after the close of each financial year of the Borrower, the complete audited financial statements of the Borrower.</p>
8)	None.
9)	None.
10)	4-weeks.
11)	Attachment I is included in our response
12)	None.

C) Other information to be Provided	
1)	WA Fed and Pete Sullivan have no conflicts of interest.
2)	WA Fed and Pete Sullivan have no past litigation or disciplinary actions that would impact these financial services.
3)	We specialize in municipal lending and have over 50 municipal loans in the Northwest. We've also put together USDA financing before and know how it all works (approval for draw requests, limitations, etc.



PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376
 Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org

Seal Rock Water District

DATE ACTION REQUESTED: March 12, 2020						
Ordinance	Resolution	Motion	X	Information		
Date Prepared: February 26, 2020			Dept.: Administration			
SUBJECT: June 30, 2019 Audit Report			Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447			

RECOMMENDED BOARD ACTION:

Consider a motion to approve the SRWD June 30, 2019 annual audit report as prepared by Grimstad & Associates.

FINANCIAL IMPACTS:

State of Oregon Municipal Auditing Practices require the District to complete an annual audit under the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules.

DISTRICT GOAL:

Identify and prioritize challenges that must be overcome to ensure successful District operations dependent upon effective financial planning for the annual operation of the District.

BACKGROUND:

District and staff has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In the opinion of the auditor, the financial statements referred to in the June 30, 2019 Audit Report present fairly, in all material respects, the respective financial position of the business-type activities of Seal Rock Water District as of June 30, 2019, 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.

Joy King

Submitted By: _____

Joy King, Office Manager



PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376
Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org

Seal Rock Water District

DATE ACTION REQUESTED: March 12, 2020					
Ordinance	Resolution	Motion	X	Information	
Date Prepared: February 18, 2020			Dept.: Field Operation		
SUBJECT: Primary Source Water Project Notice of Award			Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org, 541-563-4447		

RECOMMENDED BOARD ACTION:

Serving as the SRWD Contract Review Board, consider authorizing the district to issue a Notice of Award for the Beaver Creek Source Water Project to R & G Excavation.

FINANCIAL IMPACTS:

Staff recommendation is to fund primary source water project improvements with funding provided through low interests loans and grants provided by and through partner funding programs which include Business Oregon Safe Drinking Water Program and the United States Department Of Agriculture – Rural Utility Systems.

BACKGROUND:

The District advertised for Bids on December 18th with responses due February 27, 2020 to construct the following Beaver Creek Water Supply and Treatment Project (the "Beaver Creek Project"): River intake, raw water pump station, and treatment facility located on real property already owned by the District, nearly 10,000 feet of 14-inch HDPE pipeline plus other smaller diameter pipelines and conduits, approximately 4,000-square-foot treatment plant CMU building, membrane equipment installation, other water treatment components, two welded steel tanks, one holding approximately 250,000 gallons and one holding approximately 500,000 gallons, one portable and one installed backup generator, and related facilities.

Source of funding for the construction of the Project and refinancing of the existing short-term line-of-credit (collectively, the "Project") is being provided from the State of Oregon Safe Drinking Water Program and the US Department of Agriculture Rural Utilities Service. The Project cost is estimated at \$15,376,500 which is intended to be funded as follows:

- State of Oregon Loan/Grant - \$2,451,000 Loan and a \$1,030,000 Forgivable Loan
- USDA Loan (GO Bond Authorization) - \$6,549,000
- USDA Loan (Revenue Bond) - \$2,547,000
- USDA Grant - \$2,799,500

Construction of the Beaver Creek Project is estimated to be completed within 18-months from the commencement of the construction contract.

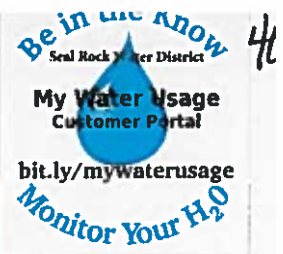
A. Denlinger

Submitted By: _____

Adam Denlinger, General Manager



PO Box 190 – 1037 NW Grebe Street – Seal Rock, Oregon 97376
 Phone: 541.563.3529 – Fax 541.563.4246 Website: www.srwd.org
 My Water Usage Customer Portal: bit.ly/mywaterusage



Seal Rock Water District

Date: February 2020

To: All Bidders

From: Adam Denlinger, General Manager

RE: Notice of Intent to Award the Phase IV Beaver Creek Source Water Supply Project

This letter provides notice that Seal Rock Water District (District) intends to award the subject project to R&G Excavating, Inc. for its base bid amount of \$10,690,000. The District is awarding based on the base bid amount, without the additive alternates, because the District's budget for the project is insufficient to include the additive alternates.

The District intends to proceed with issuing a Notice of Award to R&G Excavating, Inc., after 7 days if no protests are received. During yesterday's bid opening the District received the following bids for the project. The bid amounts are listed from low to high. The base bid amounts were publicly opened and read immediately after 2:00 p.m. on February 27, 2020. All seven bidders were eligible to submit a bid for the project by having attended the mandatory pre-bid meeting, which was held on January 23, 2020.

Bidder	Lump Sum Bid Price for Base Bid
R&G Excavating, Inc.	\$10,690,000
JW Fowler Co.	\$11,903,000
Pacific Excavation, Inc.	\$11,990,000
Laskey Clifton Corp.	\$13,127,351
K&E Excavating	\$13,257,640
McClure & Sons, Inc.	\$13,989,025
Emery & Sons, Inc.	\$14,957,449

The District would like to thank all the bidders for your time and interest in this project.

Sincerely,

Adam Denlinger, General Manager

- cc: Holly Halligan, USDA-RD - Community Programs Specialist
- Michael Beyer, USDA-RD - State Engineer / State Environmental Coordinator
- Joy King, SRWD Office Manager
- Jeff Hollen, SRWD General Counsel
- Paul Berg, Jacobs Engineering
- Jennifer Koch, Jacobs Engineering
- Michelle Bilberry, Regional Project Manager – Business Oregon

Bid Results for Phase IV Beaver Creek Water Supply

Bid opening: 2:00 p.m. on February 27, 2020

Witnessed by: Rob Mills (Board Chair), Karen Otta (Board member), Holly Halligan (USDA), Adam Denlinger (Manager SRWD)

Tabulation prepared by: Paul Berg (Jacobs)

Owner's budget for construction (not including membrane equipment) = \$10,300,000 (Announced before bids opened)

	R&G Excavating	JW Fowler	Pacific Excavation	Laskey Clifton Corp	K&E Excavating	McClure & Sons	Emery & Sons
Bids							
Lump Sum Bid Price for Base Bid	\$10,690,000	\$11,903,000	\$11,990,000	\$13,127,351	\$13,257,640	\$13,989,025	\$14,957,449
Ranking**	1	2	3	4	5	6	7
Lump Sum Bid Price only for Alternate A (Clearwell No. 2)	\$500,000	\$583,000	\$633,000	\$776,575	\$628,570	\$550,000	\$720,750
Lump Sum Bid Price only for Alternate B (Mobile Diesel Engine Generator)	\$90,000	\$91,000	\$77,000	\$95,936	\$80,345	\$95,000	\$125,000
Total of All Lump Sums (sum of Base Bid plus Alternate A plus Alternate B)	\$11,280,000	\$12,577,000	\$12,700,000	\$13,999,862	\$13,966,550	\$14,634,025	\$15,803,199
Electric Utility							
Trenching cost	\$160,000	\$1,173,814	\$1,320,000	\$142,000	\$1,236,460	\$100,000	\$267,500
Telephone Utility							
Trenching cost	\$160,000	\$1,173,814	\$1,320,000	\$112,415	\$1,236,460	\$100,000	\$30,000

** Ranking is based on base bid, because it is above Owner's budget without including the additive alternates.

Bid Results for Phase IV Beaver Creek Water Supply

Bid opening: 2:00 p.m. on February 27, 2020

Bid opening location: Seal Rock WD Office, 1037 NW Grebe Street, Seal Rock, OR 97376

Bidder	R&G Excavating	JW Fowler	Pacific Excavation	Laskey Clifton Corp	K&E Excavating	McClure & Sons	Emery & Sons
Bid Amount **	\$10,690,000	\$11,903,000	\$11,990,000	\$13,127,351	\$13,257,640	\$13,989,025	\$14,957,449
Rank	1	2	3	4	5	6	7
Oregon Contractor's License No.	65135	63701	135018				
Addendum acknowledged	Yes	Yes	Yes				
Oregon company as defined by ORS 279A.120	Yes	Yes	Yes				
Bid Signed	Yes	Yes	Yes				
Bid Bond Security provided	Yes	Yes	Yes				
Affidavit of Noncollusion submitted	Yes	Yes	Yes				
Signed USDA Form 400-6	Yes	Yes	Yes				
Signed USDA Form 1048	Yes	Yes	Yes				
Signed USDA Form 1940-Q	Yes	Yes	Yes				
First-Tier Subcontractor Disclosure Form submitted within 2 hours	Yes	Yes	Yes				
Named first-tier subcontractors	Reese Electric (electrical, \$1,514,000) Paso Robles (tank, \$1,037,200)	Crosno Construction (tank, \$1,100,000) Western State Electrical (electrical, \$1,636,000)	Christensen (electrical, \$1,333,215) Paso Robles (tank, \$607,700)	(Details not reviewed for bidders ranked #4-7)			
Drug testing program certification submitted ***	Not yet	Not yet	Not yet				
Any Informalities	No	No	No				
Contact name, email, phone	Del Bibler 503-394-2190 bids@rgexcavating.com	James Fowler 503-623-5373 jeremyh@jwfowler.com	Travis Craig 541-726-7380 travis@pacificexc.com				
Address	39300 Montgomery Dr Scio, OR 97374	12775 Westview Drive Dallas, OR 97338	79 N Danebo Ave Eugene, OR 97402				

** Only lump sum base bid is listed, since District's budget is not sufficient to include additive alternates

*** Drug testing program certification may be submitted at pre-construction conference.



**REQUEST
FOR
INTERIM FINANCING**

FEBRUARY 6, 2020

DISCLOSURES

The Seal Rock Water District (Lincoln County, Oregon) (the “District”) has retained SDAO Advisory Services LLC (“SDAOAS”) to assist, among other things, in evaluating advice and proposals in connection with a municipal financing and municipal financial products (as such terms may, or may not, be defined in the Municipal Advisor Rule (SEC Rule 15Ba1-1(d)(3)(vi)(B)) and the Securities Exchange Act of 1934, as amended (the “Act”). SDAOAS represents that they are an independent registered municipal advisor registered pursuant to the Act, and the rules and regulations promulgated therein.

The individual listed below represents the District as its municipal advisor:

Mr. David Ulbricht, Director
SDAO Advisory Services LLC
328 NE Davis Street, Suite 3
McMinnville, Oregon 97128
503.472.9965 | Email: dulbricht@sdao.com

The District will rely on the advice of SDAOAS with respect to advice and the evaluation of the proposals relating to such matters including the District’s financing. For purposes here, “reliance” means that the District will consider the advice, analysis and perspective of SDAOAS but does not mean that the District assumes an obligation to follow that advice.

Additionally, aside from the regulatory mandated correspondence, your institution should direct any and all correspondence to the municipal advisor. Further, and at such time requested, the District is prepared to provide written representation that is represented by, and will rely on the advice, of its independent registered municipal advisor.

**SEAL ROCK WATER DISTRICT, OREGON
REQUEST FOR FINANCING SERVICES**

February 6, 2020

<u>Section I:</u> - Introduction
The District
<p>The Seal Rock Water District, organized under Oregon Revised Statutes Chapter 264, is located in central Lincoln County. The District stretches approximately 12.5 miles along the central Oregon coast from 68th Street on the north to the Alsea Bay on the south. The District is bordered by the Pacific Ocean on the west and extends inland no more than 1.5 miles.</p> <p>The boundaries of the District encompass a portion of the City of Waldport Urban Growth Boundary (UGB) on the north side of Alsea Bay and includes sections of land in the City of Newport UGB (most of which has already been annexed by the City), on the south side of Yaquina Bay. The District serves a portion of the South Beach area of the City of Newport, which remains in the District's taxing boundaries.</p> <p>The area within the District serves primarily as a bedroom community for families working in nearby urban areas, including Newport and Waldport, as a home for retirees, and as a second or vacation home for others living outside the District. The District was incorporated in 1956, after a merger of two, contiguous water districts, and currently has an estimated population of 5,500. The District maintains approximately 65-miles of pipe, a 2.5 million-gallon storage reservoir system with 2,595 service connections that is 95% residential having an estimated annual water sales volume of 95 million gallons. The five Commissioners are elected at large to staggered four-year terms.</p> <p><u>District Facilities and Operations:</u></p> <p>The District is the largest water district on the Oregon coast in terms of service population. Along with the 65-miles of pipe, the District has six pressure zones, and supplies over 150 fire hydrants. The 65-miles of pipe includes 8-miles of 12- and 14-inch transmission line from the City of Toledo.</p> <p>The pipe network within the District's service boundary ranges from 2-inch to 12-inch in diameter, with a small amount of 14-inch HDPE pipe. Over 30% of the pipe system is 4-inch in diameter. 10 miles of pipe is 2-inch in diameter.</p> <p>In 2012, the District implemented Phase 1, Phase 2 and Phase 3 improvements for the distribution system, which included installing 14 new fire hydrants, a new pressure-reducing valve, installation of advanced metering infrastructure and over 3.6 miles of new pipe ranging in diameter from 6-inches to 14-inches.</p> <p>The District currently has two reservoir tanks. The Lost Creek Reservoir, constructed in 2005, is a 1.5 million-gallon tank serving the north end of the system. The Driftwood Reservoir, constructed in 1982, is a 1.0 million-gallon storage serving the south end of the system.</p>

The District updated its rate structure in July 2016. The typical cost for a single-family residence is approximately \$59 per month. This value is based on a typical single-family residence use of 3,713 gallons per month, which is derived from the average day demand value of 75 gallons per capita per day (“gpcd”) and average household size of 1.65 people per household. The District’s current rate structure for a ¾-inch residential meter consists of a base charge of \$33.50 per month. The use rate is an inclining block structure, with higher unit costs as use increases. The cost is \$5.20 per 1,000 gallons for the first 1,000 gallons of monthly use and \$6.40 per 1,000 gallons for use between 1,000 and 5,000 gallons per month. Applying these charges, the typical use of 3,713 gallons per month results in costs of \$33.50 for base, \$5.20 for the first 1,000 gallons, \$6.40 for the next 1,000 gallons, and \$7.75 for the next 1,000 gallons and 713 gallons multiplied by \$8.41/1,000 gallons, totaling \$58.85 per month.

The Agreement

The District is seeking request for proposals for interim construction financing through the issuance of a full faith & credit financing agreement (the “Agreement”) for a term no greater than 2-years. The District expects to use proceeds of the Agreement to finance costs of the Beaver Creek Project (as defined below) and refinance an outstanding short-term line-of-credit that financed improvements to the District’s water system. A form of the Agreement is attached hereto as Appendix C.

The Project and Funding Sources

The District has advertised for Bids on December 18th with responses due February 18, 2020th to construct the following Beaver Creek Water Supply and Treatment Project (the “Beaver Creek Project”):

River intake, raw water pump station, and treatment facility located on real property already owned by the District, nearly 10,000 feet of 14-inch HDPE pipeline plus other smaller diameter pipelines and conduits, approximately 4,000-square-foot treatment plant CMU building, membrane equipment installation, other water treatment components, two welded steel tanks, one holding approximately 250,000 gallons and one holding approximately 500,000 gallons, one portable and one installed backup generator, and related facilities

Source of funding for the construction of the Project and refinancing of the existing short-term line-of-credit (collectively, the “Project”) is being provided from the State of Oregon Safe Drinking Water Program and the US Department of Agriculture Rural Utilities Service. The Project cost is estimated at \$15,376,500 which is intended to be funded as follows:

- State of Oregon Loan/Grant - \$2,451,000 Loan and a \$1,030,000 Forgivable Loan
- USDA Loan (GO Bond Authorization) - \$6,549,000
- USDA Loan (Revenue Bond) - \$2,547,000
- USDA Grant - \$2,799,500

Construction of the Beaver Creek Project is estimated to be completed within 18-months from the commencement of the construction contract.

NOTE: *As stated above, the District expects to receive bids for the construction of Beaver Creek Project on or about February 18, 2020. Proposals to provide financing services is due on Thursday, February 20, 2020. In the event the bids were to come in higher than anticipated The District intends to take all steps necessary to seek additionally borrowing or grant authorization from the State of Oregon and/or the US Department of Agriculture. This step could delay the closing of the Agreement and change the principal amount of the Agreement. Should such an event occur, the District will promptly notify prospective financing providers and a revised timeline for the submission of proposals will be circulated.*

Par Amount
Not to exceed \$9,096,000, including the costs of Agreement Issuance (Subject to change).
Closing Date
To be determined (Subject to change).

Authorization
The Agreement is authorized and will be issued in compliance with Oregon Revised Statutes (“ORS”) Chapters 287A, ORS Section 271.390 and an Authorizing Resolution No. 0719-02 (the “Resolution”), attached as Appendix A, of the Board of Directors adopted July 11, 2019.

Principal Payments
At maturity unless paid prior to maturity.

Interest Payments
To be determined but preferably semi-annual. See Attachment A for a preliminary schedule.

Interest Rate Basis
30/360 days.

Call Feature
The District expects the most flexible call feature and preferably without penalty.

Security for and Payment of the Agreement
--

The Agreement shall constitute an unconditional obligation of the District, which is payable from all lawfully available funds of the District. The District may pledge its full faith & credit and taxing power within the limitations of Section 11 and 11b of Article XI of the Oregon Constitution, and any and all of the District’s lawfully available funds to make the payments due under the Agreement. The Agreement may also be secured by a lien of the proceeds of the Revenue Bonds, the proceeds of the General Obligation Bonds, and the unspent proceeds of the Agreement. It is the intent of the US Department of Agriculture-Rural Utilities Service to purchase the District’s Revenue Bonds and General Obligation Bonds, pursuant to its Letter of Conditions dated July 2, 2019. Proceeds of the Revenue Bonds and General Obligation Bonds will be issued upon completion of the Beaver Creek Project and the proceeds will be used to pay the Agreement and reimburse the District for any interest expense incurred on the Agreement. Funds have been obligated and set aside pursuant to USDA Form 1940-1 to purchase the District’s Bonds. A copy of the Letter of Conditions and USDA Form 1940-1 is attached here to as Appendix D.

Upon selection or award of financing services, and subsequent approval of USDA to proceed with the Agreement, USDA will provide its letter of commitment to the selected financing provider of its intent to provide long-term financing to the District in which the proceeds will be applied towards the repayment of the Agreement.

Rating
The District DOES NOT intend to apply for a rating on the Agreement. However, the District does have an existing underlying of 'A3'.
Tax Status – Bank Qualification
Tax-exempt (Federal and State of Oregon) and the District shall designate the Agreement as a “qualified tax-exempt obligation” under Section 265(b) of the Code.
Financing Team
<i>Special Counsel:</i> Hawkins Delafield & Wood LLP (Portland, Oregon) <i>Municipal Advisor:</i> SDAO Advisory Services LLC (Salem, OR)

Section II: Work Scope

A.) General Provision

Please note, as a perspective Lender, you are acknowledging: (a) no official statement is being prepared; (b) you have undertaken an independent review of the credit and been provided with all the information necessary; and (c), you intend to hold the Agreement until maturity and does not intend to resell; and (d) you have entered into this financing with no present intention to transfer or resell and you intend to book and hold the Agreement as a loan in your loan portfolio. To the extent the word(s) “Agreement”, “Series 2020 Agreement” or “Agreements” may have been used in any way to reference the debt instrument, the Lender acknowledges that the word(s) “Agreement”, or “Agreements” is for convenience only and not intended to indicate that the instrument is a security within the meaning of the Securities Act of 1933. The Lender will be required to sign and deliver an investor letter and require any subsequent holder to also deliver an investor letter. **Additionally, the Financing Agreement will be in substantially the form attached hereto as Appendix C. Any proposed changes to such forms of purchase agreement must be clearly identified in the Lender’s response to the RFP.**

B.) Proposal Requirements and Evaluation

Any contact, direct or indirect, by proposers or their employees, agents, lobbyists or consultants with the District, project manager, legal consultants, special counsel, municipal advisors, or other representatives regarding this RFP, except as provided herein, is prohibited. A violation of this prohibition may result in the rejection of the proposal.

Firms that submit responses to this RFP are requested to **answer each of the questions in Section III and Attachment A in a concise and clear manner.** All questions should be answered in the order presented in this RFP. Initiate each response by restating the question. Quantitative schedules and financial reports (Estimated financing payment schedules, sources and uses of funds and pricing reports, etc.) may be attached as appendices. **The inclusion of marketing information about your institution is discouraged, unless otherwise requested.**

This RFP does not commit the District to make any selection or to pay any costs incurred in preparation of the responses. All responses to this RFP shall become the property of the District. It should be noted that information submitted to the District may be subject to disclosure.

