

**SEAL ROCK WATER DISTRICT
OREGON**

AUDIT REPORT

JUNE 30, 2021

Prepared By
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SEAL ROCK WATER DISTRICT, OREGON

COMMISSIONERS

President	Robert Mills	765 NW Terrace St. Seal Rock, OR 97376
Secretary	Saundra Mies-Grantham	7227 SW Abalone St. South Beach, OR 97366
Treasurer	Deanna Gravelle	PO Box 203 Newport, OR 97365
Commissioner	Karen Otta	9080 S. Coast Hwy. South Beach, OR 97366
Commissioner	Glen Morris	PO Box 283 Newport, OR 97365

ADMINISTRATION

District General Manager	Adam Denlinger
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REGISTERED AGENT

Joy King
1037 NW Grebe Street
Seal Rock, OR 97376

SEAL ROCK WATER DISTRICT, OREGON

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Seal Rock Water District

Management Discussion and Analysis (MD&A) Fiscal Year Ended June 30, 2021

The intent of the Management Discussion and Analysis is to provide highlights of the Seal Rock Water District's financial activities for fiscal year 2021, ending June 30, 2021. 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 \$34,729,471 with Capital Assets of \$29,475,738 net of accumulated depreciation. Current Assets are \$4,296,612 and other noncurrent assets are \$597,939. Deferred Outflows of Resources for Pension Contributions are \$359,182 at June 30, 2021.
- The assets of Seal Rock Water District exceeded its liabilities at the close of the fiscal year by \$10,051,278 (Net Position). Of this amount, \$1,034,712 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Net investment in capital assets, less related debt is \$7,097,401. Revenue Bonded debt is \$3,720,703 and General Obligation debt is \$8,714,803. Notes Payable is \$9,055,024.
- The District's net position decreased by \$259,020 from June 30, 2020.
- Total Operating Revenues for fiscal year 2020-21 were \$1,934,158 which is an increase of 5.37% over the prior year. This change reflects the increases in water services and other operating revenue.
- Total Operating Expenses for the fiscal year 2020-21 were \$2,917,238. This figure is 6.43% higher than the prior year, due primarily to increases in Payroll & Benefits, Water Purchase, General and Administrative, and Depreciation.
- Total Liabilities and Deferred Inflows of Resources are \$24,678,193 with long-term liabilities at \$15,470,352, current liabilities at \$9,152,118 and deferred inflows of resources for pension at \$55,724.

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 7 through 28 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 \$10,051,278 at the close of the fiscal year, a decrease of \$259,020 from the prior year. This is primarily due to the increase in current liabilities. The District took out an interim loan with Truist Bank to

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

71% of the District's net position (\$7,097,401) 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

	2021	2020	2019	Difference 2021-2020	%
ASSETS					
Current Assets	\$4,296,612	\$10,760,521	\$3,688,188	(\$6,463,909)	-60.07%
Capital Assets	29,475,738	21,240,722	20,892,350	8,235,016	38.77%
Other noncurrent Assets	597,939	634,367	669,260	(36,428)	-5.74%
Total Assets	34,370,289	32,635,610	25,249,798	1,734,679	5.32%
Deferred Outflows-Pension Contributions	359,182	306,994	295,790	52,188	17.00%
Total Assets & Deferred Outflows	34,729,471	32,942,604	25,545,588	1,786,867	5.42%
LIABILITIES					
Current Liabilities	9,152,118	1,145,972	886,340	8,006,146	698.63%
Long Term Liabilities	15,470,352	21,434,402	14,162,175	(5,964,050)	-27.82%
Total Liabilities	24,622,470	22,580,374	15,048,515	2,042,096	9.04%
Deferred Inflows-Pension	55,723	51,932	52,970	3,791	7.30%
Total Liabilities & Deferred Inflows	24,678,193	22,632,306	15,101,485	2,045,887	9.04%
NET POSITION					
Net Invested in Capital Assets	7,097,401	7,066,708	6,730,175	30,693	0.43%
Restricted	1,919,165	1,747,708	1,507,934	171,457	9.81%
Unrestricted	1,034,712	1,495,882	2,205,994	(461,170)	-30.83%
Total Net Position	\$10,051,278	\$10,310,298	\$10,444,103	(\$259,020)	-2.51%

A portion of the District's net position (19% or \$1,919,165) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (10% or \$1,034,712) may be used to meet the District's ongoing obligations to rate payers and creditors.

Operating and non-operating activities decreased the District's net position by \$259,020, a decrease of 2.51% over the previous year. The change in net position is comprised of operating and non-operating loss of \$372,805 and capital contributions of \$113,785 which represents system development charges. Operating loss decreased net position by \$983,080 primarily due to increases in Payroll and Benefits, Water Purchase, General and Administration, and Depreciation. Increases in Payroll and Benefits account for the cost of additional field operator. Increases in Water Purchase is the result of the short term agreement entered into between the District and the City of Toledo. The premium wholesale rate includes a monthly base charge.

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, 2021 was .005040500 or \$1,100,010.

At end of the FY 2020-21 the District's financial reports reflected deferred outflows of resources of \$359,182. This amount was derived by adding the differences between expected and actual experience, which was \$48,414, changes in assumptions which was \$59,034, net difference between projected and actual earnings on investments which was \$129,347, changes in proportionate share which was \$24,549 and the contributions the District made subsequent to measurement date which was \$97,838. The District also reported deferred inflows of resources of \$55,723. This amount was the differences between employer contributions and employer's proportionate share of system contributions; changes in proportionate share, and changes in assumptions.

GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions became effective on June 30, 2019. This statement requires the reporting of liabilities (assets) pertaining to retiree health care and other postemployment benefits (OPEB). The District provides an implicit rate subsidy for retiree health insurance premiums through Special District Association of Oregon (SDAO) and a contribution to Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rate and other inputs. The total OPEB liability was estimated at June 30, 2021 by Milliman Actuarial Services for both plans. At June 30, 2021, the District's net OPEB liability (asset) and deferred inflows and outflows were determined by Management not to be material to the financial statements taken as a whole.

Change in Net Position

	2021	2020	2019	Difference 2021-2020	%
OPERATING REVENUES					
Water Service	\$1,853,652	\$1,761,016	\$1,767,111	\$92,636	5.26%
Service Connections	57,792	46,859	55,331	10,933	23.33%
Other Operating Revenue	22,714	27,736	35,054	(5,022)	-18.11%
Total Operating Revenues	1,934,158	1,835,611	1,857,496	98,547	5.37%
OPERATING EXPENSES					
Payroll and Benefits	1,071,362	1,030,546	901,625	40,816	3.96%
Water Purchase	621,478	353,359	342,026	268,119	75.88%
Maintenance and Repair	285,923	426,200	138,644	(140,277)	-32.91%
General and Admin	125,869	119,257	107,076	6,612	5.54%
Professional Services	75,891	95,722	64,700	(19,831)	-20.72%
Depreciation	736,715	715,782	702,995	20,933	2.92%
Total Operating Expenses	2,917,238	2,740,866	2,257,066	176,372	6.43%
OPERATING INCOME (LOSS)	(983,080)	(905,255)	(399,570)	(77,825)	8.60%
NON OPERATING REVENUES (EXPENSES)					
Interest Income	41,042	55,349	62,772	(14,307)	-25.85%
Property Taxes	820,654	841,682	840,331	(21,028)	-2.50%
Grants/Loan Proceeds	59,390	174,238	206,120	(114,848)	-65.91%
Disposal of Assets	(2,529)	(5,215)	0	2,686	0.00%
Interest Expense	(308,282)	(379,026)	(358,555)	70,744	-18.66%
Total Nonoperating Revenues (Expenses)	610,275	687,028	750,668	(76,753)	-11.17%
Income (Loss) Before Contributions	(372,805)	(218,227)	351,098	(154,578)	70.83%
CAPITAL CONTRIBUTIONS	113,785	84,422	91,763	29,363	34.78%
CHANGES IN NET POSITION	(259,020)	(133,805)	442,861	(125,215)	93.58%
Net Position - Beginning of Year	10,310,298	10,444,103	10,001,242	(133,805)	-1.28%
Net Position - End of Year	\$10,051,278	\$10,310,298	\$10,444,103	(\$259,020)	-2.51%

Financial Condition

The District's financial condition improved over the previous year with adequate liquid assets for ongoing operations at a level necessary to meet demand. Unrestricted net position decreased by \$461,170 over the previous year. The District used part of its reserve to fund Phase IV – Beaver Creek Source Water Improvements preliminary expenses which is reimbursable from loan proceeds. These preliminary expenses included the Phase IV Beaver Creek Primary Source Water project final engineering design.

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

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

diameter, constructed on the Makai site at the treatment facility. The finished water pipeline is a 12 inch High Density Polyethylene (HDPE) Pipe trenched to connect the new storage facility to the District's existing system. Contractual project completion was August 2021.

The facilities are designed and constructed in accordance with sound engineering practices and meet the requirements of Federal, State, and local agencies. Delays in the project have pushed the schedule for startup and commissioning to the first quarter of 2022.

The current financial condition, staff capabilities, operating and Capital Improvement Plans (CIP) to meet anticipated growth within the service area, are well balanced and under control. It was initially anticipated that the District would need to add 3 FTE to operate the newly constructed Beaver Creek water treatment facility. However, with the intervention of membrane filtration and the automation used to operate the facility, the District will only need to add a 1 FTE to operate the facility. District Board and staff anticipated this need during the 2020 – 2021 budget cycle and was able to fill the position in December 2021.

Part of the philosophy of the District has been to maintain a program of small annual rate increases to lessen the need for large one-time increases, and to meet the anticipated annual increases from the District's wholesale water supplier. On October 30, 2017, the SRWD Board of Commissioners approved a resolution notifying the city of Toledo that the District intends to terminate the 2012 SRWD City of Toledo water purchase agreement effective October 31, 2020. Due to delays in project development which were outside of the District's control, it was clear that the project would not be completed by the termination date and that the District would need to secure a short-term water supply. Therefore, through negotiation with the City of Toledo, the District was successful at developing and approving a short-term water purchase agreement which went into effect on November 1, 2020, through 2021, with an option to extend the agreement through 2022. The wholesale water rate from the City of Toledo includes a variable rate starting at \$4.75/1000 per thousand gallons for the first 8,000,000 gallons, \$5.25/1000 for the next 6,000,000 gallons and \$6.00/1000 thereafter. This rate structure also includes a monthly base rate of \$5,686.29. Due to continued project delays the option to extend the agreement into 2022 for the continued purchase of wholesale water was exercised.