It is the intent of the District to select financing services on the basis of the responses to this RFP. However, the District, at its sole discretion, reserves the right to accept or reject any or all responses as a result of this RFP, or to cancel in part or in its entirety this RFP, and to select any lender the District deems most beneficial. The District may request additional information from the respondents during the course of the selection process. By submitting a response to this RFP, the proposer agrees to perform the work described in the submitted response. The District reserves the right to accept any proposal, to modify or amend, with the consent of the proposer, any proposal prior to acceptance, to reject any or all proposals, or waive any informality or otherwise effect any agreement as the District, in its sole judgment, may deem to be necessary and appropriate.

C.) Key Dates

Key dates, deadlines and response format described herein apply to all firms responding to this RFP. Interested institutions must provide full and succinct responses to the questions posed in this RFP. Responses must be received **no later than 4:00 pm., Prevailing Pacific Time, Thursday , February 20, 2020.** All responses received after that time may be deemed non-responsive and may not be considered. To ensure timeliness of responses they may be submitted by e-mail.

Hard copies of responses are not required:

Electronic copies of the response should be delivered to:

David Ulbricht
SDAO Advisory Services LLC
727 Center Street NE
Salem, Oregon 97301
Telephone: 503.371.8667
Email: dulbricht@sdao.com

D.) Anticipated Selection Schedule

RFP distributed:	Thursday, February 6, 2020
Questions due:	4:00 pm PPT Thursday, February 13, 2020
Answers distributed to the Group	
no later than:	Friday, February 14, 2020
RFP responses due:	4:00 pm, PPT time, Thursday, February 20, 2020
Interviews and selection	Reserved
Closing:	Within 30-days of award.

The District may interview for the appointment, but it reserves the right to act without oral presentations or other discussions with proposers. Therefore, all offers should be submitted on the most favorable terms.

All questions regarding this RFP should be directed in writing, by hand, fax or email to: David Ulbricht, SDAO Advisory Services LLC, telephone: 503.472.9965; fax: 503.400.3090; email: dulbricht@sdao.com, no later than 4:00 p.m., Prevailing Pacific time, Thursday, February 13, 2020. Answers to all questions submitted by such deadline will be sent no later than Friday, February 14, 2020 to all persons to whom a copy of this RFP has been sent. All proposers should include an email address, to which answers can be sent, with their questions.

Section III: Required Information to be provided

Your proposal should address each of the following. Brevity and clarity in responses will be considered positive in the evaluation process.

A) Cover Letter (Page Limit – 2 Pages)

1.) Please begin your response with a cover letter. This cover letter should be signed by an individual in your firm who will be both a member of the financing team and who is capable of committing the firm’s capital and for negotiating all fees and costs associated with this engagement. The name, address, email address and telephone number of a single individual within the firm who will be the primary contact during this engagement. Your response must be included in this cover letter. Also include in your cover letter the email address and/or fax number to which answers to questions can be sent. Please also state succinctly in the cover letter the primary reasons why your institution should be considered by the District, keeping in mind the specific qualifications required and **described** in this RFP.

B) Financing and Structure Component

1.) Please provide the indicative fixed **interest rate(s)** which would be charged **based on a 30/360 day basis**. Also, provide the date through which your proposed interest is good for or when the offer expires. If a shorter term is being proposed, please so state in your response. Please refer to Attachment I for proposed payment dates. **Please note Payment Dates are subject to change.**

2.) The set-up, organization, loan/commitment fee or any other bank fee to be incurred at the time of closing of the Agreement. Please provide any other additional charges that the District may incur (i.e. legal or bank counsel fees, annual fees). If your financial institution expects to hire or engage counsel with respect to this engagement, please set forth the name of the firm(s) you expect to engage and the name of the principal lawyer who would be assigned to this transaction. The District expects that the fee to be paid to such counsel will be the **responsibility of the Lender, unless otherwise noted in the proposal.**

3.) The District expects to retain the option to prepay the Agreement, at any time, without penalty or premium. Please provide your proposed prepayment options.

4.) Special Counsel opinions for the District and financing documents will be provided by Hawkins Delafield & Wood LLP, Portland, Oregon. Please indicate if you require further legal opinions. Please provide an estimate of any additional legal fees and the maximum cap upon any additional legal fees.

5.) Please note whether the proposal is conditioned upon further credit approval and provide document requirements from the District to meet the due diligence/credit approval process. Also, provide a time frame in which the credit will be approved. If your proposal is not conditioned on further due diligence/credit approval, please state as such within the proposal.

6.)	Attached to this RFP is a form of the Agreement (Appendix C) that the District proposes to use for the financing. Also, attached is the Authorizing Resolution No. 0719-02 as Appendix A. Provide a list of any changes to the form of Agreement that you would require. Also provide a list of any certifications and opinions that your firm will require at or before settlement of the Agreement that are not covered in the RFP.
7.)	Provide a list of any or all reporting requirements during the term of the Agreement. Please note that the District is prepared to provide audited financial statements or such other acceptable financial statements within 270-days of its fiscal year end. Please note if your institution requires a different requirement to provide financial data.
8.)	Provide any other terms and conditions not specifically requested herein. For example, will your institution require a debt service reserve fund, or other terms and conditions.
9.)	If direct or out-of-pocket expenses are anticipated, please provide an estimate of those expenses.
10.)	An estimate of how much time you would require from selection of the bank to closing, assuming timely responses from the District.
11.)	Please refer to the following Attachment I to assist with the formulation of your financing proposal.
12.)	The District desires the purchaser to wire transfer certain costs of issuance from proceeds at closing, including the fees of Special Counsel, Municipal Advisor and MDAC. Please specify in your response any restrictions your bank has on the number of closing wires.

C) Other Information to Be Provided	
1.)	Please identify any conflicts of interest or matters that pose an appearance of a conflict of interest that currently exists or may arise during the financing transaction. Disclose any fee splitting, finder's fees or other contractual arrangements of your financial institution in connection with the financing transaction and fully describe such arrangements that could present a real or perceived conflict of interest.
2.)	Disclose any pending or past litigation or investigations of the institution and any enforcement and disciplinary actions taken within the past three years by the SEC or by any other regulatory body that may impact your ability to provide financing services.
3.)	Provide additional relevant information about your financial institution or any other information that you believe would assist the District in its decision to select your financial institution as the Lender. <i>Please limit your response to no more than one page.</i>

**ATTACHMENT I
 SERIES 2020 AGREEMENT**

**Seal Rock Water District
 (Beaver Creek Water Treatment Project)**

Assumptions:

- 1.) **Dated/Delivery Date:** March 15, 2020 (Date Subject to Change. Date will be agreed to after award);
- 2.) **Credit Rating:** Not Applicable
- 3.) **Par Amount:** \$9,096,000.
- 4.) **First Interest Payment:** September, 2020 (Subject to change);
- 5.) **First Principal Payment:** At maturity or early redemption but no later than 2-years from the date of issuance.
- 6.) **Interest Calculation:** 30/360 day basis.
- 7.) **Cost/Fee Breakdown:** See format below:

Bank Cost and Fee Components:

	Estimated	Not-to-Exceed
Lending or Commitment Fee	\$ _____	\$ _____
Expenses (provide detail below)	_____	_____
Total		

Expense Detail	Amount
Bank Counsel	\$ _____
Documentation	
Courier/Overnight Packages/Communications	
Any other fees	
Total	\$ _____

**Seal Rock Water District
 Estimated Maturity Schedule⁽¹⁾⁽²⁾**

Due March 15 of Year⁽¹⁾	Principal Amount⁽¹⁾
2022	9,096,000

(1) Principal Payment Amount provided are for Illustration Only. Actual and Final Par Amount and Principal Payment Amounts and Dates are subject to change.

Authorizing Resolution

RESOLUTION NO. 0719-02

A RESOLUTION OF THE SEAL ROCK WATER DISTRICT, OREGON,
AUTHORIZING A BORROWING TO PROVIDE INTERIM FINANCING IN
AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,096,000

The Board of Commissioners (the "Board") of the Seal Rock Water District, Oregon, resolves:

WHEREAS, the Seal Rock Water District (the "District") seeks to finance capital costs to the District's water system as described in Measure No. 21-140, approved by the voters of the District at an election held on November 8, 2011 (the "GO Projects"), and to finance improvements to the District's water system as described in Resolution No. 0719-01 adopted by the Board on July 11, 2019 (the "Revenue Bond Projects," and together with the GO Projects, the "Projects");

WHEREAS, the District is authorized to issue general obligation bonds to finance the GO Projects in an amount not to exceed \$15,000,000 pursuant to Measure No. 21-140, and has \$6,549,000 in authority remaining under that Measure;

WHEREAS, the Board adopted Resolution No. 0719-01 approving the issuance of revenue bonds in an amount not to exceed \$2,600,000 pursuant to Oregon Revised Statutes Section 287A.150 (the "Statute"), to fund the Revenue Bond Projects;

WHEREAS, the United States of America, acting through the United States Department of Agriculture Rural Development ("Rural Development"), an agency of the federal government, appropriated funds in an amount not to exceed \$6,549,000 to loan amounts to the District for the GO Projects and in an amount not to exceed \$2,547,000 to loan amounts to the District for the Revenue Bond Projects, and requires the District to obtain interim financing to finance the Projects;

WHEREAS, the District has an outstanding line of credit with Cashmere Valley Bank to finance Revenue Bond Projects (the "Outstanding Line") and it may be beneficial to the District to refinance the Outstanding Line with the interim financing authorized by this Resolution;

WHEREAS, the District is authorized by ORS 271.390 to enter into financing agreements to finance or refinance real or personal property that the Board determines is needed, so long as the estimated weighted average life of each financing agreement does not exceed the estimated dollar weighted average life of the property that is financed or refinanced by such financing agreement; and

WHEREAS, the Board hereby determines that the Projects are needed, and that it is desirable to borrow up to \$9,096,000 to provide interim financing for the Projects pursuant to ORS 271.390;

NOW, THEREFORE, THE BOARD OF THE SEAL ROCK WATER DISTRICT, OREGON, RESOLVES AS FOLLOWS:

Section 1. Authorization. The District hereby authorizes a borrowing under ORS 271.390 (the “Loan”) in a principal amount of not more than \$9,096,000. The Loan may be in the form of one or more financing agreements, lines of credit, notes or other structures. Proceeds of the Loan may be used to pay costs of the Projects, to refinance the Outstanding Line, and to pay costs related to the Loan and the refinancing, including interest on the Loan and the Outstanding Line.

Section 2. Security. The Loan may constitute an unconditional obligation of the District, which is payable from all lawfully available funds of the District. The District Official may pledge the District’s full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and any and all of the District’s lawfully available funds, to make the payments due under the Loan. The Loan may also be secured by a lien on the proceeds of the Revenue Bonds, the proceeds of the GO Bonds, the unspent proceeds of the Loan, and water system revenues.

Section 3. Delegation. The President of the Board, the Board Treasurer, or a person designated by either of those officers to act on behalf of the District pursuant to this resolution (each of whom is referred to in this resolution as a “District Official”) may, on behalf of the District and without further action by the Board:

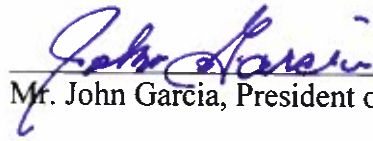
- (i) Issue the Loan from time to time in one more series;
- (ii) Determine whether to refinance the Outstanding Line and take action to prepay that borrowing if desirable;
- (iii) Select one or more purchasers and negotiate the sale of each series of the Loan with those purchasers;
- (iv) Establish the final principal amount, interest rates, payment schedule, covenants and other terms for each series of the Loan, subject to the limitations of this Resolution;
- (v) Determine the security for each series of the Loan subject to the limitations of this Resolution;
- (vi) Enter into additional covenants for the benefit of the purchaser of each series of the Loan that the District Official determines are desirable to obtain favorable terms of each series of the Loan;
- (vii) Execute and deliver one or more loan agreements, credit facilities, notes, declarations, or other documents that memorialize the terms of each series of the Loan;
- (viii) Renew, extend or refinance each series of the Loan;
- (ix) Enter into covenants to maintain the excludability of interest on each series of the Loan from gross income under the Internal Revenue Code of 1986, as amended (the “Code”);
- (x) Designate each series as a “qualified tax-exempt obligation” under Section 265(b) of the Code, if applicable;

- (xi) Execute all Loan documents and take any other actions that a District Official determines are reasonably required to carry out this Resolution.

Section 4. Reimbursement Declaration. The District formally declares its intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to reimburse the District from the proceeds of a borrowing for expenditures it has made or will make for the Project, whether such reimbursement is made from the proceeds of the Loan or from the proceeds of the permanent financing for the Project expected to be provided by Rural Development.

ADOPTED by the Board of Commissioners of the Seal Rock Water District, Oregon this 11th day of July, 2019.

SEAL ROCK WATER DISTRICT, OREGON


Mr. John Garcia, President of the Board

ATTEST:

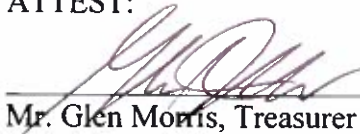

Mr. Glen Morris, Treasurer of the Board

EXHIBIT A

Notice of Revenue Bond Authorization

NOTICE IS HEREBY GIVEN that the Seal Rock Water District, Oregon (the "District"), adopted Resolution No. 0719-01 on July 11, 2019, authorizing the issuance of revenue bonds. The bonds will be issued to finance or refinance improvements to the District's water system, including providing a primary source of water for the District (collectively, the "Project").

The Board of Commissioners may establish by subsequent resolution all terms, conditions and covenants regarding the bonds and the revenues which are necessary or desirable to effect the sale of the bonds.

The District estimates that the bonds will be issued in an aggregate principal amount of not to exceed \$2,600,000; bond principal and interest are expected to be paid from revenues of the District's water system. The bonds will not be general obligations of the District, nor a charge upon its tax revenues, but will be payable solely from the revenues which the District pledges to the payment of the bonds, which is expected to be net revenues of the District's water system.

If written petitions, signed by not less than five percent (5%) of the District's electors, are filed at the Office of the District on or before September 18, 2019 (the 61st day after the date of publication of the notice), the questions of issuing the revenue bonds shall be placed on the ballot at the next legally available election date.

The resolution authorizing the bonds is available for inspection at the Office of the District. The Office of the District is located at 1037 NW Grebe Street, Seal Rock, Oregon 97376.

The bonds will be issued and sold under Oregon Revised Statutes (ORS) 287.150; this Notice is published pursuant to ORS 287A.150(4).

**BY ORDER OF THE BOARD OF
COMMISSIONERS OF SEAL ROCK WATER
DISTRICT, OREGON.**

Appendix B – Additional Data

The information contained herein should not be construed as representing all conditions affecting the District or the Series 2020 Agreement. Additional information may be obtained from the District’s Municipal Advisor. Direct contact with the District is prohibited. The statements relating to the Authorizing Resolution and Agreement are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The District and Municipal Advisor do not guarantee all estimates, assumption, statistical information and other statements contained herein, while taken from sources considered reliable. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not representations of fact.

The information assembled herein is not to be construed as a contract with the Lender or holder of the 2020 Agreement and such information is being provided solely for the purpose of providing basic information about the District.

Financial Statements and Budgets:

Audited Financial Statements can be located on the:
Oregon Secretary of State website



The screenshot shows the Oregon Secretary of State website's "Local Government Audit Report Search" page. The page features a navigation menu with "Home", "Business", "Voting", "Elections", "State Archives", and "Audits". The "Audits" menu item is highlighted. On the left, there is a sidebar with links: "Search State Audits and Reviews", "Search and File Municipal Reports", "Recently Released Audits", "Local Government Resources", "Report Government Fraud, Waste or Abuse", and "Audit Standards and Protocols". The main content area contains a search form with the following fields: "Fiscal Year" (set to 2020), "County" (set to LINCOLN), "Government Type" (set to WATER DISTRICTS), and "Government Name" (set to seal rock). There are two radio buttons under "Government Name": "Contains Text Entered" (selected) and "Starts with". Below the form are "Search" and "Reset" buttons. A note at the bottom states: "Note: You will need a current version of Adobe Reader® to view and print the audit reports. Get Adobe Reader for FREE."

<https://secure.sos.state.or.us/muni/public.do>

Adopted Budgets for the District be located on the District website

<https://www.srwd.org/adopted-budget>

DEBT AND FINANCIAL OBLIGATIONS

Debt Management

The District has always promptly made principal and interest payments on its outstanding bonds and other indebtedness when due. Additionally, no obligations, bonds or other forms of indebtedness have been issued for the purpose of preventing an impending default or for operational purposes.

Debt Limitation

Limited Tax Debt. Districts may pledge their full faith and credit for “limited tax bonded indebtedness” or “full faith and credit obligations”. Full faith and credit obligations can take the form of bonds, certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited tax debt is subject to the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution. The District will pledge its full faith & credit and taxing power to pay the 2019B Bonds; however, neither of the 2019 Bonds constitute limited tax bonded indebtedness.

General Obligation Bonds.

The District is authorized to issue general obligation bonds pursuant to ORS Chapters 777 and 287A. General obligation bonds issued by the District shall never exceed in the aggregate two and one-half percent of the real market value of all taxable property within the District.

Debt Capacity/Limitation	
Real Market Value (fiscal year 2019-20) ⁽¹⁾	\$921,297,820
Debt Capacity (10.0% of RMV)	\$92,129,782
Outstanding Obligations Subject to Limitation ⁽²⁾	<u>10,040,726</u>
Remaining Debt Capacity	<u>\$82,089,056</u>
Percent of Debt Capacity/Limit Outstanding	10.90%
Percent of Debt/Real Market Value	1.09%

(1) The District's fiscal year commences July 1 and ends on the following June 30 (the "Fiscal Year").

(2) Represents the District's indebtedness subject to the debt limitation for voter-approved general obligation bonds.

Source: The District

Seal Rock Water District – FF&C Interim – Beaver Creek Water Project

February 6, 2020

Appendix B

General Obligation Bonds	Issue Date	Original Amount	Maturity Date	Balance 30-Jun-19
Series 2013	2/27/2013	\$ 2,075,000	6/1/2036	\$ 1,750,000
Series 2012	6/13/2012	5,000,000	6/1/2032	3,560,000
Series 2011	10/27/2011	1,626,200	12/27/2041	1,389,227
Series 2016	12/1/2016	3,451,000	12/1/2041	3,341,499
Total General Obligation Bonds		<u>12,152,200</u>		<u>10,040,726</u>

Source: Audited Financial Statement - June 30, 2019

Short-Term Borrowing

The District currently has a short-term indebtedness outstanding with Cashmere Valley Bank originally issued in the amount \$1,616,500 and outstanding in the amount of \$1,616,500. This Note is intended to be paid from proceeds of the to be issued Water Installment Revenue Bond to the USDA-Rural Utilities Service. The original proceeds from this Note were used to finance capital improvements to the District's Beaver Creek Source Water Project.

Long-Term Borrowing

Other than the voter-approved general obligation bonds listed on the previous page, the following table lists other obligations of the District:

Revenue Obligations	Issue Date	Original Amount	Maturity Date	Balance 30-Jun-18
State of Oregon - IFA	12/1/2016	\$ 126,285	12/1/2023	\$ 108,607
Water Revenue Installment Bond - USDA	6/1/2012	1,505,000	6/1/2042	1,293,232
Cashmere Valley Bank - Note ⁽¹⁾	4/19/2017	1,616,500	12/1/2030	1,616,500
		-		-
		-		-
Total Revenue Obligations		<u>3,247,785</u>		<u>3,018,339</u>

(1) To be refunded from the proceeds of a USDA Water Installment Revenue Bond.

Source: Audited Financial Statement - June 30, 2019

Future Debt Plans

Other than the financings described herein, the District currently has no plans to issue any other additional debt in the next 12 months.

REVENUE SOURCES

The District’s general operating revenues are derived primarily from Water sales and property taxes. The below is a historical table of the District’s General Operating Revenues:

Fiscal Year End, June 30	Primary Revenue Sources - General Operating Fund							
	2015	% of Revenues	2016	% of Revenues	2017	% of Revenues	2018	% of Revenues
Water Sales	\$ 1,609,406	93.3%	\$ 1,656,422	92.3%	\$ 1,686,796	92.0%	\$ 1,797,663	91.0%
Service Connections	27,690	1.6%	39,106	2.2%	47,975	2.6%	54,175	2.7%
Property Taxes	73,216	4.2%	71,459	4.0%	74,279	4.1%	76,814	3.9%
Miscellaneous	12,212	0.7%	27,149	1.5%	24,143	1.3%	9,982	0.5%
Interest	91	0.0%	105	0.0%	188	0.0%	36,992	1.9%
Sub-Total	\$ 1,722,615	99.8%	\$ 1,794,241	100.0%	\$ 1,833,381	100.0%	\$ 1,975,626	100.0%
All other Revenues	\$ 3,000	0.2%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Total Revenues	\$ 1,725,615	100%	\$ 1,794,241	100%	\$ 1,833,381	100%	\$ 1,975,626	100%

Source: Annual Audited Financial Statements.

Property Taxes

Most local governments, school districts, education service districts and community college districts ("local governments") have permanent authority to levy property taxes for operations ("Permanent Rates") up to a maximum rate (the "Operating Tax Rate Limit"). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit. **The District’s permanent tax rate is \$0.1259/\$1,000 of assessed value.**

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures ("Local Option Levies") or levies to repay general obligation bonded indebtedness ("General Obligation Bond Levies").

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years. The District does not have a local option levy.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property – Real Market Value. "Real Market Value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt

since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value

Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined, and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation – Measure 5

A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. **Property taxes imposed which may be pledged to pay the Agreement are subject to the limitations of Article XI, Sections 11 and 11b.**

In 2007, the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections

Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25th each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool, and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer’s account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

The following tables represent historical tax information for the District.

**Seal Rock Water District
 Tax Rate History**

Fiscal Year	Real Market Value ⁽¹⁾	Taxable Assessed Value ⁽²⁾	Tax Imposed	Billing Rate Per \$1,000 of Taxable Assessed Value	Bond Rate Per \$1,000 of Taxable Assessed Value
2019-20	\$ 877,840,915	\$ 690,503,415	\$ 860,627	\$ 0.1259	\$ 1.0937
2018-19	814,291,143	660,001,545	853,360	0.1259	1.1384
2017-18	772,051,950	635,866,995	1,059,581	0.1259	1.5021
2016-17	701,625,568	603,565,545	663,474	0.1259	0.9487
2015-16	663,486,573	582,440,005	624,818	0.1259	0.9225

(1) Value represents the Real Market Value (Measure 5) 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.

Source: Lincoln County Assessor’s Office.

Seal Rock Water District – FF&C Interim – Beaver Creek Water Project
 February 6, 2020
 Appendix B

The following tables presents the Fiscal Year 2019-20 tax rates for the District and other taxing jurisdictions within Lincoln County that overlap the District. The District’s Operating Tax Rate Limit is \$0.1259 per \$1,000 of assessed property value. The Operating Tax Rate Limit was calculated in conjunction with the implementation of Measure 50 in 1997. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

Seal Rock Water District 2019-20 Consolidated Tax Rates Per \$1,000 Tax Code Area: 326 (AV \$172,426,810) Represents 25% of District's Assessed Value on Roll			
General Government	Permanent Operating Rate	Exempt (Bond) Levy Rate	Consolidated Rate
Lincoln County	\$2.8202	\$ -	\$2.8202
Lincoln County Extension	0.0451	-	0.0451
Lincoln County Animal Services	0.1100	-	0.1100
Lincoln County Transportation	0.0974	-	0.0974
Lincoln County Regional Library	0.3365	-	0.3365
Port of Alsea	0.0333	0.1063	0.1396
Seal Rock Water District	0.1259	1.0937	1.2196
Bayshore Special Road District	0.5064	-	0.5064
Pacific Communities Health District	0.3625	0.7758	1.1383
Seal Rock RFPD	<u>1.0634</u>	<u>-</u>	<u>1.0634</u>
Total Government	<u>\$5.5007</u>	<u>\$1.9758</u>	<u>\$7.4765</u>
Schools			
Linn-Benton (Lincoln) ESD	\$ 0.3049	\$ -	\$ 0.3049
Oregon Coast Community College	0.1757	0.2147	0.3904
Lincon County School District	<u>4.9092</u>	<u>0.6464</u>	<u>5.5556</u>
Total Schools	<u>5.3898</u>	<u>0.8611</u>	<u>6.2509</u>
Total Tax	<u>\$ 10.8905</u>	<u>\$ 2.8369</u>	<u>\$ 13.7274</u>

NOTE: County assessors report levy rates by tax code. Levy rates apply to taxable "assessed" property value. Tax rate limitations are based upon "real market" value and are reported in total dollar amount of compression, if any, for each taxing jurisdiction.

There are 26 tax code areas within the District, of which tax code area 326 has the highest reported total assessed value. Assessed values range from a low of zero (Tax Code Area 147) to a high of \$172,426,810 (Tax Code Area 326).

Source: Lincoln County Department of Assessment and Taxation.

Seal Rock Water District – FF&C Interim – Beaver Creek Water Project
 February 6, 2020
 Appendix B

The following tables contain information concerning major taxpayers in Lincoln County. Tax amounts are the total taxes paid by the taxpayer within the boundaries of the specific taxing jurisdiction. These amounts are distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

**Lincoln County
 Major Taxpayers
 2019-20 Fiscal Year**

Owner of Record (Taxpayer)	Total Assessed Value	% of Total County Assessed Value*	Taxes Imposed	% of County-Taxes Imposed*
Georgia Pacific Toledo LLC	\$215,961,840	2.62%	\$3,338,458	2.83%
Central Lincoln PUD	103,124,000	1.25%	1,457,527	1.24%
Northwest Natural Gas Co.	56,140,000	0.68%	912,907	0.78%
Weyerhaeuser	68,095,660	0.83%	820,408	0.70%
Charter Communications	41,910,700	0.51%	680,854	0.58%
Devil's Lake Road LLC	39,072,150	0.47%	649,182	0.55%
Worldmark, The Club	42,631,550	0.52%	548,313	0.47%
Nestucca Forests LLC	35,714,830	0.43%	436,286	0.37%
CenturyLink	28,773,000	0.35%	415,243	0.35%
Hallmark Inns & Resorts Inc.	19,821,110	0.24%	360,308	0.31%
Total - Top Ten Taxpayers in the County	<u>\$651,244,840</u>	<u>7.89%</u>	<u>\$9,619,485</u>	<u>8.17%</u>
Remaining County Taxpayers	<u>\$7,598,608,038</u>	<u>92.11%</u>	<u>\$108,143,170</u>	<u>91.83%</u>
Total County	<u><u>\$8,249,852,878</u></u>	<u><u>100.00%</u></u>	<u><u>\$117,762,655</u></u>	<u><u>100.00%</u></u>

* Please note that totals may not equal due to rounding.
 Source: Lincoln County Assessor's Office.

Seal Rock Water District – FF&C Interim – Beaver Creek Water Project

February 6, 2020

Appendix B

Lincoln County
Major Taxpayers
2017-18

Owner of Record (Taxpayer)	Total Assessed Value	% of Total Assessed Value*	Taxes Imposed	% of District Taxes Imposed
Georgia Pacific Toledo LLC	\$206,238,350	1.30%	\$3,215,405	1.30%
Central Lincoln PUD	80,538,000	1.07%	1,165,762	1.07%
Weyerhaeuser	62,718,890	0.85%	779,014	0.85%
Northwest Natural Gas Co.	44,519,000	0.83%	705,599	0.83%
Devil's Lake Road LLC	38,645,970	0.75%	636,970	0.75%
Charter Communications	36,796,700	0.70%	606,696	0.70%
Worldmark, The Club	39,853,530	0.59%	513,801	0.59%
Nestucca Forests LLC	33,758,320	0.52%	424,831	0.52%
CenturyLink	20,735,700	0.46%	299,823	0.46%
PacifiCorp	21,053,000	0.45%	283,853	0.45%
Top Ten Taxpayers in the District	<u>\$584,857,460</u>	<u>7.67%</u>	<u>\$8,631,754</u>	<u>7.84%</u>
Remaining District Taxpayers	<u>\$7,042,334,958</u>	<u>92.33%</u>	<u>\$101,521,795</u>	<u>92.16%</u>
Total District Taxpayers	<u>\$7,627,192,418</u>	<u>100.00%</u>	<u>\$110,153,549</u>	<u>100.00%</u>

* Please note that totals may not equal due to rounding.

Source: Lincoln County Assessor's Office.

Appendix C
Form of Financing Agreement

FINANCING AGREEMENT

\$[____]
Seal Rock Water District, Oregon
Financing Agreement, Series 2020
Dated [____, 2020]

This Financing Agreement is entered into between the Seal Rock Water District, Oregon (the “Borrower”) and [____] (the “Lender”) as of the [____] day of [____], 2020].

1. Definitions.

For purposes of this Financing Agreement, the following capitalized terms shall have the following meanings, unless the context clearly requires otherwise:

“Banking Day” means any day except a Saturday, a Sunday or any other day on which commercial banks in Oregon are authorized or required by law to close.

“Borrower” means the Seal Rock Water District, Oregon.

“Borrower Official” means the President of the Board, the Board Treasurer, or a person designated by either of those officers to act as Borrower Official under the Resolution.

“Closing Date” means [____, 2020].

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Event of Default” means the occurrence of any of the following: (i) a failure to pay within 10 days after the due date thereof any principal or interest that is required to be paid under this Financing Agreement; (ii) a final determination by the Internal Revenue Service that interest on this Financing Agreement is includable in gross income under the Code; (iii) a failure by the Borrower to comply with any of its obligations or to perform any of its duties under this Financing Agreement, other than a failure described in clauses (i) or (ii) of this definition, which failure continues and is not cured for a period of more than 60 days after the Lender has made written demand on the Borrower to cure such failure.

“Financing Agreement” means this Financing Agreement, Series 2020.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon Law.

“Government Obligations” means direct obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Interest Rate” means a fixed annual interest rate of [____] percent ([____]%) per annum, calculated on a 30/360 day basis.

“Lender” means [____], or its successors.

“Maturity Date” means the earlier of [_____, 2022] or the date the Borrower receives proceeds of the USDA Bond.

“Outstanding Balance” means, at any time, the Principal Amount, less the sum of all principal repayments which have been received by the Lender.

“Outstanding Line” means the Outstanding Line defined in the Resolution.

“Principal Amount” means \$[_____].

“Projects” means the Projects defined in the Resolution.

“Resolution” means the Borrower’s Resolution No. 0719-02 adopted July 11, 2019, authorizing this Financing Agreement.

“Special Counsel” means Hawkins Delafield & Wood LLP.

“USDA Bonds” means the long term financing for the Projects the USDA has committed to purchase pursuant to a commitment letter dated July 2, 2019.

2. Loan.

- 2.1. The Lender shall advance the Principal Amount to the Borrower on the date of this Financing Agreement.
- 2.2. The Outstanding Balance shall bear interest at the Interest Rate from the date of this Financing Agreement. Interest is payable semiannually on [_____] and [_____] of each year, commencing [_____, 2020] and may be paid from proceeds of this Financing Agreement.
- 2.3. The Borrower shall repay the Principal Amount in the following installments on the following dates:

[To come]
- 2.4. All unpaid principal, plus accrued interest, shall be paid no later than the Maturity Date.

3. Prepayment.

- 3.1. The Borrower may prepay all or any portion of the Outstanding Balance without premium on any date by paying the Lender the portion of the Outstanding Balance that is to be prepaid, plus accrued interest, to the date of prepayment.
- 3.2. Prepayments by the Borrower to the Lender shall be applied first, to pay accrued interest on the principal amount that is prepaid, and second to reduce the Outstanding Balance.
- 3.3. If the Borrower prepays less than all of the Outstanding Balance, the Lender will apply the prepayments to the final payments or pro rata as directed by the Borrower. The Lender will provide an updated payment schedule promptly to the Borrower.

4. Security for Financing Agreement.

4.1 This Financing Agreement is an unconditional obligation of the Borrower, which is payable from all legally available funds of the Borrower. The Borrower hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and any and all of the Borrower's legally available funds, to pay the principal and interest due to the Lender under this Financing Agreement. This pledge of the Borrower's full faith and credit and taxing power shall not entitle the Lender to any lien on, or pledge of, specific properties or revenues of the Borrower.

4.2 The Borrower hereby pledges the proceeds of the USDA Bonds and the unexpended proceeds of this Financing Agreement to pay the amounts due under this Financing Agreement. Pursuant to ORS 287A.310, this pledge shall be valid and binding from the date of this Financing Agreement. The proceeds of the USDA Bonds, when available, and unspent proceeds of this Financing Agreement shall immediately be subject to the lien of this pledge without any physical delivery or further act, and this pledge shall be superior to all other claims and liens. The Lender shall have no lien on, or security interest in, any other property or revenues of the Borrower.

5. Accounting and Billing.

The Lender shall provide the Borrower with a written accounting of all payments and other transactions relating to this Financing Agreement quarterly. The Lender shall send the Borrower a bill for the amount due on each Financing Agreement payment date not later than seven Banking Days prior to that payment date.

6. Use of Financing Agreement Proceeds.

The Borrower shall apply the amount it receives under this Financing Agreement to pay costs of the Projects, to refinance the Outstanding Line, and to pay costs related to this Financing Agreement and refinancing the Outstanding Line.

7. Tax-Exemption.

- 7.1. The Borrower agrees to comply with all representations in the Tax Certificate for this Financing Agreement. The Borrower further covenants for the benefit of the Lender to comply with all provisions of the Code which are required for interest paid pursuant to this Financing Agreement to be excluded from gross income for federal income tax purposes.
- 7.2. The Borrower hereby designates this Financing Agreement as a "qualified tax-exempt obligation" under Section 265(b) of the Code.
- 7.3. Interest paid pursuant to this Financing Agreement is exempt from State of Oregon personal income taxes.

8. Representations of the Borrower.

By executing this Financing Agreement in the space provided below, the Borrower represents to the Lender that:

- 8.1. The Borrower is duly created and existing under the laws of the State of Oregon, has all necessary power and authority to enter into this Financing Agreement and perform its duties under this Financing Agreement.
- 8.2. The adoption of the Resolution, the execution of this Financing Agreement and the performance of the Borrower's obligations under this Financing Agreement does not conflict in any material respect with, or constitute on the part of the Borrower a material breach of or default under, any law, court decree, administrative regulation, resolution or other agreement to which the Borrower is a party or by which it is bound.
- 8.3. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency having jurisdiction over the Borrower that is pending or, to the best of the knowledge of the Borrower, is threatened against the Borrower to restrain or enjoin the execution of this Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and this Financing Agreement, which, if such matter were adversely decided against the Borrower would, in the reasonable judgment of the Borrower, have a material and adverse effect on the ability of the Borrower to pay the amounts due under this Financing Agreement.
- 8.4. The Borrower hereby certifies, recites and declares that all things, conditions and acts required by the Constitution and Statutes of the State of Oregon and by this Financing Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the Borrower which is enforceable against the Borrower in accordance with its terms, except to the extent that enforceability may be limited by i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Borrower.

9. Covenants of the Borrower.

The Borrower covenants for the benefit of the Lender that while this Financing Agreement is in effect and until full payment of the Outstanding Balance and all accrued and unpaid interest and fees:

- 9.1. The Borrower shall levy against all taxable property within the Borrower the permanent rate it is authorized to levy within constitutional, statutory and charter limits to cover debt

service on this Financing Agreement should other funds not be sufficient to service such debt.

- 9.2. Unless otherwise available on the Electronic Municipal Market Access system (“EMMA”) or the Borrower’s website, the Borrower shall provide Lender with audited annual financial statements prepared by an independent Certified Public Accountant, within 270 days of the close of its Fiscal Year. However, if the Borrower's audited annual financial statements are not available within 270 days after the end of its Fiscal Year, the Borrower shall file its unaudited financial statements for that Fiscal Year with the Lender not later than 270 days after the end of that Fiscal Year, and shall make the audited annual financial statements for that Fiscal Year available on the Borrower's website or EMMA promptly after the audited annual financial statements become available.
- 9.3. The Borrower shall provide the Lender with such additional information as the Lender may reasonably request to the extent permitted by law.

10. Fees, Costs and Expenses.

- 10.1. No Lender Fees or Charges. The Lender will not charge the Borrower any fees or costs in connection with this Financing Agreement.
- 10.2. Costs of Enforcement. If either party incurs any expenses in connection with enforcing this Financing Agreement, or if the Lender takes collection action under this Financing Agreement, the losing party shall pay to the prevailing party, on demand, the prevailing party’s reasonable costs and reasonable attorneys' fees, whether at trial, on appeal or otherwise, including any allocated costs of in-house counsel.
- 10.3. Other Fees and Costs. The Borrower shall pay the fees and costs of Special Counsel, and any other expenses and costs which the Borrower incurs in connection with this Financing Agreement.

11. Default.

- 11.1. Upon the occurrence of any Event of Default the Lender may exercise any remedy available at law or in equity. However, the amounts due from the Borrower under this Financing Agreement shall not be subject to acceleration.
- 11.2. All rights, powers and remedies of the Lender may be exercised at any time after the occurrence of an Event of Default, are cumulative and shall not be exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.
- 11.3. The Lender may waive any Event of Default, but no such waiver shall extend to a subsequent Event of Default.

12. Conditions to the Obligations of the Lender.

12.1. The Lender may refuse to advance funds under this Financing Agreement unless the Lender has received:

- (a) an opinion of Special Counsel, with a reliance letter to the Lender, to the effect that:
 - (i) this Financing Agreement is a valid and legally binding full faith and credit obligation of the Borrower that is enforceable against the Borrower in accordance with its terms subject to customary exceptions;
 - (ii) interest paid pursuant to this Financing Agreement is excludable from gross income under the Code;
 - (iii) the Borrower has designated this Financing Agreement as a qualified tax-exempt obligation under Section 265(b) of the Code; and,
 - (iv) interest paid pursuant to this Financing Agreement is exempt from State of Oregon personal income tax.
- (b) the certificate of a Borrower Official to the effect that:
 - (i) There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency having jurisdiction over the Borrower that is pending or, to the best of the knowledge of the Borrower, is threatened against the Borrower to restrain or enjoin the execution of this Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and this Financing Agreement, which, if such matter were adversely decided against the Borrower would, in the reasonable judgment of the Borrower, have a material and adverse effect on the ability of the Borrower to pay the amounts due under this Financing Agreement.
 - (ii) The adoption of the Resolution and the execution and delivery of this Financing Agreement do not and will not conflict in any material respect with or constitute on the part of the Borrower a material breach of or default under any law, charter provision, court decree, administrative regulation, resolution or other agreement or instrument to which the Borrower is a party or by which it is bound.
- (c) a letter from USDA RD addressed to the Lender confirming USDA RD's commitment to purchase the USDA Bond, subject only to substantial completion of the Projects, and a copy of RD Form 1940-1, "Request for Obligation of Funds," requesting a loan of the Principal Amount; and
- (d) such additional legal opinions, certificates, proceedings, instruments or other documents as the Lender, its counsel or Special Counsel may reasonably request to

evidence compliance by the Borrower with the legal requirements for execution and delivery of this Financing Agreement and the due performance or satisfaction by the Borrower of all agreements then to be performed and all conditions then to be satisfied by the Borrower.

13. Disclosure; Assignment.

- 13.1. No official statement or other disclosure document has been prepared in connection with this Financing Agreement and the Borrower has no obligation in connection with this Financing Agreement to provide any disclosure regarding operating information or material events to the Municipal Securities Rulemaking Board or any dissemination agent. The Borrower is obligated to provide information to the Lender in connection with this Financing Agreement only as specifically stated in this Financing Agreement.
- 13.2. The Lender has undertaken an independent review of the credit of the Borrower and has been provided with all necessary information. The Lender intends to hold this Financing Agreement until maturity and does not intend to resell.
- 13.3. The Lender may not assign its rights and obligations under this Financing Agreement unless the transferee delivers to the Borrower an investor letter in substantially the form attached hereto as Exhibit A which the Lender has also delivered on the Closing Date.
- 13.4. The Borrower may not assign its rights and obligations under this Financing Agreement without the prior written consent of the Lender.

14. Defeasance.

- 14.1. The Borrower shall be obligated to pay any Financing Agreement principal or interest payments that are defeased pursuant to this Section 14.1 solely from the money and Government Obligations deposited in escrow in accordance with this Section 14.1 with an escrow agent or independent trustee as provided in this section, and the Borrower shall have no further obligation to make those payments from any source except the amounts deposited in the escrow. This Financing Agreement shall be deemed defeased if the Borrower:
 - (a) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent that are calculated to be sufficient for the payment of the portion of this Financing Agreement that is to be defeased without reinvestment; and
 - (b) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct.

15. [Dispute Resolution Provisions.]