Operating expenses are Payroll and Benefits, Water Purchase, Maintenance and Repairs, General and Administrative, Professional Services, and Depreciation. They combined for a net increase of \$176,372 over the prior year and Net Operating loss increase of 8.6% over the prior year, due to the increase in Payroll and Benefits, Water Purchase, General and Administrative, and Depreciation. Net Position decreased by \$259,020 due primarily to increases in operating expenses.

Capital Assets and Debt Administration

Capital Assets

Seal Rock Water District's investment in capital assets as of June 30, 2021 is \$29.5 million (net of depreciation). This investment in capital assets includes land, buildings, reservoirs, pipelines, pump stations, automotive, and office equipment. The District's total investment

in capital assets increased by 38.77% compared to the prior year. This figure includes the newly completed AMI Project; AMI Communication Tower, and new meter installations.

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

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

AMI Integration project was successfully completed on July 29, 2017 and placed into full operation including the Customer Portal. Working with a small surplus of available grant funds left over from Phase 3 improvements, the District approved Change Order No. 3 for the installation of 2 new Pressure Reducing Valves (PRVs) to be installed in the Bayshore Community and the Sandpiper Community. Installation of both PRVs was completed in February 2019. Similarly, with leftover grant funding the District was able to install one additional communication tower and equipment to improve meter readability in north end of system. This work was completed in March of 2021, effectively closing out Phase-3 Improvements with USDA-RD.

On February 15, 2018, the District entered into a financial agreement with Oregon Business Development Department (OBDD) through the States Safe Drinking Water Revolving Loan Fund (SDWRLF) Program to fund a portion of the District's Phase 4 Primary Source Water Improvements Project. Phase 4 improvements consist of developing a primary source water intake, raw water transmission system, and membrane water treatment facility. Conditions of the financing agreement include a loan in the amount of \$2,451,000 and a forgivable loan (grant) amount of \$1,030,000. Terms of the loan amount include a 1.00% interest rate, and the life of the loan is 30 years. In March 2016 the SRWD Board of Commissioners approved a scope of engineering services agreement with Jacobs Engineering to begin Phase 4 Final Design and Membrane Treatment Equipment purchase. Proceeds of the loan provided by OBDD are being used to finance Phase 4 final design. In early 2020 the District Board of Commissioners, with authorization from USDA Rural Development approved the contract to begin the construction of Beaver Creek Source Water Project. Expected completion date for this project was August 2021. However, while significant progress has been made, construction delays have pushed start up and commissioning of the water treatment facility to the first quarter of 2022.

Long Term Debt

At the end of the fiscal year, Seal Rock Water District had long-term debt outstanding of \$22,378,337. \$3,720,703 of this is secured by revenue bonds, \$9,055,024 is notes payable and \$8,714,803 (includes bond premium of \$129,755) 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 \$530,054.

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 \$18,187,190 for fiscal year 2021-22. 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 2021-22 are 21.64% for Tier 1/Tier 2 and 17.59% for OPSRP.
- Health Insurance Premium continues to increase.
- Through negotiation with the City of Toledo the District was successful at developing and approving a short-term water purchase agreement which went into effect on November 1, 2020, through 2021. The wholesale water rate from Toledo includes a variable rate starting at \$4.75/1000 per thousand gallons for the first 8,000,000 gallons, \$5.25/1000 for the next 6,000,000 gallons and \$6.00/1000 thereafter. This rate structure also includes a monthly base rate of \$5,686.29. Provisions of the agreement provide the District with an option to extend the purchase of water through 2022. Due to project delays the District exercised this option to ensure a water supply was available while the Beaver Creek project is completed.
- 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 was \$1,539,626. By transitioning to AMI technology meters, the District has eliminated manual meter reading, reduced 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. With reserve grant funding the District was able to install one additional communication tower and equipment to improve meter readability in north end of system. This work was completed in March of 2021, effectively closing out Phase-3 Improvements.
- On December 1, 2017, the District presented Phase 4 Beaver Creek Source Water Improvements Project before the Oregon Business Development Department (OBDD) Infrastructure Finance Authority (IFA) Board of Commissioners. As a result, the District received approval for project funding in the amount of \$3,481,000.00 through Oregon State Safe Drinking Water Revolving Loan Fund (SDWRLF) Program. SDWRLF package includes a loan in the amount of \$2,451,000 at 1% interest rate for 30 years, and \$1,030,000.00 in forgivable loan (grant).

- As of April 10, 2020, the District obtained a \$9,096,000 interim loan from Truist Bank to finance the Beaver Creek Source Water Project and to fund the refinancing of the Line of Credit with Cashmere Valley Bank. This financing is scheduled to be permanently satisfied by bond proceeds through USDA-RD and a resolution approved by the Board on November 15, 2021, with USDA General Obligation Bond Loan Closing scheduled for December 17, 2021. The \$2,547,000 revenue bond portion of this financing was closed on November 18, 2020, at 1.75% for 30 years.

Under the authority of the SRWD Board of Commissioners, District staff have been working with consultants to evaluate the development of a primary source of water for the District. Planning documents completed and adopted by the Board include: *Reconnaissance Level Source Water Study* adopted by the SRWD Board of Commissioners in March 2015; *Phase IV Conceptual Design Report for the SRWD Beaver Creek Water Supply*, adopted by the Board in September 2016; *Preliminary Engineering Report*; and *Environmental Report* both completed in May 2017, and adopted by the SRWD Board. Final design and contract document were completed in February 2019 and approved by USDA-RD in November 2019. The Board authorized staff to apply for funding through the United States Department of Agriculture, Rural Development (USDA-RD) funding program to fund a portion of Phase 4 improvements in the amount of \$11,895,500. The application was approved through a Letter of Conditions (LOC) provided to the district on July 2, 2019. Additionally, through a USDA-RD sub-grant funding application, in May 2020 the district received a Letter of Conditions (LOC) awarding the district an additional \$1,500,000 in grant funding towards the Beaver Creek source water project.