16. Miscellaneous.

- 16.1. Any notices required to be given pursuant to this commitment letter or this Financing Agreement shall be given to the following addresses:

Borrower: Seal Rock Water District
1037 NW Grebe Street
P.O. Box 190
Seal Rock, Oregon 97376
Attn: General Manager

Lender: []

- 16.2. All representations, warranties, and agreements contained in this Financing Agreement shall survive the execution, delivery and payment of this Financing Agreement. This Financing Agreement shall constitute a contract between the Borrower and the Lender. The Lender's extension of credit hereunder is expressly made in reliance on such contract.
- 16.3. This Financing Agreement shall be governed and interpreted in accordance with the laws of the State of Oregon.
- 16.4. The Lender and the Borrower each irrevocably consents to the personal jurisdiction of the state and federal courts located in the State of Oregon in any action brought under this Financing Agreement, and in any action based upon the transactions encompassed by this Financing Agreement, whether or not based in contract. Venue for any actions brought in state court shall be brought only in the Circuit Court of Lincoln County, Oregon. If a claim is brought in federal court, it must be brought only in the United States District Court for the State of Oregon; provided, however, that this section shall not be construed as a waiver by the Borrower of any defense available to it regarding the jurisdiction of federal court.

17. Severability and Waivers.

If any part of this Financing Agreement is not enforceable, the rest of this Financing Agreement may be enforced. The Lender retains all rights, even if it makes a loan after default. If the Lender waives a default, it may enforce a later default. Any consent or waiver under this Financing Agreement must be in writing.

18. Counterparts.

This Financing Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

19. Written Agreements.

Under Oregon law, most agreements, promises and commitments made by the Lender concerning loans and other credit extensions which are not for personal, family or household purposes or secured solely by the borrower's residence must be in writing, express consideration and be signed by the Lender to be enforceable.

[The remainder of this page is left blank intentionally.]

DATED as of the [__ day of ___, 2020].

[Lender]

By: _____
[Authorized Officer]

Seal Rock Water District, Oregon

By: _____
[Borrower Official]

EXHIBIT A

QUALIFIED INVESTOR LETTER

\$[____]
Seal Rock Water District, Oregon
Financing Agreement, Series 2020
Dated [____, 2020]

The undersigned, a duly authorized representative of [_____] (the “Lender”), hereby certifies as follows with respect to the Lender’s purchase of the above-captioned Financing Agreement dated [____, 2020] (the “Financing Agreement”), entered into between Seal Rock Water District, Oregon (the “Issuer”) and [Initial Lender]:

1. The Lender is an organization that falls within one of the following categories:
 - (a) a bank as defined in Section 3(a)(2) of the Securities Act of 1933 as amended (the “Securities Act”);
 - (b) a savings and loan association or other institution described in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; or
 - (c) a “Qualified Institutional Buyer” as that term is defined in Rule 144A under the Securities Act.
2. The Lender has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the loan represented by the Financing Agreement.
3. The Lender has made its own independent and satisfactory inquiry of the financial condition of the Issuer, including inquiry into financial statements and other information relating to the financial condition of the Issuer to which a reasonable lender would attach significance in making lending decisions, and of any other matters deemed to be relevant to a reasonably informed decision to enter into the Financing Agreement.
4. The Lender has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer and the Financing Agreement, all so that as a reasonable lender the Lender has been able to make a reasonably informed decision to make a loan pursuant to the Financing Agreement.
5. The Lender confirms that its investment in the Financing Agreement constitutes an investment that is suitable for and consistent with its investment program and that the Lender is able to bear the economic risk of an investment in the Financing Agreement, including a complete loss of such investment.
6. The Lender is primarily lending under the Financing Agreement for lending purposes only (and not as an “underwriter” or “Participating Underwriter” as defined in the Securities and Exchange Commission Rule 15c2-12, as amended, replaced or supplemented) and does not presently intend to transfer, otherwise distribute or sell the Financing Agreement or any portion thereof to the general public.

7. The Lender acknowledges that the Financing Agreement (a) has not been registered under the Securities Act of 1933, as amended, and has not been registered or otherwise qualified for sale under the securities laws of any state, (b) will not be listed on any securities exchange, and (c) will carry no rating from any rating service. The Lender acknowledges that there is no established market for the Financing Agreement and that none is likely to develop. The Lender understands and acknowledges that (i) the Financing Agreement is not intended to be subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended and (ii) in connection with its purchase of the Financing Agreement, the Issuer has not prepared or caused to be prepared, any official statement, private placement memorandum or other offering document in connection with the Financing Agreement.

8. The Lender is purchasing the Financing Agreement solely for its own account for investment purposes only, with a present intent to hold the Financing Agreement until maturity, early redemption or mandatory tender, and not with a view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Lender's property will remain at all times within its control).

9. The Lender has been furnished with and has examined the Financing Agreement, the Resolution and other documents, certificates and the legal opinions delivered in connection with the issuance of the Financing Agreement.

10. The Lender agrees that it will comply with any applicable state and federal securities law in effect with respect to the initial purchase of the Financing Agreement and in effect with respect to any disposition of the Financing Agreement by it, and further acknowledges that any current exemption from registration of the Financing Agreement does not affect or diminish such requirements.

11. Hawkins Delafield & Wood LLP ("Special Counsel") will have no responsibility to the Lender for the accuracy or completeness of information obtained by the Lender from any source regarding the Issuer or its financial condition, or regarding the ability of the Issuer to pay the Financing Agreement, or the sufficiency of any security therefor. The Lender acknowledges that, as between the Lender and Special Counsel, the Lender has assumed responsibility for obtaining such information and making such review as the Lender deemed necessary or desirable in connection with its decision to make a loan pursuant to the Financing Agreement.

8. The Lender understands that the Issuer and Special Counsel will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

Dated as of the ____ day of _____, 20__.

[Lender]

By: _____
[Authorized Officer]

[Qualified Investor Letter]

Appendix D

USDA Letter of Conditions

And

Form 1940-1 “Obligation of Funds”

Dated: July 2, 2019



United States Department of Agriculture

July 2, 2019

Adam Denlinger, General Manager
Seal Rock Water District
1037 NW Grebe Street
Seal Rock, OR 97376

SUBJECT: Recipient Name: Seal Rock Water District
Project Name: Beaver Creek Water Source Project- Phase IV
Water Loan & Grant Application

RUS Loan (GO Bond):	\$ 6,549,000
RUS Loan (Revenue Bond):	\$ 2,547,000
<u>RUS Grant:</u>	<u>\$ 2,799,500</u>
Total RD Funding Package:	\$11,895,500

Dear Mr. Denlinger:

LETTER OF CONDITIONS

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the Application for Federal Assistance. The [loan and/or grant] will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development, both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of services, or any other significant changes this includes significant changes in the Borrower's financial condition, operation, organizational structure or executive leadership in the project or applicant must be reported to and approved by Rural Development (RD) by written amendment to this letter. **Any changes not approved by RD shall be cause for discontinuing processing of the application.**

All conditions set forth under Section III – Requirements Prior to Advertising for Bids must be met within 60 days of the date of this letter. If you have not met these conditions, the Agency reserves the right to discontinue the processing of your application.

If you agree to meet the conditions set forth in this letter and desire further consideration be given to your application, please complete and return the following forms within 15 days:

Rural Development • Tangent Area Office
31978 N Lake Creek Drive • Tangent, OR 97389
Voice: (541) 801-2682 • Fax: (855) 824-6180

USDA is an equal opportunity provider, employer, and lender.

To file a complaint of discrimination, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by mail at U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410; by fax at (202) 690-7442; or by email at program.intake@usda.gov.

Form RD 1942-46, "Letter of Intent to Meet Conditions"
 Form RD 1940-1, "Request for Obligation of Funds"
 RUS Bulletin 1780-12, "Water and Waste System Grant Agreement"

The loan and grant will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is signed by the approving official. Thus, this letter in itself does not constitute loan and/or grant approval, nor does it ensure that funds are or will be available for the project. When funds are available, the Form 1940-1 will be provided to you for your signature. After you sign and return the form to the Agency, the request will be processed and [loan/grant] funds will be approved and obligated.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. All parties may access information and regulations referenced in this letter at our website located at www.rd.usda.gov.

The conditions are as follows:

SECTION I - PROJECT DETAIL

1. **Project Description** – Funds 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 North Beaver Creek Road, through private property to the treatment site. The proposed treatment facility will be located on the "Makai" site which is already owned by the District and selected because of its proximity to Beaver Creek, among other reasons. Treatment type will be a membrane filtration system which must meet the Oregon Health Authority's target microbial removal rates. The storage reservoirs will be a 500,000-gallon and 250,000-gallon 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.

Funds 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 proposed facility design must be based on the Preliminary Engineering Report (PER) as concurred with by the Agency.

2. **Project Funding** – The Agency is offering the following funding for your project:

Agency Loan (GO Bond) -	\$ 6,549,000
Agency Loan (Revenue Bond) -	\$ 2,547,000
<u>Agency Grant -</u>	<u>\$ 2,799,500</u>
Total USDA Package	\$11,895,500

This offer is based upon the following additional funding being obtained:

Business Oregon Loan/Grant-	\$ 3,481,000
TOTAL PROJECT COST -	\$ 15,376,500

This funding is offered based on the amounts stated above. Prior to loan closing, any increase in non-Agency funding will be applied first as a reduction to Agency grant funds, up to the total amount of the grant, and then as a reduction to Agency loan funds.

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. Prior to advertisement for construction bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

3. **Project Budget** – Funding from all sources has been budgeted for the estimated expenditures as follows:

<u>Project Costs:</u>	<u>Total Budgeted:</u>
Construction	\$9,888,000
Engineering- Design	\$ 947,000
Engineering- Membrane Pre-purchase	\$ 35,000
Engineering- Bid Services	\$ 45,000
Engineering- Construction Services	\$ 380,000
Engineering- Start Up Support	\$ 20,000
Legal Services/Land Purchases	\$ 400,000
Geotechnical Site Investigation	\$ 51,000
Surveying	\$ 26,000
Permitting	\$ 170,000
Archeological	\$ 40,000
Bond Counsel Services	\$ 80,000
Interim Interest & Expense	\$ 360,000
Admin	\$ 12,000
Contingency (15%)	\$1,306,000
<u>Line of Credit Refinance</u>	<u>\$1,616,500</u>
TOTAL	\$15,376,500

Obligated loan or grant funds not needed to complete the proposed project will be deobligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

SECTION II – LOAN AND GRANT TERMS

4. **Repayment** – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

- a. **General Obligation Bond Loan (\$6,549,000)**- Your loan will be scheduled for repayment over a period of 25 years. Payments will be equal annual amortized installments, beginning one year after closing. For planning purposes, use a 2.75% interest rate, which provides for an annual payment of \$365,697. The precise payment amount will be based on the interest rate at which the loan is closed, and may be different than the one above.

The payment due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

- b. **Revenue Bond Loan (\$2,547,000)**- Your loan will be scheduled for repayment over a period of 30 years. Payments will be equal annual amortized installments, beginning one year after closing. For planning purposes, use a 2.75% interest rate, which provides for an annual payment of \$125,797. The precise payment amount will be based on the interest rate at which the loan is closed, and may be different than the one above.

The payment due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

5. **Security** – The loans will be secured by a General Obligation Bond and a Revenue Bond, as follows:

- a. **General Obligation Bond Loan (\$6,549,000)**- General Obligation bond in the amount of \$6,549,000. The bond will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture, Rural Utility Service.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."] A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The bond resolution and Loan Resolution must be duly adopted and executed prior to loan closing.

The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

- b. **Revenue Bond Loan (\$2,547,000)**- Revenue bond in the amount of \$2,547,000. The bond will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture, Rural Utility Service.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."] A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The bond resolution and Loan Resolution must be duly adopted and executed prior to loan closing. The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

6. **Electronic Payments** – Payments will be made on the day your payment is due through an electronic preauthorized debit system. You will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing. It will allow for your payment to be electronically debited from your account on the day your payment is due.

7. **Construction Completion Timeframe** - All projects must be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit to the Agency a written request for extension of time with adequate justification of circumstances beyond your control. Requests for waivers beyond the initial extension will be submitted to the Assistant Administrator for concurrence decision.

8. **Disbursement of Agency Funds** - Agency funds will be disbursed into the borrower's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant Agreement must not be closed and funds must not be disbursed prior to loan funds except as specified in

RUS Instruction 1780.45(d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

Grant funds are to be deposited in an interest-bearing account (exception provided below) in accordance with 2 CFR Part 200 and interest in excess of \$500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing accounts, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

9. **Reserves** – Reserves must be properly budgeted to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs, and assist with debt service should the need arise. The following reserves are required to be established as a condition of this loan:

- a. **Debt Service Reserve for General Obligation Bond (\$6,549,000)** – a debt service reserve is not required for General Obligation Bonds.
- b. **Debt Service Reserve for Revenue Bond (\$2,547,000)** – As a part of this Agency loan proposal, you must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal \$1,048.31 per month; this amount should be deposited monthly until a total of \$125,797 has accumulated. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully-funded amount is reached.

When funds are withdrawn during the life of the loan, deposits will commence at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal \$1,048.31 per month; this amount should be deposited monthly until a total of \$125,797 has been accumulated.

This reserve should be maintained in a separate bookkeeping account and proof of the reserve balance will be provided each year in the Balance Sheet and/or the Notes to the

Financial Statements in the Annual Audit report. This reserve is in addition to any existing or future reserve account obligations of the Owners.

10. Short-Lived Asset Replacement Account – The Owner shall establish and maintain a Short-Lived Asset Replacement Account. You must deposit an amount, no less than, \$112,564 into the short-lived asset replacement account annually for the life of the loan to pay for repairs and/or replacement of major system assets based on the preliminary engineering report schedule of short-lived assets. It is your responsibility to assess your facility's short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs. Amounts in the account shall be used and disbursed only for the purpose of replacing facility assets with an estimated life of less than fifteen years. Approval by USDA is not required prior to the use of funds in this account.

Current assets can also be used to establish and maintain reserves for expected expenses, including but not limited to operation and maintenance, deferred interest during the construction period, and an asset management program.

SECTION III – REQUIREMENTS PRIOR TO ADVERTISING FOR BIDS

11. Environmental Requirements – At the conclusion of the proposal's environmental review process, specific actions were determined necessary to avoid or minimize adverse environmental impacts. These mitigation measures must also appear in the Bid Documents, Construction Contracts and other financing instruments which offer RD's commitment for this project. In addition, please send a copy of the mitigation measures to your engineer, or other representatives of the District, to help ensure that these measures are incorporated into the project development plans as appropriate. As outlined in the Final Approval of the Environmental Assessment Report dated April 8, 2019, the following actions are required for successful completion of the project and must be adhered to during project design and construction:

1. The Seal Rock Water District (District) shall obtain and comply with all required County, State, and federal permits, including mitigations measures.
2. An Inadvertent Discovery Plan (IDP) must be "in place" before construction begins. If earth disturbing activities during project construction uncover cultural materials (i.e. structural remains, historic artifacts, or prehistoric artifacts), the area around the discovery shall be secured, all work shall cease, and the appropriate authorities shall be contacted to discuss appropriate protocol for removal, inventory, and proper preservation of the resource(s). These authorities are: 1) RD State Environmental Coordinator (SEC) Michael Beyer, at (503) 414-3368; 2) the Oregon State Historic Preservation Office Archaeologist, Dennis Griffin, at (503) 986-0674. The RD SEC will notify any applicable tribal contacts.

- a. After an inadvertent discovery, some areas may be specified for close monitoring or "no work zones." Any such areas will be identified by the professional archaeologist to the Project Manager, Rural Development and appropriate Contractor's personnel.
3. If earth disturbing activities in any portion of the project area uncover human remains, all work shall cease immediately in accordance with Treatment of Native American Human Remains Discovered Inadvertently or through Criminal Investigations on Private and Public, State-Owned Lands in Oregon and ORS 97.740-.994 and 358.905-961. The area around the discovery shall be secured and the Lincoln County Coroner and RD SEC shall be notified immediately. The RD SEC shall notify the State Archeologist at SHPO and the appropriate tribes without delay.
 4. When disposing of excess, spoil, or other construction materials on public or private property, the ultimate recipient shall not fill in or otherwise convert wetlands or 100-year floodplain areas delineated on the latest Federal Emergency Management Agency (FEMA) floodplain maps.
 5. Applicant must certify that the use of Rural Development funds for the excavation, grading and backfilling for the raw water intake structure will not be utilized to drain, dredge, fill or level or otherwise manipulate wetland #3 at the intake structure site. This includes financial assistance for obtaining wetland permits.
 6. The wetlands identified as jurisdictional wetlands delineated for this project, within the project's area of potential effects (APE), must remain delineated and visible throughout construction. This will ensure all construction activity, including, but not limited to: staging areas, construction access roads, stockpile sites, bore pits, etc., remains outside the identified wetlands.
 7. USDA-RUS is requiring the Seal Rock Water District (applicant) incorporate all non-discretionary Terms and Conditions and Monitoring and Mitigation into the Beaver Creek Raw Water Supply Intake Project. Furthermore, RUS recommends the applicant incorporates all Conservation Measures as recommended in the Biological Opinion, dated April 3, 2019.
 - a. The following Monitoring and Mitigations and Terms and Conditions are directly from the National Marine Fisheries Service's Biological Opinion, dated April 3, 2019.
 - i. The District shall incorporate all Monitoring and Mitigations measures (six bullet points) under section 7 (page 8)
 - ii. The District shall incorporate all four (4) Terms and Conditions under section 2.9.4 (page 57) including the project completion report.

- iii. RUS recommends the applicant incorporate all Conservation Measures as recommended in section 2.10 of the Biological Opinion, dated April 3, 2019.

Note: USDA-RUS is not physically, financially or legally responsible or able to log, collect, document or submit reports to governmental agencies as indicated in section 2.9.4 "Terms and Conditions", item 4 of the Biological Opinion, dated April 3, 2019.

The project as proposed has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal, and local laws, regulations and or permits may apply or be required. If the project or any project element deviates from or is modified from the originally-approved project, additional environmental review may be required.

12. **Engineering Services** – You have been required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance," or other approved form of agreement. The Agency will provide concurrence prior to advertising for bids, and must approve any modifications to this agreement.

13. **Contract Documents, Final Plans, and Specifications**

- a. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- b. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- c. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

14. **American Iron and Steel (AIS)** - Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) applies a new American Iron and Steel requirement:

- (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater

system unless all of the iron and steel products used in the project are produced in the United States.

- (2) The term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that—
 - a. applying the requirement would be inconsistent with the public interest;
 - b. iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
 - c. inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

15. Legal Services – You have been required to execute a legal services agreement with your attorney and bond counsel, if applicable, for any legal work needed in connection with this project. The agreement should stipulate an hourly rate for the work, with a "not to exceed" amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, "Legal Services Agreement," or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

16. Property Rights - Prior to advertising for bids, you and your legal counsel must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

- a. **Right-of-Way Map** – Your engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. **Form RD 442-20, "Right-of-Way Easement"** – This form may be used to obtain any necessary easements for the proposed project or a comparable method recommended by your attorney.
- c. **Form RD 442-21, "Right-of-Way Certificate"** – You will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.

- d. **Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"** – Your attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

You are responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

17. System Policies, Procedures, Contracts, and Agreements – The facility must be operated on a sound business plan. You must adopt policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

- a. **Conflict of Interest Policy** – Prior to obligation of funds, you must certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict or potential conflict to disclose the conflict/potential conflict; (2) a clause that prohibits interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure in the same format is required if no conflicts are anticipated.

Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

- b. **Contracts for Other Services/Lease Agreement** – Drafts of any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements covering real property essential to the successful operation of the facility, must be submitted to the Agency for review and concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements must be submitted prior to loan closing, with the exception of the conflict of interest policy, which must be in place prior to obligation of funds.

18. **Closing Instructions** – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Closing instructions must be obtained prior to advertising for bids.

19. **Interim Financing** – For all loans exceeding \$500,000, where loan funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be used to preclude the necessity for multiple advances of Agency loan funds. You must provide the Agency with a copy of the interim loan financing agreement for review prior to advertising for bids. The Agency approving official may make an exception when interim financing is cost prohibitive or unavailable. Grant funds from the Agency will be disbursed by multiple advances through electronic transfer of funds after interim financing or Agency loan funds are expended, in accordance with RUS Instruction 1780.45.

20. **Construction Account** – You must establish a construction account for all funds related to the project. Construction funds will be deposited with an acceptable financial institution or depository that meets the requirements of 31 CFR Part 202. A separate account will not be required for Federal funds and other funds; however, the recipient must be able to separately identify, report, and account for all Federal funds, including the receipt, obligation and expenditure of funds. Financial institutions or depositories accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral, in accordance with 31 CFR Part 202. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the construction account at any one time. Your financial institution can provide additional guidance on collateral pledge requirements.

Agency funds will be disbursed into the borrower's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

21. **System Users** – This letter of conditions is based upon your indication at application that there will be at least 2,448 residential users, 152 non-residential users on the existing system when construction is completed.

Before the Agency can agree to the project being advertised for construction bids, you must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, you must provide the Agency with a written plan on how you will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

If you are relying on mandatory connection requirements, you must provide evidence of the authorizing ordinance or statute along with your user certification.

22. **Other Funding** – Prior to advertising for bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter from each source.

23. **Proposed Operating Budget** – You must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O&M), debt service, and reserves. Prior to advertising for bids, you must submit a proposed annual operating budget to the Agency which supports the operation, maintenance, debt service, and reserves, as well as your proposed rate schedule. The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of your organization. Form RD 442-7, "Operating Budget," or similar format may be utilized for this purpose. It is expected that O&M will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system. This assistance is available free to your organization. If you are interested please contact our office for information.

24. **Permits** –The owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

25. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The VA/ERP documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe

drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

For new systems, see Section V of this letter of conditions. For VA/ERP requirements throughout the life of the loan, see Section VII. Technical assistance at no cost is available in preparing these documents.

26. **Bid Authorization** - Once all the conditions outlined in Section III of this letter have been met, the Agency will authorize you to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

SECTION IV - REQUIREMENTS PRIOR TO START OF CONSTRUCTION

27. **Bid Tabulation** – Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of Section III of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- a. **Cost Overruns**. If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds. Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.
- b. **Excess Funds**. If bids are lower than anticipated at time of obligation, excess funds must be deobligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be deobligated, with grant funds being de-obligated first. Excess funds do not include contingency funds as described in this letter.

28. **Contract Review** – Your attorney will certify that the executed contract documents, including performance and payment, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61(b).

Once your attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for its concurrence. The Notice to Proceed cannot be issued until the Agency has concurred with the construction contracts.

29. Final Rights-of-Way – If any of the rights-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed. For projects involving the acquisition of land, you must provide evidence that you have clear title to the land prior to the issuance of the Notice to Proceed.

Final Title Work - Immediately after closing or prior to the start of construction, whichever comes first, a Title Insurance Policy must be provided for all existing real property related to the facility, now owned and to be acquired for this project.

30. Insurance and Bonding Requirements - Prior to the start of construction or loan closing, whichever occurs first, you must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing you have the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of the Agency to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

- a. **General Liability Insurance** – Include vehicular coverage.
- b. **Workers' Compensation** – In accordance with appropriate State laws.
- c. **Fidelity or Employee Dishonesty Bonds** – Include coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through blanket coverage providing protection for all appropriate workers. During construction, each position should be bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The coverage may be increased during construction based on the anticipated monthly advances. After construction and throughout the life of the loan, the amount of coverage must be for at least the total annual debt service of all outstanding Agency loans. The Agency will be identified in the fidelity bond for receipt of notices. Form RD 440-24, "Position Fidelity Schedule Bond," or similar format may be used.
- d. **National Flood Insurance** - If the project involves acquisition or construction in designated special flood or mudslide prone areas, you must purchase a flood insurance policy at the time of loan closing.
- e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the

contractor(s), you must obtain real property insurance (fire and extended coverage) on all facilities identified above.

Insurance types described above are required to be continued throughout the life of the loan. See Section VII.

31. **Initial Compliance Review** – The Agency will conduct an initial compliance review of the borrower prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E.

SECTION V – REQUIREMENTS PRIOR TO LOAN CLOSING

32. **Interim Financing** - Interim financing is being used. Loan closing will occur near the end of construction when interim funds are about to be completely disbursed. Documents detailed above from Sections II and III regarding security, electronic payments (Form 3550-28), and system policies, procedures, contracts, and agreements must be adopted and/or executed and submitted to the Agency prior to loan closing. In addition, the following items are required prior to closing:

33. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operation, and a certification that a VA is complete must be submitted within one year of the start of operation. Borrowers with existing systems must provide a certification that a VA and ERP are completed prior to authorization to advertise for bids. The VA/ERP documents are not submitted to the Agency. Technical assistance is available in preparing these documents at no cost to you. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

34. **Other Requirements** – All requirements contained in the Agency's closing instructions, as well as any requirements of your bond counsel and/or attorney, must be met prior to loan closing.

- a. **System for Award Management**. You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>. This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended. See Appendix A.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process

may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

- b. **Litigation.** You are required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.
- c. **Certified Operator.** Evidence must be provided that your system has or will have, as defined by applicable State or Federal requirements, a certified operator available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

SECTION VI – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION

35. **Resident Inspector(s)** – Full-time inspection is required unless you request an exception. Such requests must be made in writing and the Agency must concur with the request. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the pre-construction conference.

36. **Preconstruction Conference** – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

37. **Inspections** - The Agency requires a pre-construction conference, pre-final and final inspections, and a warranty inspection. Your engineer will schedule a warranty inspection with the contractor and the Agency before the end of the one-year warranty period to address and/or resolve any warranty issues. The Agency will conduct an inspection with you of your records management system at the same time, and will continue to inspect the facility and your records system every three years for the life of the loan. See Section VII of this letter.

38. **Change Orders** – Prior Agency concurrence is required for all Change Orders.

39. **Payments** – Prior Agency concurrence is required for all Invoices and Partial Payment Estimates before Agency funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

40. **Use of Remaining Funds** – Applicant contribution and connection or tap fees will be the first funds expended in the project, followed by non-Agency sources of funds. Remaining funds may be considered in direct proportion to the amounts obtained from each source and handled as follows:

- a. Remaining funds may be used for eligible loan and grant purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan and grant remains the same.
- b. Grant funds not expended for authorized purposes will be cancelled (de-obligated) within 60 days of final completion of project. Prior to actual cancellation, you and your attorney and engineer will be notified of the Agency's intent to cancel the remaining funds and given appropriate appeal rights.
- c. Loan funds that are not needed will be cancelled (de-obligated) prior to loan closing.

41. **Technical, Managerial and Financial Capacity** - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the particular individual and the utility system. Technical assistance providers are available to provide this training for your organization, often at no cost. Contact the Agency for information.

42. **Reporting Requirements Related to Expenditure of Funds**

- a. **Financial Audit**– An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

- b. **Reporting Subawards and Executive Compensation** – You as a recipient of Federal funds and your first-tier contractors are required by 2 CFR Part 170 to report

disbursements to subrecipients in accordance with Appendix B of this letter and www.fsrs.gov. Your Agency processing office can provide more information.

SECTION VII - SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN

43. **Prepayment and Extra Payments** - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

44. **Graduation** - By accepting this loan, you are also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines you are able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, you will be requested to refinance. Your ability to refinance will be assessed every other year for those loans that are five years old or older.

45. **Security/Operational Inspections** - The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

46. **Annual Financial Reporting/Audit Requirements** - You are required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information and a rate schedule. Financial statements must be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), and must include at a minimum a balance sheet and income and expense statement. The annual report will include separate reporting for each water and waste disposal facility, and itemize cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available at no cost with preparing financial reports.

The type of financial information that must be submitted is specified below:

- a. **Audits** - An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended

from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit or financial statements to be completed, the time frame in which the audit or financial statements will be completed, what type of reports will be generated from the services provided, and how irregularities will be reported.

- b. **Financial Statements** – If you expend less than \$750,000 in Federal financial assistance per fiscal year, you may submit financial statements in lieu of an audit which include at a minimum a balance sheet and an income and expense statement. You may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of your fiscal year end.
- c. **Quarterly Reports** – Quarterly Income and Expense Statements will be required until the processing office waives this requirement. You may use Form RD 442-2 or similar format to provide this information, and the reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end. The Agency will notify you in writing when the quarterly reports are no longer required.

47. **Annual Budget and Projected Cash Flow** - Thirty days prior to the beginning of each fiscal year, you will be required to submit an annual budget and projected cash flow to this office. With the submission of the annual budget, you will be required to provide a current rate schedule, and a current listing of the Board or Council members and their terms. The budget must be signed by the appropriate borrower official. Form RD 442-2 or similar format may be used.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system, as well as completing the annual budget. If you are interested, please contact our office for information.

48. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – You will be required to submit a certification to the servicing office every three years that the VA/ERP is current and covers all sites related to the facility. The documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

49. **Insurance**. You will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

50. **Statutory and National Policy Requirements** – As a recipient of Federal funding, you are required to comply with U.S. statutory and public policy requirements, including but not limited to:

- a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.
- b. **Civil Rights Act of 1964** – All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.
- c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.
- d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language

assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during regular compliance reviews.

51. Compliance Reviews and Data Collection – The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter. If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that you provide, you must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

SECTION VIII – REMEDIES FOR NON-COMPLIANCE

Non-compliance with the conditions in this letter or requirements of your security documents will be addressed under the provisions of 7 CFR 1782 and other applicable regulations, statutes, and policies.

We look forward to working with you to complete this project. If you have any questions, please contact me at (541) 801-2682 or by e-mail at holly.halligan@or.usda.gov.

Sincerely,



Holly Halligan
Area Specialist
Tangent, Oregon

Attachments

cc: Sam Goldstein, Portland, Community Programs Director
Gulgun Mersereau, Hawkins & Delafield, Bond Counsel
Paul Berg, Jacobs, Inc., Engineer

FORMS and BULLETINS:

- Form AD-3031 "Assurance Regarding Felony Convictions or Tax Delinquent Status for Corporate Applicants" – Item 29
- Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy" - Item 15
- Form RD 440-22, "Promissory Note" – Item 5
- Form RD 440-24, "Position Fidelity Schedule Bond" – Item 28
- Form RD 442-2, "Statement of Budget, Income and Equity" – Items 44 and 45
- Form RD 442-3, "Balance Sheet" – Item 44
- Form RD 442-7, "Operating Budget" – Item 21
- Form RD 442-20, "Right-of-Way Easement" – Item 14
- Form RD 442-21, "Right-of-Way Certificate" – Item 14
- Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" – Item 14
- Form RD 1927-9, "Preliminary Title Opinion" – Item 14
- Form RD 1927-10, "Final Title Opinion" – Item 27
- Form RD 1940-1, "Request for Obligation of Funds" – Pages 1 and 2
- Form RD 1942-8, "Resolution of Members or Stockholders" – Item 5
- Form RD 1942-46, "Letter of Intent to Meet Conditions" – Page 1
- Form RD 3550-28, "Authorization Agreement for Preauthorized Payments" – Items 6 and 30
- Form UCC-1, "Financing Statement" – Item 5
- Form UCC-1Ad, "UCC Financing Statement Addendum" – Item 5
- SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form" – Items 8 and 18
- RUS Bulletin 1780-7, "Legal Services Agreement" – Item 13
- RUS Bulletin 1780-9, "Water Users Agreement" - Items 15 and 19
- RUS Bulletin 1780-12, "Water and Waste System Grant Agreement" – Page 1 and Item 5
- RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance" – Items 11 and 12
- RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)" – Item 5
- RUS Bulletin 1780-28, "Loan Resolution Security Agreement" – Item 5

Appendix A
2 CFR Part 25

SYSTEM FOR AWARD MANAGEMENT AND UNIVERSAL IDENTIFIER REQUIREMENTS

A. Requirement for System for Award Management

Unless you are exempted from this requirement under 2 CFR 25.110, you as the recipient must maintain the currency of your information in the SAM until you submit the final financial report required under this award or receive the final payment, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another appendix.

B. Requirement for unique entity identifier

If you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity (*see* definition in paragraph C of this appendix) may receive a subaward from you unless the entity has provided its unique entity identifier to you.
2. May not make a subaward to an entity unless the entity has provided its unique entity identifier to you.

C. Definitions

For purposes of this appendix:

1. System for Award Management (SAM) means the Federal repository into which an entity must provide information required for the conduct of business as a recipient. Additional information about registration procedures may be found at the SAM Internet site (currently at <http://www.sam.gov>).
2. Unique entity identifier means the identifier required for SAM registration to uniquely identify business entities.
3. Entity, as it is used in this appendix, means all of the following, as defined at 2 CFR part 25, subpart C:
 - a. A Governmental organization, which is a State, local government, or Indian Tribe;
 - b. A foreign public entity;
 - c. A domestic or foreign nonprofit organization;
 - d. A domestic or foreign for-profit organization; and

- e. A Federal agency, but only as a subrecipient under an award or subaward to a non-Federal entity.

4. Subaward:

- a. This term means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
- b. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see 2 CFR 200.330).
- c. A subaward may be provided through any legal agreement, including an agreement that you consider a contract.

5. Subrecipient means an entity that:

- a. Receives a subaward from you under this award; and
- b. Is accountable to you for the use of the Federal funds provided by the subaward.

Appendix B
2 CFR Part 170

Reporting Subawards and Executive Compensation

a. Reporting of first-tier subawards.

1. **Applicability.** Unless you are exempt as provided in paragraph d. of this appendix, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity (see definitions in paragraph e. of this appendix).
2. **Where and when to report.**
 - i. You must report each obligating action described in paragraph a.1. of this appendix to <http://www.fsrs.gov>.
 - ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)
3. **What to report.** You must report the information about each obligating action listed in the submission instructions posted at <http://www.fsrs.gov>.

b. Reporting Total Compensation of Recipient Executives.

1. **Applicability and what to report.** You must report total compensation for each of your five most highly compensated executives for the preceding completed fiscal year, if—
 - i. the total Federal funding authorized to date under this award is \$25,000 or more;
 - ii. in the preceding fiscal year, you received—
 - (A) 80 percent or more of your annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and
 - (B) \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

iii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/execomp.htm>.)

2. Where and when to report. You must report executive total compensation described in paragraph b.1. of this appendix:

- i. As part of your registration profile at <https://www.sam.gov>.
- ii. By the end of the month following the month in which this award is made, and annually thereafter.

c. Reporting of Total Compensation of Subrecipient Executives.

1. Applicability and what to report. Unless you are exempt as provided in paragraph d. of this appendix, for each first-tier subrecipient under this award, you shall report the names and total compensation of each of the subrecipient's five most highly compensated executives for the subrecipient's preceding completed fiscal year, if—

i. in the subrecipient's preceding fiscal year, the subrecipient received—

(A) 80 percent or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

(B) \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts), and Federal financial assistance subject to the Transparency Act (and subawards); and

ii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/execomp.htm>.)

2. Where and when to report. You must report subrecipient executive total compensation described in paragraph c.1. of this appendix:

- i. To the recipient.

- ii. By the end of the month following the month during which you make the subaward. For example, if a subaward is obligated on any date during the month of October of a given year (i.e., between October 1 and 31), you must report any required compensation information of the subrecipient by November 30 of that year.

d. Exemptions

If, in the previous tax year, you had gross income, from all sources, under \$300,000, you are exempt from the requirements to report:

- i. Subawards, and
- ii. The total compensation of the five most highly compensated executives of any subrecipient.

e. Definitions. For purposes of this appendix:

1. Entity means all of the following, as defined in 2 CFR part 25:
 - i. A Governmental organization, which is a State, local government, or Indian tribe;
 - ii. A foreign public entity;
 - iii. A domestic or foreign nonprofit organization;
 - iv. A domestic or foreign for-profit organization;
 - v. A Federal agency, but only as a subrecipient under an award or subaward to a non-Federal entity.
2. Executive means officers, managing partners, or any other employees in management positions.
3. Subaward:
 - i. This term means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
 - ii. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see Sec. __ .210 of the attachment to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations").

- iii. A subaward may be provided through any legal agreement, including an agreement that you or a subrecipient considers a contract.
4. Subrecipient means an entity that:
- i. Receives a subaward from you (the recipient) under this award; and
 - ii. Is accountable to you for the use of the Federal funds provided by the subaward.
5. Total compensation means the cash and noncash dollar value earned by the executive during the recipient's or subrecipient's preceding fiscal year and includes the following (for more information see 17 CFR 229.402(c)(2)):
- i. Salary and bonus.
 - ii. Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Statement of Financial Accounting Standards No. 123 (Revised 2004) (FAS 123R), Shared Based Payments.
 - iii. Earnings for services under non-equity incentive plans. This does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.
 - iv. Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.
 - v. Above-market earnings on deferred compensation which is not tax-qualified.
 - vi. Other compensation, if the aggregate value of all such other compensation (e.g. severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property) for the executive exceeds \$10,000.

Amortization Schedule for use prior to closing

The following amortization schedule is unofficial and provided without representation as to its accuracy.

Due Date	EXTRA PAYMENT	Scheduled Payment			Unpaid Loan Balances			Daily Interest Accrual
		Interest	Principal	Total	Interest	Principal	Total	
01/01/21					\$6,549,000.00	\$6,549,000.00	\$493.4178	
1/1/2022	\$0.00	\$180,097.50	\$185,599.50	\$365,697.00	\$6,363,400.50	\$6,363,400.50	\$479.4343	
1/1/2023	\$0.00	\$174,993.52	\$190,703.48	\$365,697.00	\$6,172,697.02	\$6,172,697.02	\$465.0662	
1/1/2024	\$0.00	\$169,284.10	\$196,412.90	\$365,697.00	\$5,976,284.12	\$5,976,284.12	\$450.2680	
1/1/2025	\$0.00	\$164,798.09	\$200,898.91	\$365,697.00	\$5,775,385.21	\$5,775,385.21	\$435.1318	
1/1/2026	\$0.00	\$158,823.11	\$206,873.89	\$365,697.00	\$5,568,511.32	\$5,568,511.32	\$419.5454	
1/1/2027	\$0.00	\$153,134.07	\$212,562.93	\$365,697.00	\$5,355,948.39	\$5,355,948.39	\$403.5304	
1/1/2028	\$0.00	\$146,885.07	\$218,811.93	\$365,697.00	\$5,137,136.46	\$5,137,136.46	\$387.0445	
1/1/2029	\$0.00	\$141,658.29	\$224,038.71	\$365,697.00	\$4,913,097.75	\$4,913,097.75	\$370.1649	
1/1/2030	\$0.00	\$135,110.19	\$230,586.81	\$365,697.00	\$4,682,510.94	\$4,682,510.94	\$352.7919	
1/1/2031	\$0.00	\$128,769.04	\$236,927.96	\$365,697.00	\$4,445,582.98	\$4,445,582.98	\$334.9412	
1/1/2032	\$0.00	\$121,918.60	\$243,778.40	\$365,697.00	\$4,201,804.58	\$4,201,804.58	\$316.5743	
1/1/2033	\$0.00	\$115,866.19	\$249,830.81	\$365,697.00	\$3,951,973.77	\$3,951,973.77	\$297.7514	
1/1/2034	\$0.00	\$108,679.26	\$257,017.74	\$365,697.00	\$3,694,956.03	\$3,694,956.03	\$278.3871	
1/1/2035	\$0.00	\$101,611.29	\$264,085.71	\$365,697.00	\$3,430,870.32	\$3,430,870.32	\$258.4902	
1/1/2036	\$0.00	\$94,090.43	\$271,606.57	\$365,697.00	\$3,159,263.75	\$3,159,263.75	\$238.0267	
1/1/2037	\$0.00	\$87,117.77	\$278,579.23	\$365,697.00	\$2,880,684.52	\$2,880,684.52	\$217.0379	
1/1/2038	\$0.00	\$79,218.83	\$286,478.17	\$365,697.00	\$2,594,206.35	\$2,594,206.35	\$195.4539	
1/1/2039	\$0.00	\$71,340.67	\$294,356.33	\$365,697.00	\$2,299,850.02	\$2,299,850.02	\$173.2764	
1/1/2040	\$0.00	\$63,072.61	\$302,624.39	\$365,697.00	\$1,997,225.63	\$1,997,225.63	\$150.4759	
1/1/2041	\$0.00	\$55,074.18	\$310,622.82	\$365,697.00	\$1,686,602.81	\$1,686,602.81	\$127.0728	
1/1/2042	\$0.00	\$46,381.57	\$319,315.43	\$365,697.00	\$1,367,287.38	\$1,367,287.38	\$103.0148	
1/1/2043	\$0.00	\$37,600.40	\$328,096.60	\$365,697.00	\$1,039,190.78	\$1,039,190.78	\$78.2952	
1/1/2044	\$0.00	\$28,499.45	\$337,197.55	\$365,697.00	\$701,993.23	\$701,993.23	\$52.8899	
1/1/2045	\$0.00	\$19,357.70	\$346,339.30	\$365,697.00	\$355,653.93	\$355,653.93	\$26.7958	
1/1/2046	\$0.00	\$9,780.47	\$355,653.93	\$365,434.40	\$0.00	\$0.00		

Amortization Schedule for use prior to closing

The following amortization schedule is unofficial and provided without representation as to its accuracy.