All of these factors were considered in preparing the Seal Rock Water District's budget for 2021-22.

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

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

Fiscal Year	Real Market Value(1)	Taxable Assessed Value(2)	Net Tax Imposed	Billing Rate Per \$1,000 of Taxable Assessed Value	Bond Levy Rate Per \$1,000 of Assessed Value (3)	Year of Levy (4)	Percentage Collected as of 11/30/21
2021-22	1,174,447,691	766,966,200	893,505	0.1259	1.0421	In Process of Collection	9140.%
2020-21	981,026,166	734,519,500	835,296	0.1259	1.0142	97.96%	98.70%
2019-20	921,297,820	707,936,610	860,627	0.1259	1.1384	97.23%	99.21%
2018-19	856,241,708	676,620,410	853,360	0.1259	1.5021	97.12%	99.55%
2017-18	852,959,535	635,866,995	1,059,581	0.1259	0.9487	96.90%	99.95%
2016-17	787,299,983	619,210,470	663,436	0.1259	0.9225	96.89%	99.98%
2015-16	663,486,573	597,760,160	623,764	0.1259	0.9127	96.37%	99.99%

(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, 2021

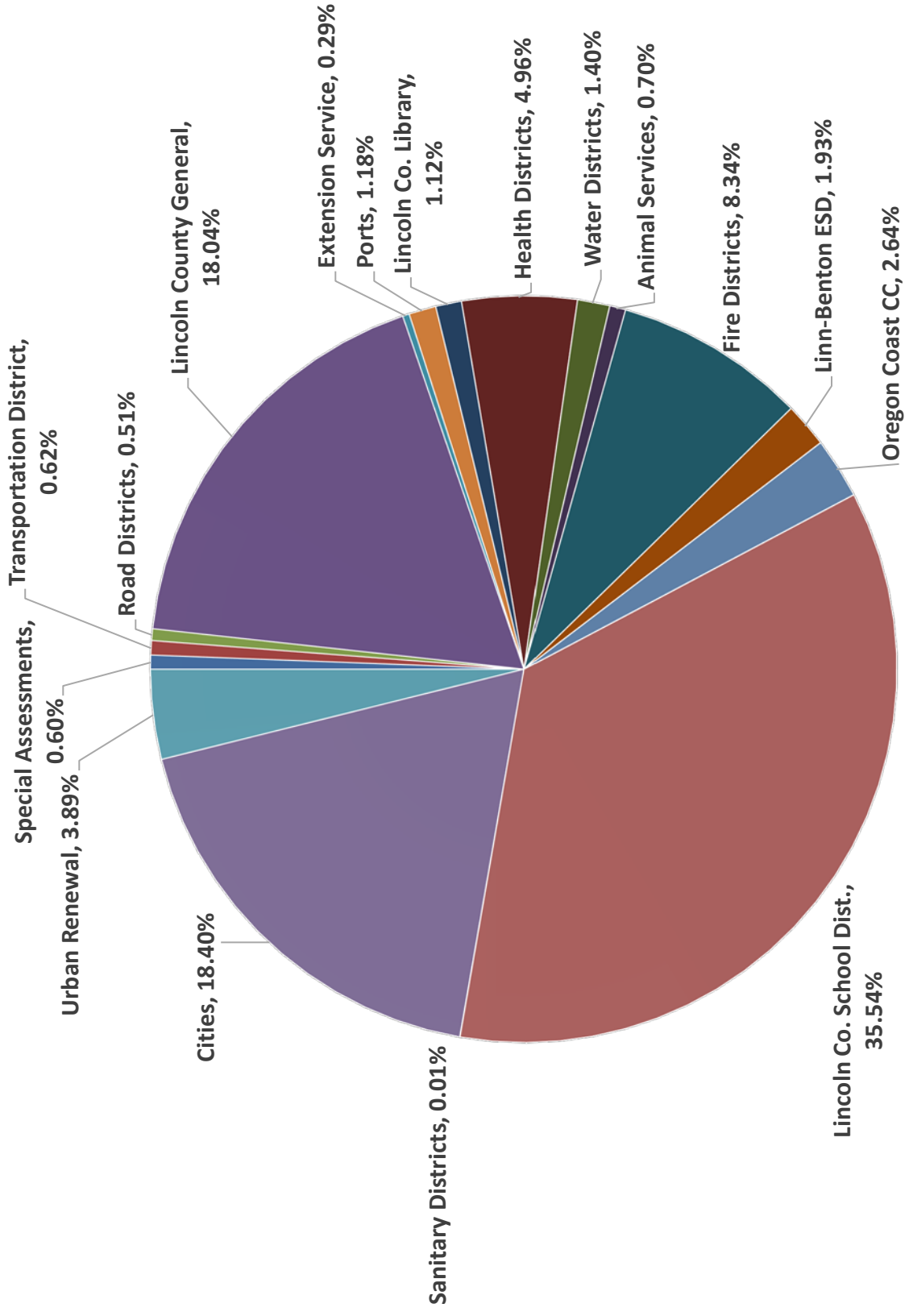
**LINCOLN COUNTY
MAJOR TAXPAYERS
FOR 2020-21**

Owner of Record (Taxpayer)	Total Assessed Value	% of Total County Assessed Value	Taxes Imposed	% of All Countywide Taxes Imposed
Georgia Pacific Toledo LLC	\$226,385,110	2.55%	\$3,503,001	2.64%
Central Lincoln PUD	108,562,000	1.22%	1,541,835	1.16%
Weyerhaeuser Company	109,066,090	1.23%	1,320,132	0.99%
Northwest Natural Gas Co.	63,270,600	0.71%	1,040,534	0.78%
Devil's Lake Road LLC	40,352,300	0.45%	678,738	0.51%
Charter Communications	39,677,000	0.45%	644,263	0.49%
Worldmark The Club	45,198,200	0.51%	596,244	0.45%
Pacificorp	36,528,000	0.41%	497,609	0.37%
Nestucca Forests LLC	63,573,460	0.71%	450,342	0.34%
Lumen Technologies Inc	28,356,000	0.32%	411,419	0.31%
Total Top Ten Tax Payers in the County	\$760,968,760	8.56%	\$10,684,118	8.05%
Remaining County Taxpayers	8,131,795,128	91.44%	122,081,820	91.95%
Total County	\$8,892,763,888	100.00%	\$132,765,938	100.00%

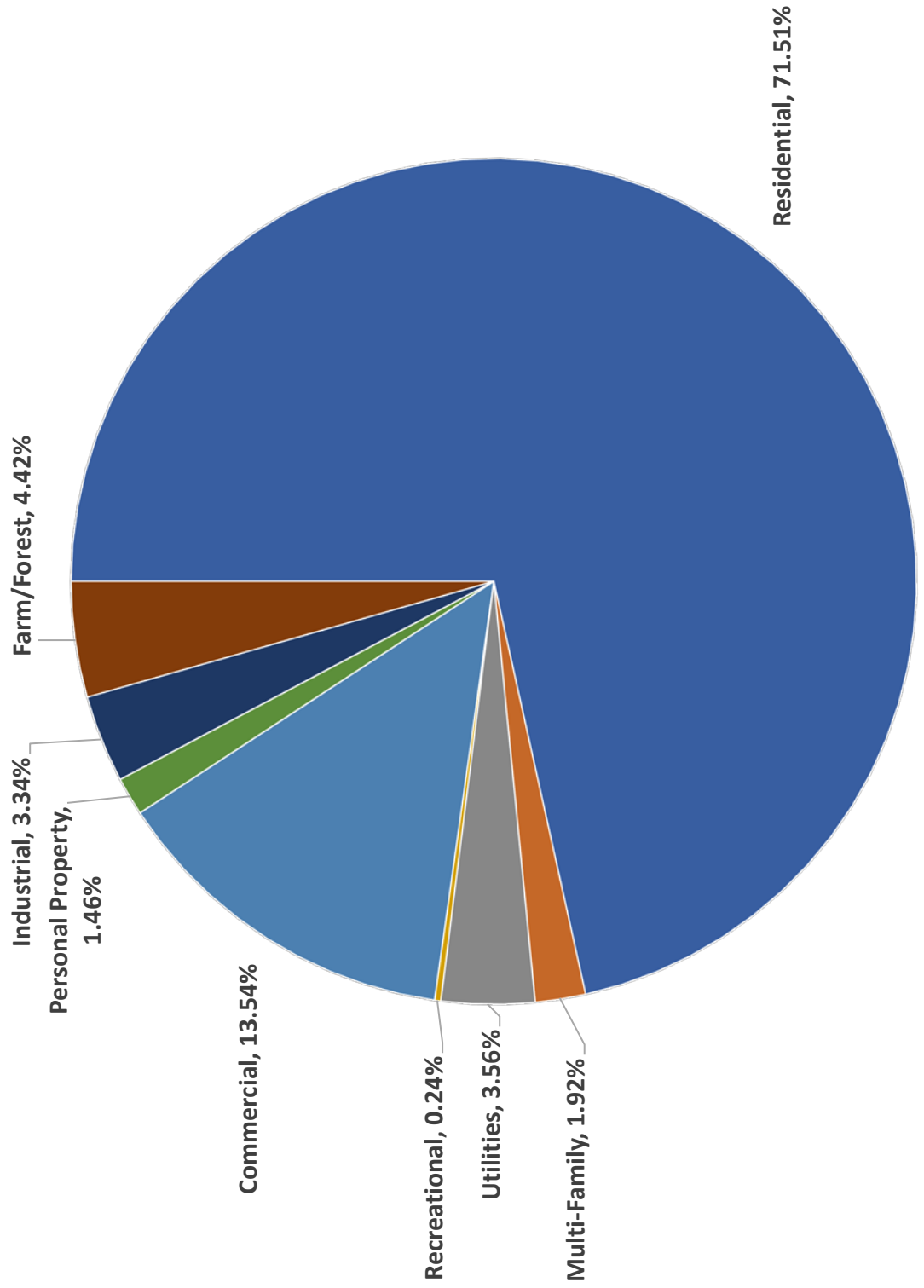
Requests for Information

The financial report is designed to provide a general overview of Seal Rock Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office Manager, Seal Rock Water District, 1037 NW Grebe Street, Seal Rock, Oregon 97376.