Due Date	EXTRA	Scheduled Payment			Unpaid Loan Balances			Daily Interest
	PAYMENT	Interest	Principal	Total	Interest	Principal	Total	Accrual
01/01/21						\$2,547,000.00	\$2,547,000.00	\$191.8973
1/1/2022	\$0.00	\$70,042.51	\$55,754.49	\$125,797.00		\$2,491,245.51	\$2,491,245.51	\$187.6966
1/1/2023	\$0.00	\$68,509.26	\$57,287.74	\$125,797.00		\$2,433,957.77	\$2,433,957.77	\$183.3804
1/1/2024	\$0.00	\$66,750.47	\$59,046.53	\$125,797.00		\$2,374,911.24	\$2,374,911.24	\$178.9317
1/1/2025	\$0.00	\$65,489.00	\$60,308.00	\$125,797.00		\$2,314,603.24	\$2,314,603.24	\$174.3879
1/1/2026	\$0.00	\$63,651.58	\$62,145.42	\$125,797.00		\$2,252,457.82	\$2,252,457.82	\$169.7057
1/1/2027	\$0.00	\$61,942.58	\$63,854.42	\$125,797.00		\$2,188,603.40	\$2,188,603.40	\$164.8948
1/1/2028	\$0.00	\$60,021.71	\$65,775.29	\$125,797.00		\$2,122,828.11	\$2,122,828.11	\$159.9391
1/1/2029	\$0.00	\$58,537.71	\$67,259.29	\$125,797.00		\$2,055,568.82	\$2,055,568.82	\$154.8716
1/1/2030	\$0.00	\$56,528.13	\$69,268.87	\$125,797.00		\$1,986,299.95	\$1,986,299.95	\$149.6527
1/1/2031	\$0.00	\$54,623.24	\$71,173.76	\$125,797.00		\$1,915,126.19	\$1,915,126.19	\$144.2903
1/1/2032	\$0.00	\$52,521.67	\$73,275.33	\$125,797.00		\$1,841,850.86	\$1,841,850.86	\$138.7696
1/1/2033	\$0.00	\$50,789.67	\$75,007.33	\$125,797.00		\$1,766,843.53	\$1,766,843.53	\$133.1183
1/1/2034	\$0.00	\$48,588.18	\$77,208.82	\$125,797.00		\$1,689,634.71	\$1,689,634.71	\$127.3012
1/1/2035	\$0.00	\$46,464.94	\$79,332.06	\$125,797.00		\$1,610,302.65	\$1,610,302.65	\$121.3242
1/1/2036	\$0.00	\$44,162.01	\$81,634.99	\$125,797.00		\$1,528,667.66	\$1,528,667.66	\$115.1736
1/1/2037	\$0.00	\$42,153.54	\$83,643.46	\$125,797.00		\$1,445,024.20	\$1,445,024.20	\$108.8717
1/1/2038	\$0.00	\$39,738.17	\$86,058.83	\$125,797.00		\$1,358,965.37	\$1,358,965.37	\$102.3878
1/1/2039	\$0.00	\$37,371.55	\$88,425.45	\$125,797.00		\$1,270,539.92	\$1,270,539.92	\$95.7256
1/1/2040	\$0.00	\$34,844.12	\$90,952.88	\$125,797.00		\$1,179,587.04	\$1,179,587.04	\$88.8730
1/1/2041	\$0.00	\$32,527.52	\$93,269.48	\$125,797.00		\$1,086,317.56	\$1,086,317.56	\$81.8458
1/1/2042	\$0.00	\$29,873.72	\$95,923.28	\$125,797.00		\$990,394.28	\$990,394.28	\$74.6187
1/1/2043	\$0.00	\$27,235.83	\$98,561.17	\$125,797.00		\$891,833.11	\$891,833.11	\$67.1929
1/1/2044	\$0.00	\$24,458.22	\$101,338.78	\$125,797.00		\$790,494.33	\$790,494.33	\$59.5578
1/1/2045	\$0.00	\$21,798.15	\$103,998.85	\$125,797.00		\$686,495.48	\$686,495.48	\$51.7223
1/1/2046	\$0.00	\$18,878.64	\$106,918.36	\$125,797.00		\$579,577.12	\$579,577.12	\$43.6668
1/1/2047	\$0.00	\$15,938.38	\$109,858.62	\$125,797.00		\$469,718.50	\$469,718.50	\$35.3898
1/1/2048	\$0.00	\$12,881.89	\$112,915.11	\$125,797.00		\$356,803.39	\$356,803.39	\$26.8824
1/1/2049	\$0.00	\$9,838.96	\$115,958.04	\$125,797.00		\$240,845.35	\$240,845.35	\$18.1459
1/1/2050	\$0.00	\$6,623.25	\$119,173.75	\$125,797.00		\$121,671.60	\$121,671.60	\$9.1670
1/1/2051	\$0.00	\$3,345.96	\$121,671.60	\$125,017.56		\$0.00	\$0.00	

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED () Complete Items 1 through 29 and applicable Items 30 through 34. See FMI.			
1. CASE NUMBER ST CO BORROWER ID 43-021-*****4185		LOAN NUMBER	FISCAL YEAR 2019
2. BORROWER NAME Seal Rock Water District		3. NUMBER NAME FIELDS (1, 2, or 3 from Item 2)	
		4. STATE NAME Oregon	
		5. COUNTY NAME Lincoln	
GENERAL BORROWER/LOAN INFORMATION			
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 2 - BLACK 3 - AI/AN 4 - HISPANIC 5 - A/PI	7. TYPE OF APPLICANT 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4 - PUBLIC BODY 5 - ASSOC OF FARMERS 6 - ORG OF FARMERS 7 - NONPROFIT-SECULAR 8 - NONPROFIT-FAITH BASED 9 - INDIAN TRIBE 10 - PUBLIC COLLEGE/UNIVERSITY 11 - OTHER		8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONLY 5 - LIVESTOCK ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 8 - RLF ACCT
9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC	10. SEX CODE 1 - MALE 2 - FEMALE 3 - FAMILY UNIT 4 - ORGAN MALE OWNED 5 - ORGAN FEMALE OWNED 6 - PUBLIC BODY	11. MARITAL STATUS 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	12. VETERAN CODE 1 - YES 2 - NO
13. CREDIT REPORT 1 - YES 2 - NO	14. DIRECT PAYMENT 2 (See FMI)	15. TYPE OF PAYMENT 1 - MONTHLY 2 - ANNUALLY 3 - SEMI-ANNUALLY 4 - QUARTERLY	16. FEE INSPECTION 1 - YES 2 - NO
17. COMMUNITY SIZE 1 - 10 000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		18. USE OF FUNDS CODE (See FMI)	
COMPLETE FOR OBLIGATION OF FUNDS			
19. TYPE OF ASSISTANCE 067 (See FMI)	20. PURPOSE CODE 1	21. SOURCE OF FUNDS	22. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION
23. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT	24. AMOUNT OF LOAN 6,549,000.0	25. AMOUNT OF GRANT 2,799,500	
26. AMOUNT OF IMMEDIATE ADVANCE	27. DATE OF APPROVAL MO DAY YR	28. INTEREST RATE 2.75 %	29. REPAYMENT TERMS 25
COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS			
30. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT			
COMPLETE FOR EM LOANS ONLY		COMPLETE FOR CREDIT SALE-ASSUMPTION	
31. DISASTER DESIGNATION NUMBER (See FMI)	32. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN		
FINANCE OFFICE USE ONLY		COMPLETE FOR FP LOANS ONLY	
33. OBLIGATION DATE MO DA YR	34. BEGINNING FARMER/RANCHER (See FMI)		

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender COPY 3 - State Office

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0062. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

CERTIFICATION APPROVAL

For All Farmers Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL

- 1. RUS Instruction 1780;
2. The Letter of Conditions dated 7/2/2019 and amendments thereto;
3. Office of General Counsel (OGC) Closing Instructions.

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form. YES NO

WARNING: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Date July 2nd, 20 19 Adam Denlinger, General Manager (Signature of Applicant)

Date, 20 (Signature of Co-Applicant)

37. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

(Signature of Approving Official)

Typed or Printed Name: Samuel Goldstein

Date Approved: Title: Community Programs Director, Portland OR

38. TO THE APPLICANT: As of this date, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED ()			
Complete Items 1 through 29 and applicable Items 30 through 34. See FMI.			
1. CASE NUMBER ST CO BORROWER ID 43-021-*****4185		LOAN NUMBER	FISCAL YEAR 2019
2. BORROWER NAME Seal Rock Water District		3. NUMBER NAME FIELDS (1, 2, or 3 from Item 2)	
		4. STATE NAME Oregon	
		5. COUNTY NAME Lincoln	
GENERAL BORROWER/LOAN INFORMATION			
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 2 - BLACK 3 - AI/AN 4 - HISPANIC 5 - A/PI	7. TYPE OF APPLICANT 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4 - PUBLIC BODY 5 - ASSOC OF FARMERS 6 - ORG OF FARMERS 7 - NONPROFIT-SECULAR 8 - NONPROFIT-FAITH BASED 9 - INDIAN TRIBE 10 - PUBLIC COLLEGE/UNIVERSITY 11 - OTHER	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONLY 5 - LIVESTOCK ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 8 - RLF ACCT	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.
10. SEX CODE 6 1 - MALE 2 - FEMALE 3 - FAMILY UNIT 4 - ORGAN MALE OWNED 5 - ORGAN FEMALE OWNED 6 - PUBLIC BODY	11. MARITAL STATUS 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	12. VETERAN CODE 1 - YES 2 - NO	13. CREDIT REPORT 2 1 - YES 2 - NO
14. DIRECT PAYMENT 2 (See FMI)	15. TYPE OF PAYMENT 2 1 - MONTHLY 2 - ANNUALLY 3 - SEMI-ANNUALLY 4 - QUARTERLY	16. FEE INSPECTION 2 1 - YES 2 - NO	
17. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		18. USE OF FUNDS CODE (See FMI)	
COMPLETE FOR OBLIGATION OF FUNDS			
19. TYPE OF ASSISTANCE 061 (See FMI)	20. PURPOSE CODE 1	21. SOURCE OF FUNDS	22. TYPE OF ACTION 1 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION
23. TYPE OF SUBMISSION 2 1 - INITIAL 2 - SUBSEQUENT	24. AMOUNT OF LOAN 2,547,000.0		25. AMOUNT OF GRANT
26. AMOUNT OF IMMEDIATE ADVANCE	27. DATE OF APPROVAL MO DAY YR	28. INTEREST RATE 2.75 %	29. REPAYMENT TERMS 30
COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS			
30. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT			
COMPLETE FOR EM LOANS ONLY		COMPLETE FOR CREDIT SALE-ASSUMPTION	
31. DISASTER DESIGNATION NUMBER (See FMI)		32. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN	
FINANCE OFFICE USE ONLY		COMPLETE FOR FP LOANS ONLY	
33. OBLIGATION DATE MO DA YR		34. BEGINNING FARMER/RANCHER (See FMI)	

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender COPY 3 - State Office

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CERTIFICATION APPROVAL

For All Farmers Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL

- 1. RUS Instruction 1780;
2. The Letter of Conditions dated 7/2/2019 and amendments thereto;
3. Office of General Counsel (OGC) Closing Instructions.

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form. YES NO

WARNING: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Date July 2nd, 20 19 Adam Denlinger, General Manager (Signature of Applicant)

Date, 20 (Signature of Co-Applicant)

37. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

(Signature of Approving Official)

Typed or Printed Name: Samuel Goldstein

Date Approved: Title: Community Programs Director, Portland OR

38. TO THE APPLICANT: As of this date, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.

LETTER OF INTENT TO MEET CONDITIONS

Date 07-02-2019

TO: United States Department of Agriculture

Rural Development

(Name of USDA Agency)

31978 N Lake Creek Drive
Tangent, Oregon 97389

(USDA Agency Office Address)

We have reviewed and understand the conditions set forth in your letter dated 07-02-2019. It is our intent to meet all of them not later than 08-30-2019.

Seal Rock Water District

(Name of Association)

BY

A. Denlinger

Adam Denlinger, General Manager

(Title)

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a persons is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015 and 0570-0062. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data. needed, and completing and reviewing the collection of information.

**SEAL ROCK WATER DISTRICT
OREGON**

AUDIT REPORT

JUNE 30, 2019

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

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	Glen Morris	PO Box 283 Newport, OR 97365
Commissioner	Karen Otta	9080 S. Coast Hwy. South Beach, OR 97366
Commissioner	Deanna Gravelle	PO Box 203 Newport, OR 97365

ADMINISTRATION

District General Manager	Adam Denlinger
--------------------------	----------------

REGISTERED AGENT

Joy King
PO Box 190
Seal Rock, OR 97376

SEAL ROCK WATER DISTRICT, OREGON

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SEAL ROCK WATER DISTRICT, OREGON

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GRIMSTAD & ASSOCIATES

Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

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, 2019, 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, 2019, 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 OSCPA & 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.

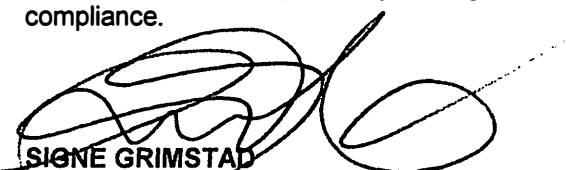
The budget and actual, budget reconciliation, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 February 11, 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 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 February 11, 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.



SIONE GRIMSTAD
Certified Public Accountant
Newport, Oregon
February 11, 2020



PO Box 190 – 1037 NW Grebe Street – Seal Rock, Oregon 97376
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Seal Rock Water District

Management Discussion and Analysis (MD&A) Fiscal Year Ended June 30, 2019

The intent of the Management Discussion and Analysis is to provide highlights of the Seal Rock Water District's financial activities for fiscal year 2018-19, ending June 30, 2019. 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 \$25,545,588 with Capital Assets of \$20,892,350 net of accumulated depreciation. Current Assets are \$3,688,188 and other noncurrent assets are \$669,260. Deferred Outflows of Resources for Pension Contributions are \$295,790 at June 30, 2019.
- The assets of Seal Rock Water District exceeded its liabilities at the close of the fiscal year by \$10,444,103 (Net Position). Of this amount, \$2,205,994 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Net investment in capital assets, less related debt is \$6,730,175. Revenue Bonded debt is \$1,254,467 and General Obligation debt is \$9,746,499. Notes Payable is \$3,026,801.
- The District's net position increased by \$442,861 from June 30, 2018.
- Total Operating Revenues for fiscal year 2018-19 were \$1,857,496 which is an increase of .90% over the prior year. This change reflects the increases in miscellaneous revenue and other services.
- Total Operating Expenses for the fiscal year 2018-19 were \$2,257,066. This figure is 5.40% higher than the prior year, due primarily to increases in Depreciation.
- Total Liabilities and Deferred Inflows of Resources are \$15,101,485 with long-term liabilities at \$14,162,175 current liabilities at \$886,340 and deferred inflows of resources for pension at \$52,970.

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 \$10,444,103 at the close of the fiscal year, an increase of \$442,861 from the prior year. This is primarily due to the completion of Phase 3 – Automated Meter Interface (AMI) Project and recognizing the

current value of the Intergovernmental Agreement (IGA) that the District entered into with the City of Newport in November 2007, transferring a portion of its service area in South Beach to the City of Newport.

64% of the District's net positions (\$6,730,175) 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					
	2019	Restated 2018	2017	Difference 2019-2018	%
ASSETS					
Current Assets	\$3,688,188	\$3,338,586	\$2,842,088	\$349,602	10.47%
Capital Assets	20,892,350	20,254,981	18,795,561	637,369	3.15%
Other noncurrent Assets	669,260	702,679	763,835	(33,419)	-4.76%
Total Assets	25,249,798	24,296,246	22,401,484	953,552	3.92%
Deferred Outflows-Pension Contributions	295,790	253,183	366,383	42,607	16.83%
Total Assets & Deferred Outflows	25,545,588	24,549,429	22,767,867	996,159	4.06%
LIABILITIES					
Current Liabilities	886,340	907,470	812,596	(21,130)	-2.33%
Long Term Liabilities	14,162,175	13,615,204	13,969,977	546,971	4.02%
Total Liabilities	15,048,515	14,522,674	14,782,573	525,841	3.62%
Deferred Inflows-Pension	52,970	25,513	28,532	27,457	107.62%
Total Liabilities & Deferred Inflows	15,101,485	14,548,187	14,811,105	553,298	3.80%
NET POSITION					
Net Invested in Capital Assets	6,730,175	6,994,596	4,891,328	(264,421)	-3.78%
Restricted	1,507,934	1,139,162	1,193,511	368,772	32.37%
Unrestricted	2,205,994	1,867,484	1,871,923	338,510	18.13%
Total Net Position	\$10,444,103	\$10,001,242	\$7,956,762	\$442,861	4.43%

Restatement of FY 2018

In 2018, construction in progress expenditures totaling \$232,122 were recorded as accounts receivable and as loan proceeds from OBDD since project federal expenditures are made on a cost reimbursement basis. The capital project fund balance was not adjusted for this pending receipt. See Note 7 Long-term debt, Notes payable section for details of this note payable.

A portion of the District's net position (15% or \$1,507,934) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (\$21% or \$2,205,944) may be used to meet the District's ongoing obligations to rate payers and creditors.

Operating and non-operating activities increased the District's net position by \$442,861, an increase of 4.4% over the previous year. The change in net position is comprised of operating and non-operating income of \$351,098 and capital contributions of \$91,763 which represents system development charges. Operating loss decreased net position by \$399,570 primarily due to increases in Payroll and Benefits, Maintenance and Repairs, 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, 2019 was .00499688 or \$756,962.

At end of the FY 2018-19 the District's financial reports reflected deferred outflows of resources of \$295,790. This amount was derived by adding the differences between expected and actual experience which was \$25,750, changes in assumptions which was \$175,992, net difference between projected and actual earnings on investments which was \$0, changes in proportionate share which was \$26,733 and the contributions the District made subsequent to measurement date which was \$67,315. The District also reported deferred inflows of resources of \$52,970. 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 District's net OPEB liability (asset) and deferred inflows and outflows estimated by Milliman Actuarial Services were not material to the financial statements taken as a whole.

Change in Net Position

	2019	Restated 2018	2017	Difference 2019-2018	%
OPERATING REVENUES					
Water Service	\$1,767,111	\$1,774,367	\$1,686,796	(\$7,256)	-0.41%
Other Services	55,331	54,175	47,975	1,156	2.13%
Miscellaneous	35,054	12,305	25,009	22,749	184.88%
Total Operating Revenues	1,857,496	1,840,847	1,759,780	16,649	0.90%
OPERATING EXPENSES					
Payroll and benefits	901,625	880,740	632,035	20,885	2.37%
Water purchase	342,026	370,914	372,293	(28,888)	-7.79%
Maintenance & repairs	203,344	195,589	263,527	7,755	3.96%
General and admin	107,076	103,692	156,177	3,384	3.26%
Depreciation	702,995	590,534	517,506	112,461	19.04%
Total Operating Expenses	2,257,066	2,141,469	1,941,538	115,597	5.40%
OPERATING INCOME (LOSS)	(399,570)	(300,622)	(181,758)	(98,948)	32.91%
NON OPERATING REVENUES (EXPENSES)					
Interest income	62,772	54,622	54,771	8,150	14.92%
Property taxes	840,331	1,004,919	649,325	(164,588)	-16.38%
Grants/Loan Proceeds	206,120	1,548,700	1,059,869	(1,342,580)	-86.69%
Boundary Income	0	33,044	11,696	(33,044)	-100.00%
Disposal of Assets	0	0	(61,965)	0	0.00%
Interest expense	(358,555)	(386,745)	(373,933)	28,190	-7.29%
Total Nonoperating Revenues (Expenses)	750,668	2,254,540	1,339,763	(1,503,872)	-66.70%
Income (Loss) Before Contributions	351,098	1,953,918	1,158,005	(1,602,820)	-82.03%
CAPITAL CONTRIBUTIONS	91,763	90,562	84,422	1,201	1.33%
CHANGES IN NET POSITION	442,861	2,044,480	1,242,427	(1,601,619)	-78.34%
Net Position - Beginning of Year	10,001,242	7,956,762	6,714,335	2,044,480	25.69%
Net Position - End of Year	\$10,444,103	\$10,001,242	\$7,956,762	\$442,861	4.43%

Financial Condition

The District's financial condition improved over the previous year with adequate liquid assets for ongoing operations at a level necessary to meet demand. Unrestricted net position increased by \$338,510 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. The annual payment will be \$365,697 with an interest rate of 2.75%. Proceeds provided by USDA-RD and 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. 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-gallon and 250,000-gallon 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.

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.

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. The District Board of Commissioners chose not to increase water rates for fiscal year 2018-19 as the wholesale water rate from Toledo decreased per 1,000 gallons from \$3.40 to \$3.25 effective January 1, 2019 through December 31, 2019. 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 30, 2020.