LINCOLN COUNTY 2021-22 YOUR TAX DOLLAR DISTRIBUTION



WHO PAYS LINCOLN COUNTY PROPERTY TAXES 2021-22



Supplemental Continuing Disclosure Information
Seal Rock Water District
November 30, 2021

General Obligation Debt Capacity/Limitation	2020-21	2021-22
Real Market Value	981,026,166	1,174,447,691
General Obligation Debt Capacity (10.0% of RMV)	98,102,617	117,444,769
Outstanding Obligations Subject to Limitation ⁽¹⁾	9,596,409	9,096,409
Remaining General Obligation Debt Capacity	88,506,208	108,348,360
Percent of Remaining Debt Capacity/Total Debt Capacity	90.22%	92.25%
Percent of Outstanding Obligation/Total Debt Capacity	9.78%	7.75%
Percent of Outstanding Obligation/Real Market Value	0.98%	0.77%

Source : the District

Consolidated Tax Rates Per \$1,000
TAX CODE AREA: 326 (AV \$186,507,200)
REPRESENTS 24.3% OF DISTRICT'S ASSESSED VALUE ON ROLL

Fiscal Year	Real Market Value⁽¹⁾	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 (4)	11/30/2021
2021-22	1,174,447,691	766,966,200	893,505	0.1259		1.0421	1.1680	In Process of Collection	91.40%
2020-21	981,026,166	734,519,500	835,296	0.1259		1.0142	1.1401	97.96%	98.70%
2019-20	921,297,820	707,936,610	860,627	0.1259		1.0937	1.2196	97.23%	99.21%
2018-19	856,241,708	676,620,410	853,360	0.1259		1.1384	1.2643	97.12%	99.55%
2017-18	852,959,535	635,866,995	1,059,581	0.1259		1.5021	1.6280	96.90%	99.95%
2016-17	787,299,983	619,210,470	663,436	0.1259		0.9487	1.0746	96.89%	99.98%
2015-16	663,486,573	597,760,160	623,764	0.1259		0.9225	1.0484	96.37%	99.99%

(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, 2021

Seal Rock Water District
Outstanding Debt Obligations
As of November 30, 2021

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	1,214,633
Notes Payable - IFA	12/1/2016	12/1/2023	126,285	73,603
Notes Payable - Truist Bank	4/10/2020	8/31/2021	9,096,000	9,096,000
Total Revenue Obligations			10,727,285	10,384,236
General Obligation Bonds				
General Obligation Bonds, Series 2011	10/27/2011	10/27/2041	1,626,200	1,350,109
General Obligation Bonds, Series 2012	6/13/2012	6/1/2032	5,000,000	3,030,000
General Obligation Bonds, Series 2013	2/27/2013	6/1/2036	2,075,000	1,600,000
General Obligation Bonds, Series 2016	12/1/2016	12/1/2041	3,451,000	3,116,300
Total General Obligations			12,152,200	9,096,409
Total Outstanding Obligations			\$22,879,485	\$19,480,645

Source: The District.

GRIMSTAD & ASSOCIATES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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Fax (541) 265-9255
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1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

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 and the aggregate remaining fund information of Seal Rock Water District as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members:
AICPA OSCP & OAIA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion 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 introductory section, 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.

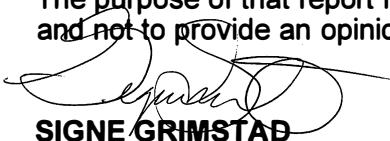
The budget and actual, budget reconciliation, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 December 3, 2021, on my consideration of Seal Rock Water District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Seal Rock Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seal Rock Water District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated December 3, 2021 on my consideration of Seal Rock Water District's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
December 3, 2021

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 3,849,287
Accounts receivable	141,628
Property taxes receivable	45,911
Receivable grants/loans	8,685
Prepaid expenses	37,874
Inventory	178,392
Note receivable	34,835
Total current assets	<u>4,296,612</u>

Noncurrent assets

Prepaid bond insurance	17,522
Note receivable, long-term	580,417
Total noncurrent assets	<u>597,939</u>

Capital assets

Land	400,729
Construction in progress	11,480,253
Plant and equipment (net of depreciation)	17,594,756
Total capital assets	<u>29,475,738</u>

Total assets	<u>34,370,289</u>
--------------	-------------------

Deferred outflows of resources - pension contributions

Total assets and deferred outflows of resources	<u>359,182</u>
	<u>34,729,471</u>

LIABILITIES

Current liabilities

Accounts payable	842,241
Compensated absences	21,106
Unearned revenue	51,181
Forgivable loan (refundable advance)	887,807
Accrued interest, \$79,806 payable from restricted	145,173
Current portion of long-term debt, \$530,054 payable from restricted	7,204,610
Total current liabilities	<u>9,152,118</u>

Long-term liabilities

Net pension liability	1,100,010
Compensated absences, net	84,422
Notes payable, net	2,487,805
Revenue bond, net	3,613,366
General obligation bonds, net	8,184,749
Total long-term liabilities	<u>15,470,352</u>
Total liabilities	<u>24,622,470</u>

Deferred inflows of resources - pension

Total liabilities and deferred inflows of resources	<u>55,723</u>
	<u>24,678,193</u>

NET POSITION

Net invested in capital assets	7,097,401
Restricted	
Debt service	447,226
Construction	1,471,939
Unrestricted	1,034,712
Total net position	<u>\$ 10,051,278</u>

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

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 for the Year Ended June 30, 2021