Operating expenses are Payroll and Benefits, Water Purchase, Maintenance and Repairs, General and Administrative, and Depreciation. They combined for a net increase of \$115,597 over the prior year and Net Operating loss increase of 32.91% over the prior year, due to the increase in Payroll and Benefits Maintenance and Repairs, General and Administrative, and Depreciation. Net Position increased by \$442,861 due primarily to the completion of the City of Toledo's Capital Improvements, so the District did not have to make any contribution to its share of project cost and the completion of Phase 3 – Automated Meter Integration (AMI) System.

Capital Assets and Debt Administration

Capital Assets

Seal Rock Water District's investment in capital assets as of June 30, 2019 is \$20.89 million (net of depreciation). This investment in capital assets includes land, buildings, reservoirs, pipelines, pump stations, automotive, and maintenance and office equipment. The District's total investment in capital assets increased by 3.15% compared to the prior year. This figure includes the newly completed Phase 3 projects Schedule 1 and Schedule 2 which included distribution system looping, pipeline replacement, upsizing pipeline diameter to improve pressure and fire flow in various locations of the District and the completion of the Automated Meter Integration (AMI) Project.

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, 2018 and placed into full operation with exception of the Customer Portal, which is scheduled for implementation by District staff in early 2019. 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.

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.

Long Term Debt

At the end of the fiscal year, Seal Rock Water District had long-term debt outstanding of \$14,027,767. \$1,254,467 of this is secured by revenue bonds, \$3,026,801 is notes payable and \$9,746,499 (includes bond premium of \$152,327) 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 \$622,553.

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 \$22,206,858 for fiscal year 2019-20. 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 2019-20 are 21.62% for Tier 1/Tier 2 and 15.39% for OPSRP.
- Health Insurance Premium continues to increase.
- The District completed its contract negotiation with the City of Toledo effective December 21, 2012 through June 30, 2037. The wholesale rate decreased from \$3.40 to \$3.25 per 1,000 gallons as of January 2019. The decrease is a result of percentage of water used by the District affecting the methodology for calculating the annual wholesale water rate by the City of Toledo
- 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.
- 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.
- 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).
- Because USDA only finances loans for system improvements that the District owns, it became necessary to obtain separate financing to fund the District's share of Toledo Phase-2 improvements completed in the fall of 2015. As such the District Board of Commissioners approved a resolution on April 9, 2015 to execute a line-of-credit (LOC) in the amount of \$2 million to meet this obligation.
- 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.

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

All of these factors were considered in preparing the Seal Rock Water District's budget for 2019-20.

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

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

Year	Real Market	Taxable	Net Tax	Billing Rate	Bond Levy	Percentage Collected	
						Year of	as of 11/30/2019
2019-20	921,297,820	707,936,610	860,627	0.1259	1.0937	In Process of Collection	89.59%
2018-19	856,241,708	676,620,410	853,360	0.1259	1.1384	97.12%	98.25%
2017-18	852,959,535	635,866,995	1,059,581	0.1259	1.5021	96.90%	98.87%
2016-17	787,299,983	619,210,470	663,436	0.1259	0.9487	96.89%	99.37%
2015-16	663,486,573	597,760,160	623,764	0.1259	0.9225	96.37%	99.55%
2014-15	704,621,926	609,717,600	630,683	0.1259	0.9127	96.36%	99.61%
2013-14	696,506,325	574,993,497	727,905	0.1259	1.1000	95.78%	99.68%

- (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, 2019

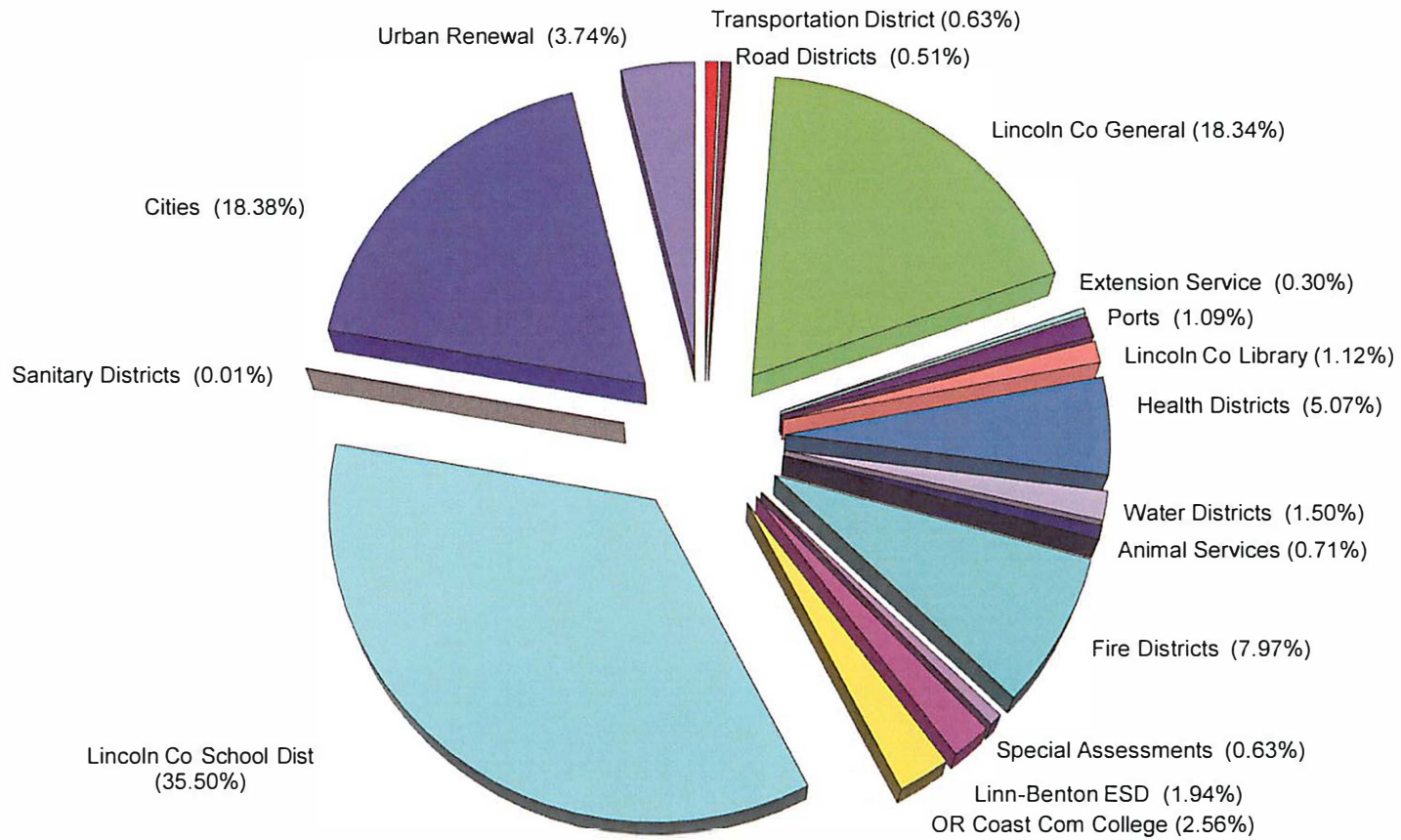
**LINCOLN COUNTY
MAJOR TAXPAYERS
FOR 2019-20**

Owner of Record (Taxpayer)	Total Assessed Value	% of Total County Assessed Value	Taxes Imposed	% of All Countywide Taxes Imposed
Georgia Pacific Toledo LLC	\$215,961,840	2.62%	\$3,338,458	2.71%
Central Lincoln PUD	103,124,000	1.25%	1,457,527	1.18%
Northwest Natural Gas Co.	56,140,000	0.68%	912,907	0.74%
Weyerhaeuser	68,095,660	0.83%	820,408	0.67%
Charter Communications	41,910,700	0.51%	680,854	0.55%
Devil's Lake Road LLC	39,072,150	0.47%	649,182	0.53%
Worldmark The Club	42,631,550	0.52%	548,313	0.45%
Nestucca Forests LLC	35,714,830	0.43%	436,286	0.35%
Century Link	28,773,000	0.35%	415,243	0.34%
Hallmark Inns & Resorts Inc	19,821,110	0.24%	360,308	0.29%
Total Top Ten Tax Payers in the County	\$651,244,840	7.89%	\$9,619,486	7.81%
Remaining County Taxpayers	7,598,554,358	92.11%	113,533,882	92.19%
Total County	\$8,249,799,198	100.00%	\$123,153,368	100.00%

Requests for Information

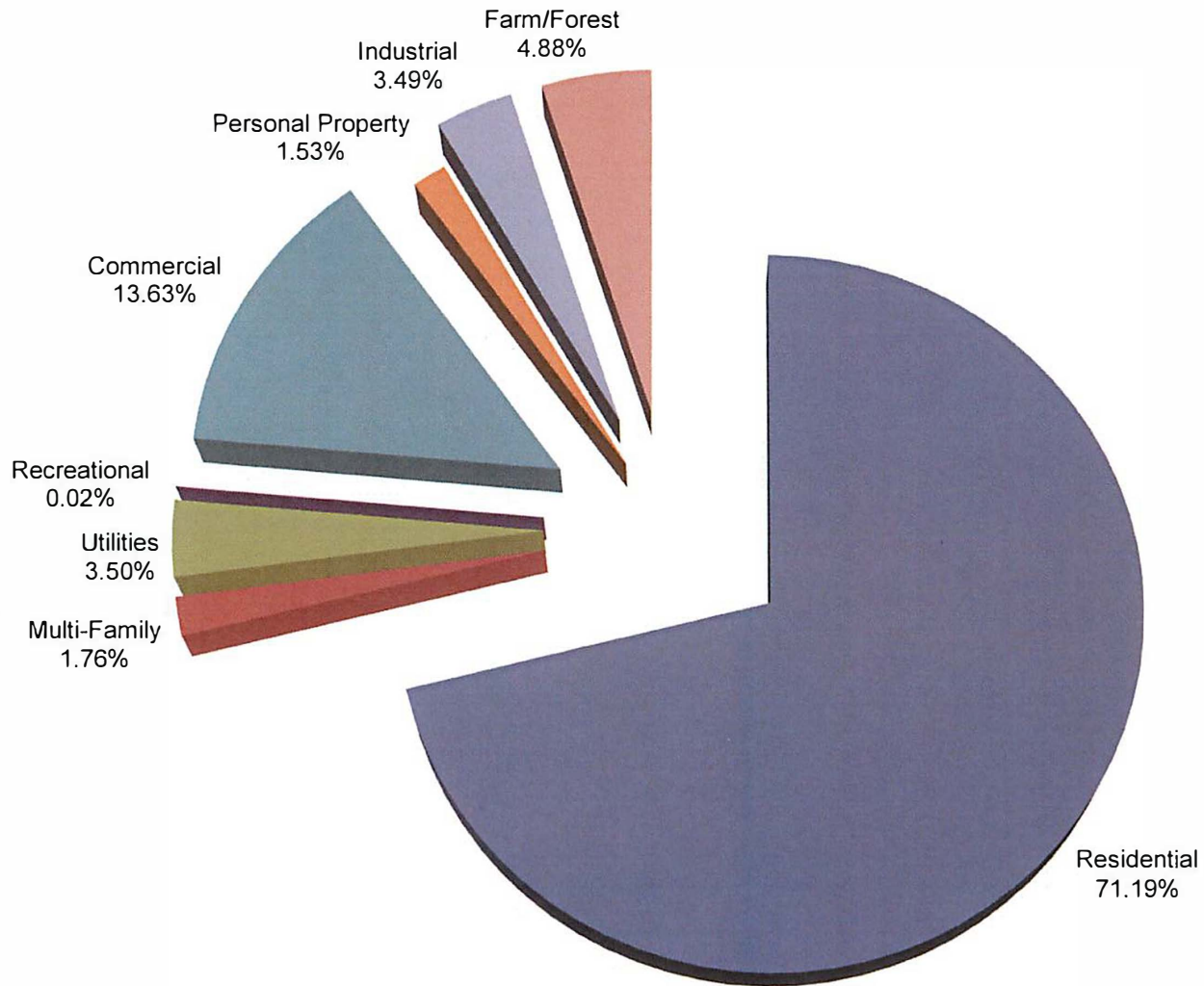
The financial report is designed to provide a general overview of Seal Rock Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office Manager, Seal Rock Water District, P.O. Box 190, Seal Rock, Oregon 97376.

LINCOLN COUNTY 2019-2020 YOUR TAX DOLLAR DISTRIBUTION



IIIX

WHO PAYS LINCOLN COUNTY PROPERTY TAXES
2019-2020



XIX

**Supplemental Continuing Disclosure Information
Seal Rock Water District
November 30, 2018**

General Obligation Debt	2017-18	2018-19
Real Market Value	852,959,535	856,241,708
General Obligation Debt Capacity (10.0% of RMV)	85,295,954	85,624,171
Outstanding Obligations Subject to Limitation ⁽¹⁾	10,512,931	10,040,726
Remaining General Obligation Debt Capacity	74,783,023	75,583,445
Percent of Remaining Debt Capacity/Total Debt Capacity	87.67%	88.27%
Percent of Outstanding Obligation/Total Debt Capacity	12.33%	11.73%
Percent of Outstanding Obligation/Real Market Value	1.23%	1.17%

Source : the District

**Consolidated Tax Rates Per \$1,000
TAX CODE AREA: 326 (AV \$163,939,110)
REPRESENTS 24.22% 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	
							Year of Levy	11/30/2018
2018-19	856,241,708	676,620,410	853,360	0.1259	1.1384	1.2643	In process of collection	87.31%
2017-18	852,959,535	635,866,995	1,059,518	0.1259	1.5021	1.6280	96.90%	98.00%
2016-17	787,299,983	619,210,470	663,436	0.1259	0.9487	1.0746	96.89%	98.78%
2015-16	663,486,573	597,760,160	624,764	0.1259	0.9225	1.0484	96.37%	98.92%
2014-15	704,621,926	609,717,600	630,683	0.1259	0.9127	1.0386	96.36%	99.56%
2013-14	696,506,325	574,993,497	727,905	0.1259	1.1000	1.2259	95.78%	99.64%
2012-13	746,917,907	571,208,327	797,076	0.1259	1.2264	1.3523	95.30%	99.71%

(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, 2018**

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	1,293,232
Notes Payable - IFA	12/1/2016	12/1/2023	126,285	108,607
Notes Payable - Cashmere Valley Bank	4/19/2017	12/1/2030	1,616,500	1,616,500
Total Revenue Obligations			3,247,785	3,018,339
General Obligation Bonds				
General Obligation Bonds, Series 2011	10/27/2011	10/27/2041	1,626,200	1,389,227
General Obligation Bonds, Series 2012	6/13/2012	6/1/2032	5,000,000	3,560,000
General Obligation Bonds, Series 2013	2/27/2013	6/1/2036	2,075,000	1,750,000
General Obligation Bonds, Series 2016	12/1/2016	12/1/2041	3,451,000	3,341,499
Total General Obligations			12,152,200	10,040,726
Total Outstanding Obligations			\$15,399,985	\$13,059,065

Source: The District.

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 2,891,727
Accounts receivable	138,169
Property taxes receivable	60,330
Receivable grants/loans	318,238
Prepaid expense	49,078
Inventory	198,820
Note receivable	<u>31,826</u>
Total current assets	<u>3,688,188</u>

Noncurrent assets

Prepaid bond insurance	20,708
Note receivable, long-term	<u>648,552</u>
Total noncurrent assets	<u>669,260</u>

Capital assets

Land	400,729
Construction in progress	1,952,410
Plant and equipment (net of depreciation)	<u>18,539,211</u>
Total capital assets	<u>20,892,350</u>
Total assets	<u>25,249,798</u>

Deferred outflows of resources - pension contributions

Total assets and deferred outflows of resources	<u>295,790</u>
	<u>25,545,588</u>

LIABILITIES

Current liabilities

Accounts payable	44,283
Compensated absences	65,543
Unearned revenue	59,432
Accrued interest payable from restricted	94,529
Current portion of long-term debt, payable from restricted	<u>622,553</u>
Total current liabilities	<u>886,340</u>

Long-term liabilities

Net pension liability	756,961
Notes payable	2,941,846
Revenue bond, net	1,214,632
General Obligation bonds, net	<u>9,248,736</u>
Total long-term liabilities	<u>14,162,175</u>
Total liabilities	<u>15,048,515</u>

Deferred inflows of resources - pension

Total liabilities and deferred inflows of resources	<u>52,970</u>
	<u>15,101,485</u>

NET POSITION

Net invested in capital assets	6,730,175
Restricted	
Debt service	478,741
Construction	1,029,193
Unrestricted	<u>2,205,994</u>
Total net position	<u>\$ 10,444,103</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, 2019

OPERATING REVENUES	
Water service pledged as security for revenue bonds	\$ 1,767,111
Hookups	55,331
Miscellaneous income	<u>35,054</u>
Total operating revenues	<u>1,857,496</u>
OPERATING EXPENSES	
Payroll and benefits	901,625
Water purchase	342,026
Maintenance and repairs	138,644
General and administrative	107,076
Professional services	64,700
Depreciation	<u>702,995</u>
Total operating expenses	<u>2,257,066</u>
OPERATING INCOME (LOSS)	<u>(399,570)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	62,772
Property taxes	840,331
Grants	206,120
Interest expense	<u>(358,555)</u>
Total nonoperating revenues (expenses)	<u>750,668</u>
Income (loss) before contributions	351,098
CAPITAL CONTRIBUTIONS	<u>91,763</u>
Change in net position	<u>442,861</u>
NET POSITION - Beginning of year	10,233,364
Prior period adjustment	<u>(232,122)</u>
NET POSITION - Beginning of year restated	<u>10,001,242</u>
NET POSITION - End of year	<u>\$ 10,444,103</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,852,655
Cash payments for goods and services	(745,472)
Cash payments for employees and benefits	<u>(814,477)</u>
Net cash provided (used) by operating activities	<u>292,706</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	850,192
Grants	317,412
Note receivable receipts	<u>30,411</u>
Net cash provided (used) by noncapital financing activities	<u>1,198,015</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,340,364)
Loan proceeds	1,087,256
Principal paid on debt	(540,710)
Interest paid on debt	(364,005)
Capital contributed by customers	<u>91,763</u>
Net cash provided (used) by capital and related financing activities	<u>(1,066,060)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>62,772</u>
Net increase (decrease) in cash and cash equivalents	487,433
Cash and cash equivalents - Beginning of year (restricted \$1,200,511)	<u>2,404,294</u>
Cash and cash equivalents - End of year (restricted \$1,561,945)	<u><u>\$ 2,891,727</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (399,570)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	702,995
Amortization	(11,286)
(Increase) decrease in operating assets	
Grants receivable	(4,411)
Accounts receivable	24,112
Inventory	4,239
Prepaid expense	1,196
Increase (decrease) in operating liabilities	
Accounts payable	(98,461)
Accrued compensated absences	8,745
Net pension liability	78,403
Accrued interest	(5,450)
Unearned revenue	<u>(7,806)</u>
Net cash provided (used) by operating activities	<u><u>\$ 292,706</u></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, 2019

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 market 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, 2019

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, 2019

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, 2019

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	\$ 1,329,782
Cash and cash equivalents - restricted	<u>1,561,945</u>
Total cash, cash equivalents and investments	<u>\$ 2,891,727</u>

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

	<u>Balance</u>
Petty cash	\$ 800
Deposits with financial institutions	2,075,073
Investments - external investment pool	<u>815,854</u>
Total	<u>\$2,891,727</u>

Restricted cash represents funds for debt retirement of \$432,024 and construction of \$1,129,921.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2019

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 \$2,999,486.

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 \$815,854 (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, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Property taxes	\$ 60,330	\$ 6,207	\$ 54,123
Accounts receivable	138,169	138,169	0
Grants/loan receivable	<u>318,238</u>	<u>0</u>	<u>318,238</u>
Total receivables	<u>\$ 516,737</u>	<u>\$ 144,376</u>	<u>\$ 372,361</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 21 years.

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Note receivable, City of Newport	<u>\$ 680,378</u>	<u>\$ 586,123</u>	<u>\$ 94,255</u>

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2019

NOTE 5 - NOTE RECEIVABLE - Continued

The note receivable maturity schedule is as follows:

Year Ending June 30	Balance	Unrestricted	Restricted
2020	\$ 31,826	\$ 25,613	\$ 6,213
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
2025-2030	210,491	178,864	31,627
2031-2035	243,452	226,977	16,475
2036-2040	46,526	39,165	7,361
2041-2043	<u>5,108</u>	<u>0</u>	<u>5,108</u>
Totals	<u>\$ 680,378</u>	<u>\$ 586,123</u>	<u>\$ 94,255</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>721,563</u>	<u>1,230,847</u>	<u>0</u>	<u>1,952,410</u>
Total non-depreciable	<u>1,122,292</u>	<u>1,230,847</u>	<u>0</u>	<u>2,353,139</u>
Depreciable				
Building	1,973,816	8,430	0	1,982,246
Furn./equip./vehicles	898,682	41,650	(13,874)	926,458
Water system	<u>22,262,784</u>	<u>59,436</u>	<u>0</u>	<u>22,322,220</u>
Total depreciable	<u>25,135,282</u>	<u>109,516</u>	<u>(13,874)</u>	<u>25,230,924</u>
Accumulated depreciation				
Building	274,709	41,825	0	316,534
Equipment	613,782	60,705	(13,874)	660,613
Water system	<u>5,114,101</u>	<u>600,465</u>	<u>0</u>	<u>5,714,566</u>
Total accum. depreciation	<u>6,002,592</u>	<u>702,995</u>	<u>(13,874)</u>	<u>6,691,713</u>
Total, net of depreciation	<u>19,132,690</u>	<u>(593,479)</u>	<u>0</u>	<u>18,539,211</u>
Capital assets, net	<u>\$ 20,254,982</u>	<u>\$ 637,368</u>	<u>\$ 0</u>	<u>\$20,892,350</u>

Depreciation expense for the year was \$702,995.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2019

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 \$1,254,467.

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

Fiscal Year Ending	Principal	Interest	Total Future Requirements
6-30-20	\$ 39,835	\$ 34,498	\$ 74,334
6-30-21	40,931	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
2025-2029	241,004	130,659	371,663
2030-2034	276,015	95,646	371,661
2035-2039	316,113	55,549	371,662
2040-2042	<u>210,900</u>	<u>11,693</u>	<u>222,593</u>
Totals	<u>\$ 1,254,467</u>	<u>\$ 454,776</u>	<u>\$ 1,709,243</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 is 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, when the rate will be calculated at 65.01% of the five year interest swap rate plus 1.45%. This rate will be used for five years and will be recalculated using the above formula for the final five years until maturity. Interest is payable on April 1 and October 1. Principal plus interest payments are due each April 1 and October 1, 2020 through 2030. The outstanding balance on the line of credit was \$1,616,500 at June 30, 2019.

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 on the line of credit was \$90,924 at June 30, 2019.

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 \$1,319,378 at June 30, 2019. 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, 2019

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>
6-30-20	\$ 84,955	\$ 44,554	\$ 129,509
6-30-21	154,958	41,647	196,605
6-30-22	196,790	50,938	247,728
6-30-23	201,175	46,553	247,728
6-30-24	205,485	42,060	247,545
2025-2029	1,004,036	140,757	1,144,793
2030-2034	383,807	49,645	433,452
2035-2039	220,197	35,419	255,616
2040-2044	231,429	24,187	255,616
2045-2049	243,236	12,383	255,619
2050-2051	<u>100,733</u>	<u>1,513</u>	<u>102,246</u>
Totals	<u>\$3,026,801</u>	<u>\$ 489,656</u>	<u>\$ 3,516,457</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 \$1,389,227.

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 \$3,300,000.

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 \$1,675,000.

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 \$3,229,945.

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>
6-30-20	\$ 497,763	\$ 279,602	\$ 777,365
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
2025-2029	2,695,786	806,083	3,501,869
2030-2034	2,085,013	448,184	2,533,197
2035-2039	1,390,721	194,518	1,585,239
2040-2042	<u>756,893</u>	<u>38,236</u>	<u>795,129</u>
Totals	<u>\$ 9,594,172</u>	<u>\$2,708,097</u>	<u>\$ 12,302,269</u>

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2019

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds

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	\$ 1,293,235	\$ 0	\$ 38,768	\$ 1,254,467	\$ 39,835	\$ 35,564
Notes payable	1,957,229	1,087,256	17,684	3,026,801	84,955	44,732
GO Bonds	<u>10,078,430</u>	<u>0</u>	<u>484,258</u>	<u>9,594,172</u>	<u>497,763</u>	<u>294,995</u>
 Total	 <u>\$13,328,894</u>	 <u>\$ 1,087,256</u>	 <u>\$ 540,710</u>	13,875,440	 <u>\$ 622,553</u>	 <u>\$ 375,291</u>
			Bond premium	<u>152,327</u>		
			Total	<u>\$14,027,767</u>		

NOTE 8 - 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, 2019

NOTE 8 - 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, 2019

NOTE 8 - 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, 2019

NOTE 8 - 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, 2019 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, 2019 were \$67,315, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2019 were 17.21 percent for Tier One/Tier Two General Service, 10.71 percent of OPSRP General Service Members, 15.48 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, 2019

NOTE 8 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2019, the District reported a net pension liability of \$756,962 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2018, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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 0.00499688 and 0.004921419 for the years ending June 30, 2019 and 2018 respectively. For the year ended June 30, 2019, the District recognized pension expense (income) of \$78,403. At June 30, 2019, 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	\$ 25,750	\$ 0
Changes of assumptions	175,992	0
Net difference between projected and actual earnings on investments	0	33,613
Changes in proportionate share	26,733	0
Contributions made subsequent to measurement date	67,315	0
Differences between employer contributions and employer's proportionate share of system contributions	<u>0</u>	<u>19,357</u>
Total	<u>\$ 295,790</u>	<u>\$ 52,970</u>

Deferred outflows of resources of \$67,315 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, 2019. 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, 2019

NOTE 8 - 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>
2020	\$ 94,434
2021	69,700
2022	(3,937)
2023	10,751
2024	5,557
Thereafter	<u>0</u>
Total	<u>\$ 175,505</u>

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2016 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, 2019

NOTE 8 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation Date	December 31, 2016, rolled forward to June 30, 2018
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	<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. <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. <i>Disabled retirees:</i> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2019

NOTE 8 - 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>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</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>100.0%</u>

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2019

NOTE 8 - 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	1.31%	6.69%
Micro Cap US Equities	1.31%	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, 2019

NOTE 8 - 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)	\$ 1,265,026	\$ 756,962	\$ 337,596

Changes in Plan Provisions Subsequent to Measurement Date

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 has been filed with the Oregon Supreme Court challenging the constitutionality of provisions of the bill.

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, 2019

NOTE 8 - 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 \$80 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, 2019, 2018, and 2017 were paid and equaled the required contributions for each year.

NOTE 9 - 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, 2019 by Milliman Actuarial Services for both plans. At June 30, 2019, 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, 2019

NOTE 10 - PRIOR PERIOD ADJUSTMENT

In 2018, construction in progress expenditures totaling \$232,122 were recorded as accounts receivable and as loan proceeds from OBDD since project federal expenditures are made on a cost reimbursement basis. The capital projects fund balance was not adjusted for this pending receipt. See Note 7 Long-term debt, Notes Payable section for details of this note payable. Below is the restated restricted beginning balance of this note payable, plus proceeds expended in 2019:

Liability	<u>Beginning Balance</u>	<u>2019 Proceeds</u>	<u>Ending Balance</u>
OBDD Note Payable S18011	\$ 232,122	\$ 1,087,256	\$ 1,319,378

The prior period adjustment for the note payable to the beginning balances of net position is detailed in the following schedule.

Net Position	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Beginning Balance Restated</u>
Net inv. in capital assets	\$6,994,596	\$ 0	\$ 6,994,596
Restricted			
Debt service	477,613	0	477,613
Construction	893,671	(232,122)	661,549
Unrestricted	<u>1,867,484</u>	<u>0</u>	<u>1,867,484</u>
 Total net position	 <u>\$10,233,364</u>	 <u>\$ (232,122)</u>	 <u>\$ 10,001,242</u>

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

Phase 4 of System Improvements is in the engineering and planning portion of the project. A construction contract has not yet been awarded.

In June 2019, the District retained Saalfeld Griggs PC, a law firm, to assist with the acquisition of water line easements for the Beaver Creek Water System Improvement Project with legal services invoiced as work progresses at the firm's standard hourly rates.

Economic Dependency

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2019

NOTE 11 - OTHER INFORMATION - Continued

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.

Evaluation of Subsequent Events

In July 2019, the application for federal funding for Phase 4 of the Beaver Creek Water System Improvement Project was approved with federal funds set aside for the District. Federal funding includes a USDA-RUS GO Bond loan of \$6,549,000, repayable with a term of 25 years at 2.75% interest, a USDA-RUS revenue bond loan of \$2,547,000, repayable with a term of 30 years at 2.75% interest, and a USDA-RUS grant of \$2,799,500, for a total funding award of \$11,895,500. These funds will be used to develop a new water intake on Beaver Creek, a membrane treatment plant, storage reservoirs, raw and finished water pipelines. Funds will also be used to refinance the existing line of credit of \$1,616,500 from Cashmere Valley Bank.

Repayment of both loans begins one year after loan closing. The general obligation bond annual payment will be \$365,697 including interest at 2.75%, and the revenue bond annual payment will be \$125,797 including interest at 2.75%.

In July 2019 the District retained Hawkins, Delafield & Wood LLP to act as bond counsel for the revenue bonds for \$15,000.

The District has evaluated subsequent events through February 11, 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
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, 2018**

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 has been filed with the Oregon Supreme Court challenging the constitutionality of provisions of the bill.

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET) as of June 30, 2019

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Six Fiscal Years

Fiscal Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00393	\$ 200,660	\$ 413,981	48.5%	92.0%
2015	0.00393	(89,129)	425,633	-20.9%	103.6%
2016	0.00454	260,819	423,759	61.5%	91.9%
2017	0.00465	698,307	441,799	158.1%	80.5%
2018	0.00492	663,408	464,754	142.7%	83.1%
2019	0.00499	756,962	483,584	156.5%	82.07%

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, 2019**

**OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Six Fiscal Years**

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Defeciency /(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	64,846	0	483,584	13.41%
2019	67,315	67,315	0	521,465	12.91%

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**

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, 2019**

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Water sales	\$ 1,800,000	\$ 1,800,000	\$ 1,767,111	\$ (32,889)
Service connections	25,500	25,500	55,331	29,831
Miscellaneous	49,800	49,800	18,319	(31,481)
Grants	3,000	3,000	3,000	0
Interest	200	200	36,027	35,827
Subdivision assessments	1,000	1,000	0	(1,000)
Boundary withdrawal	0	0	24,427	24,427
Property taxes	<u>79,200</u>	<u>79,200</u>	<u>81,589</u>	<u>2,389</u>
Total revenues	<u>1,958,700</u>	<u>1,958,700</u>	<u>1,985,804</u>	<u>27,104</u>
EXPENDITURES				
Personnel services	866,300	866,300	823,222	43,078
Materials and services	834,400	834,400	652,358	182,042
Capital outlay	93,000	193,000	78,396	114,604
Contingency	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>1,893,700</u>	<u>1,893,700</u>	<u>1,553,976</u>	<u>339,724</u>
Excess (def) of revenues over expenditures	65,000	65,000	431,828	366,828
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(640,000)</u>	<u>(640,000)</u>	<u>(545,215)</u>	<u>94,785</u>
Excess (def) of revenues over expenditures after transfers	(575,000)	(575,000)	(113,387)	461,613
FUND BALANCE - Beginning of year (Budget basis)	<u>575,000</u>	<u>575,000</u>	<u>505,648</u>	<u>(69,352)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 0</u>	392,261	<u>\$ 392,261</u>
GAAP ADJUSTMENTS - Reconciled to June 2018			18,302,792	
City of Newport taxes			(24,427)	
Capital asset activity				
Additions			76,715	
Asset transfers			32,801	
Depreciation			(702,995)	
Long-term debt activity				
Pre-paid bond costs			(2)	
Principal payments			56,452	
Interest accrued			192	
Pension activity, net			<u>(78,403)</u>	
FUND BALANCE - End of Year (GAAP basis)			<u>\$ 18,055,386</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

CAPITAL PROJECTS FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Loan proceeds	\$ 383,500	\$ 1,268,680	\$ 885,180
Grants	12,630,000	24,882	(12,605,118)
Interest	<u>5,000</u>	<u>3,130</u>	<u>1,870</u>
Total revenues	<u>13,018,500</u>	<u>1,296,692</u>	<u>(11,721,808)</u>
EXPENDITURES			
Capital outlay	<u>13,693,500</u>	<u>1,263,648</u>	<u>12,429,852</u>
Excess (def) of revenues over expenditures	(675,000)	33,044	708,044
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>175,000</u>	<u>175,000</u>	<u>0</u>
Excess (def) of revenues over expenditures after other sources (uses)	(500,000)	208,044	708,044
FUND BALANCE - Beginning of year (Budget basis)	<u>500,000</u>	<u>790,690</u>	<u>290,690</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	998,734	<u>\$ 998,734</u>
GAAP ADJUSTMENTS - Reconciled to June 2018		(11,213,491)	
Prior period adjustment		(232,122)	
Capital asset activity			
Additions		1,263,648	
Asset transfers		(32,801)	
Long-term debt activity			
Loan proceeds		(1,087,256)	
Prepaid bond costs		(1,592)	
Principal payments		484,258	
Bond premium amortization		11,286	
Interest accrued		<u>5,258</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ (9,804,078)</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

DEBT SERVICE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 600	\$ 4,904	\$ 4,304
Property taxes	738,360	758,742	20,382
Boundary withdrawal income	9,490	5,984	(3,506)
Miscellaneous income	<u>500</u>	<u>14,057</u>	<u>13,557</u>
 Total revenues	 <u>748,950</u>	 <u>783,687</u>	 <u>34,737</u>
 EXPENDITURES			
Debt service	<u>779,290</u>	<u>779,253</u>	<u>37</u>
 Total revenues	 <u>779,290</u>	 <u>779,253</u>	 <u>37</u>
 Excess (def) of revenues over expenditures	 (30,340)	 4,434	 34,774
 Unappropriated ending fund balance	 (394,660)	 0	 394,660
 FUND BALANCE			
Beginning of year (Budget basis)	<u>425,000</u>	<u>424,713</u>	<u>(287)</u>
 End of year (Budget basis)	 <u>\$ 0</u>	 429,147	 <u>\$ 429,147</u>
 GAAP ADJUSTMENTS - Reconciled to June 2018		52,900	
City NP taxes		(5,984)	
2013 RGOB Adv		<u>2,678</u>	
 FUND BALANCE - End of Year (GAAP basis)		 <u>\$ 478,741</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

R.D. REQUIREMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 50	\$ 68	\$ 18
EXPENDITURES			
Capital outlay	<u>54,180</u>	<u>0</u>	<u>54,180</u>
Excess (def) of revenues over expenditures	(54,130)	68	54,198
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 after transfers	(46,700)	7,498	54,198
FUND BALANCE			
Beginning of year (Budget basis)	<u>46,700</u>	<u>46,786</u>	<u>86</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 54,284</u>	<u>\$ 54,284</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

REVENUE BOND FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 20	\$ 32	\$ 12
EXPENDITURES			
Debt service	<u>147,120</u>	<u>136,747</u>	<u>10,373</u>
Excess (def) of revenues over expenditures	(147,100)	(136,715)	10,385
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 after transfers	(13,100)	(2,715)	10,385
FUND BALANCE			
Beginning of year (Budget basis)	<u>13,100</u>	<u>14,196</u>	<u>1,096</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 11,481</u>	<u>\$ 11,481</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

SYSTEM DEVELOPMENT CHARGES FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 600	\$ 1,784	\$ 1,184
System development charges	<u>58,728</u>	<u>91,763</u>	<u>33,035</u>
 Total revenues	 59,328	 93,547	 34,219
EXPENDITURES			
SDC Improvements	<u>339,328</u>	<u>0</u>	<u>(339,328)</u>
 Excess (def) of revenues over expenditures	 (280,000)	 93,547	 373,547
FUND BALANCE			
Beginning of year (Budget basis)	<u>280,000</u>	<u>327,849</u>	<u>47,849</u>
 End of year (Budget basis)	 <u>\$ 0</u>	 <u>\$ 421,396</u>	 <u>\$ 421,396</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

WATER SOURCE IMPROVEMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 2,000	\$ 12,639	10,639
EXPENDITURES			
Capital outlay	<u>911,570</u>	<u>0</u>	<u>911,570</u>
Excess (def) of revenues over expenditures	(909,570)	12,639	922,209
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>189,570</u>	<u>94,785</u>	<u>(94,785)</u>
Excess (def) of revenues over expenditures after transfers	(720,000)	107,424	827,424
FUND BALANCE			
Beginning of year (Budget basis)	<u>720,000</u>	<u>770,476</u>	<u>50,476</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 877,900</u>	<u>\$ 877,900</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

SLARRA/DEPRECIATION RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 600	\$ 1,443	\$ 843
EXPENDITURES			
Capital outlay	<u>354,600</u>	<u>0</u>	<u>354,600</u>
Excess (def) of revenues over expenditures	(354,000)	1,443	355,443
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 after transfers	(220,000)	135,443	355,443
FUND BALANCE			
Beginning of year (Budget basis)	<u>220,000</u>	<u>72,651</u>	<u>(147,349)</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 208,094</u>	<u>\$ 208,094</u>

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2019**

SRWD LAND & BUILDING RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
- REVENUES			
Interest	\$ 800	\$ 2,745	\$ 1,945
EXPENDITURES			
Capital outlay	<u>137,800</u>	<u>0</u>	<u>137,800</u>
Excess (def) of revenues over expenditures	(137,000)	2,745	139,745
FUND BALANCE			
Beginning of year (Budget basis)	<u>137,000</u>	<u>138,154</u>	<u>1,154</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 140,899</u>	<u>\$ 140,899</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, 2019

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 1,985,804	\$ 2,099,191	\$ (113,387)
Capital Projects Fund	1,471,692	1,263,648	208,044
Debt Service Fund	783,687	779,253	4,434
R. D. Requirement Reserve Fund	7,498	0	7,498
Revenue Bond Fund	134,032	136,747	(2,715)
System Development Charges Fund	93,547	0	93,547
Water Source Improvement Reserve Fund	107,424	0	107,424
Depreciation Reserve Fund	135,443	0	135,443
SRWD Land & Building Reserve Fund	<u>2,745</u>	<u>0</u>	<u>2,745</u>
 Total budgetary basis	 <u>\$ 4,721,872</u>	 <u>\$ 4,278,839</u>	 443,033
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Note receivable activity			
City of Newport taxes			(30,411)
2013 RGOB Advance			2,678
Capital asset activity			
Additions			1,340,363
Depreciation			(702,995)
Long-term debt activity			
Loan proceeds			(1,087,256)
Prepaid bond costs			(1,594)
Principal payments			540,710
Bond premium amortization			11,286
Interest accrued			5,450
Pension activity, net			<u>(78,403)</u>
 Change in net position			 <u>442,861</u>
 NET POSITION - Beginning of year			 10,233,364
Prior period adjustment			<u>(232,122)</u>
NET POSITION - Beginning of year restated			<u>10,001,242</u>
 NET POSITION - End of year			 <u>\$ 10,444,103</u>

**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, 2019**

<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		\$ 149,665
Water and Waste Disposal Systems for Rural Communities (pending grant funds)	10.760		<u>24,881</u>
<i>Subtotal CFDA 10.760</i>			<u>174,546</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>1,076,519</u>
<i>Subtotal CFDA 66.468</i>			<u>1,076,519</u>
<i>Total Environmental Protection Agency</i>			<u>1,076,519</u>
<i>Total Federal Expenditures</i>			<u><u>\$ 1,251,065</u></u>

SEAL ROCK WATER DISTRICT, OREGON

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2019**

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, 2019. 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 is due in 25 years, and requires annual payments of \$174,207. 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	2019	\$3,229,945
				2018	\$3,341,499
				2017	\$3,451,000
				2016	\$3,451,000

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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, 2019, 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 February 11, 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) 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 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.

Members:
AICPA OSCP & OAIA

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 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. 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
February 11, 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 Seal Rock Water District's major federal programs for the year ended June 30, 2019. 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 OSCP & OAIA

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, 2019.

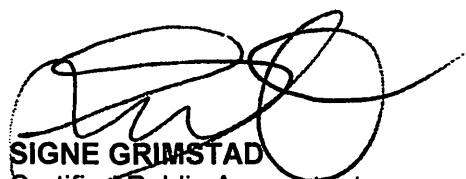
Report Internal Control Over Compliance

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
February 11, 2020

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended June 30, 2019

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, 2019

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

GRIMSTAD & ASSOCIATES

Certified Public Accountants

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Independent Auditor's Report Required by Oregon State Regulations

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities fund of the Seal Rock Water District, as of and for the year ended June 30, 2019, 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 February 11, 2020.

Compliance

As part of obtaining reasonable assurance about whether the 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 162-10-330 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 OSCP & 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
February 11, 2020