OPERATING REVENUE	
Water service pledged as security for revenue bonds	\$ 1,853,652
Service connections	57,792
Other operating revenue	<u>22,714</u>
Total operating revenue	<u>1,934,158</u>
OPERATING EXPENSES	
Payroll and benefits	1,071,362
Water purchase	621,478
Maintenance and repairs	285,923
General and administrative	125,869
Professional services	75,891
Depreciation	<u>736,715</u>
Total capital assets	<u>2,917,238</u>
OPERATING INCOME (LOSS)	<u>(983,080)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	41,042
Property taxes	820,654
Grants	59,390
Loss on disposal of capital assets	(2,529)
Interest expense	<u>(308,282)</u>
Total nonoperating revenue (expenses)	<u>610,275</u>
Income (loss) before contributions	(372,805)
CAPITAL CONTRIBUTIONS	<u>113,785</u>
Change in net position	(259,020)
NET POSITION - Beginning of year	<u>10,310,298</u>
NET POSITION - End of year	<u><u>\$ 10,051,278</u></u>

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

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
for the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,916,173
Cash payments for goods and services	(580,355)
Cash payments for employees and benefits	(903,199)
Net cash provided (used) by operating activities	<u>432,619</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	831,034
Grants	53,799
Note receivable receipts	33,300
Net cash provided (used) by noncapital financing activities	<u>918,133</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(8,974,260)
Loan proceeds	4,469,110
Principal paid on debt	(3,117,329)
Interest paid on debt	(297,919)
Capital contribution by customers	113,785
Net cash provided (used) by capital and related financing activities	<u>(7,806,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>41,042</u>
Net increase (decrease) in cash and cash equivalents	(6,414,819)
Cash and cash equivalents - Beginning of year (restricted \$8,843,867)	<u>10,264,106</u>
Cash and cash equivalents - End of year (restricted \$2,484,419)	<u><u>\$ 3,849,287</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (983,080)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	736,715
(Increase) decrease in operating assets	
Accounts receivable	(11,281)
Inventory	29,984
Prepaid expenses	22,607
Increase (decrease) in operating liabilities	
Accounts payable	476,215
Accrued compensated absences	17,497
Net pension liability	150,666
Unearned revenue	(6,704)
Net cash provided (used) by operating activities	<u><u>\$ 432,619</u></u>

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

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon
STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
as of June 30, 2021

	<u>MCWCC</u>	<u>MCWPP</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 1</u>	<u>\$ 12,175</u>	<u>\$ 12,176</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Held by fiduciary	<u>\$ 1</u>	<u>\$ 12,175</u>	<u>\$ 12,176</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
for the Year Ended June 30, 2021

	<u>MCWCC</u>	<u>MCWPP</u>	<u>Total</u>
ADDITIONS			
Water Districts contributions	\$ 14,000	\$ -	\$ 14,000
Government grants	-	173,104	173,104
Foundation grants	-	20,000	20,000
Total additions	<u>14,000</u>	<u>193,104</u>	<u>207,104</u>
DEDUCTIONS			
Consultant services	<u>13,999</u>	<u>180,929</u>	<u>194,928</u>
Changes in fiduciary net assets	1	12,175	12,176
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 1</u>	<u>\$ 12,175</u>	<u>\$ 12,176</u>

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

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Basis of Accounting and Presentation

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

Deposits and Investments

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

The District's investment policies are governed by Oregon statutes. The statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

Inventory

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

Restricted Assets

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

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

Property Taxes

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

Capital Assets

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

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

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

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

Compensated Absences

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

Pensions

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2021

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, 2021

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	\$ 1,364,868
Cash and cash equivalents - restricted	<u>2,484,419</u>
Total cash, cash equivalents and investments	<u>\$ 3,849,287</u>

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

	<u>Balance</u>
Petty cash	\$ 800
Deposits with financial institutions	3,118,854
Investments - external investment pool	<u>729,633</u>
Total	<u>\$ 3,849,287</u>

Restricted cash represents funds for debt retirement of \$433,521 and construction of \$2,050,898.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2021

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 \$3,868,912.

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 \$729,633 (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, 2021

NOTE 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Property taxes	\$ 45,911	\$ 5,131	\$ 40,780
Accounts receivable	141,628	141,628	0
Grants/loan receivable	<u>8,685</u>	<u>0</u>	<u>8,865</u>
Total receivables	<u>\$ 196,224</u>	<u>\$ 146,759</u>	<u>\$ 49,465</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

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

NOTE 5 - NOTE RECEIVABLE

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

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

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

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Note receivable, City of Newport	<u>\$ 615,252</u>	<u>\$ 533,654</u>	<u>\$ 81,598</u>

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 5 - NOTE RECEIVABLE - Continued

The note receivable maturity schedule is as follows:

Year Ending June 30	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
2022	\$ 34,835	\$ 28,160	\$ 6,675
2023	36,536	29,527	7,009
2024	38,304	30,961	7,343
2025	39,942	32,464	7,478
2026	40,448	34,040	6,408
2027-2032	223,712	196,922	26,790
2033-2037	191,789	181,580	10,209
2038-2042	7,923	0	7,923
2043	<u>1,763</u>	<u>0</u>	<u>1,763</u>
Totals	<u>\$ 615,252</u>	<u>\$ 533,654</u>	<u>\$ 81,598</u>

NOTE 6 - CAPITAL ASSETS

Below is the major classes of capital assets:

	7/1 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	6/30 <u>Balance</u>
Non-depreciable				
Land	\$ 400,729	\$ 0	\$ 0	\$ 400,729
Construction in progress	<u>2,712,239</u>	<u>8,803,332</u>	<u>(35,318)</u>	<u>11,480,253</u>
Total non-depreciable	<u>3,112,968</u>	<u>8,803,332</u>	<u>(35,318)</u>	<u>11,880,982</u>
Depreciable				
Building	1,982,896	0	0	1,992,896
Furn./equip./vehicles	935,330	131,069	(44,717)	1,021,682
Water system	<u>22,531,293</u>	<u>75,177</u>	<u>0</u>	<u>22,606,470</u>
Total depreciable	<u>25,459,519</u>	<u>206,247</u>	<u>(44,417)</u>	<u>25,621,048</u>
Accumulated depreciation				
Building	359,437	43,660	0	403,097
Equipment	661,305	84,965	(42,188)	704,082
Water system	<u>6,311,023</u>	<u>608,090</u>	<u>0</u>	<u>6,919,113</u>
Total accum. depreciation	<u>7,331,765</u>	<u>736,715</u>	<u>(42,188)</u>	<u>8,026,292</u>
Total, net of depreciation	<u>18,127,754</u>	<u>(530,468)</u>	<u>(2,529)</u>	<u>17,594,756</u>
Capital assets, net	<u>\$ 21,240,722</u>	<u>\$ 8,272,864</u>	<u>\$ (37,847)</u>	<u>\$29,475,738</u>

Depreciation expense for the year was \$736,715.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 7 - LONG-TERM DEBT

Revenue Bonds

A revenue bond in the amount of \$1,505,000, payable from water system net operating revenue, was issued June 1, 2012. The bond is payable in annual installments of \$74,332 with interest at 2.75%, maturity 2042. Current balance is \$1,173,703.

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

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

Year Ending June 30,	Principal	Interest	Total Future Requirements
2022	\$ 107,337	\$ 76,849	\$ 184,186
2023	109,635	74,550	184,185
2024	111,986	72,200	184,186
2025	114,277	69,909	184,186
2026	116,846	67,339	184,185
2027-2031	622,988	297,939	920,927
2032-2036	693,363	227,564	920,927
2037-2041	772,082	148,847	920,929
2042-2046	550,105	73,088	623,193
2047-2051	<u>522,084</u>	<u>27,771</u>	<u>549,855</u>
Totals	<u>\$ 3,720,703</u>	<u>\$ 1,136,056</u>	<u>\$ 4,856,759</u>

Notes Payable

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

On August 13, 2015, the Oregon Infrastructure Financing Authority approved a forgivable loan of \$20,000 and a long-term note with proceeds not to exceed \$130,000, at a rate of 1%, on a cost-reimbursement basis for Project S16002. The project was completed in December 2016 and funds received on January 26, 2017 totaled \$146,285. Requirements for the forgivable loan were met and \$20,000 was recorded as a grant in 2017. The loan portion totaled \$126,285 and is payable in annual payments of principal and interest beginning December 31, 2017 through 2023. The outstanding balance was \$55,024 at June 30, 2021.

On December 19, 2017 the Oregon Business Development Department (OBDD) awarded a forgivable loan of \$1,030,000 and a long-term loan with proceeds not to exceed \$2,451,000 on a cost-reimbursement basis for Project S18011. OBDD funds disbursed to the District totaled \$2,451,000 on the long-term loan and \$887,807 for the forgivable loan at June 30, 2021. 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 completes the Project on time and at Project completion date, has average monthly residential water rates for the water supplied by the new water system which are at or above the affordability rate of \$50.21 per 7,500 gallons.

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 7 - LONG-TERM DEBT - Continued

Notes Payable

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

Year Ending June 30,	Principal	Interest	Total Future Requirements
2022	\$ 6,567,219	\$ 550	\$ 6,567,769
2023	88,864	24,878	113,742
2024	89,569	23,989	113,558
2025	71,878	23,094	94,972
2026	72,596	22,375	94,971
2027-2031	374,019	100,839	474,858
2032-2036	393,098	81,761	474,859
2037-2041	413,150	61,709	474,859
2042-2046	434,225	40,633	474,858
2047-2051	456,375	18,483	474,858
2052	94,031	544	94,575
Totals	\$ 9,055,024	\$ 398,855	\$ 9,453,880

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 \$1,309,524.

On June 13, 2012 the District issued a GO Bond for \$5,000,000 with a rate of 2 - 4%, maturing 2032. The current balance is \$2,750,000.

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 \$1,525,000.

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 \$170,118. The current balance is \$3,000,523.

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

Year Ending June 30,	Principal	Interest	Total Future Requirements
2022	\$ 530,054	\$ 244,301	\$ 774,355
2023	553,845	255,710	779,555
2024	572,736	209,269	782,005
2025	586,731	193,124	779,855
2026	535,832	176,573	712,405
2027-2031	2,509,653	655,733	3,165,386
2032-2036	1,835,178	331,218	2,166,396
2037-2041	1,203,208	123,897	1,327,105
2042	257,811	6,476	264,287
Totals	\$ 8,585,048	\$ 2,166,301	\$ 10,751,349

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 7 - LONG-TERM DEBT - Continued

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

	7/1			6/30	Due in	Interest
	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>One Year</u>	<u>Paid</u>
Revenue Bond	\$ 1,214,633	\$2,547,000	\$ 40,930	\$ 3,720,703	\$ 107,337	\$ 33,402
Notes payable	10,585,760	1,034,303	2,565,039	9,055,024	6,567,219	166,439
Forgivable loan	0	887,807	0	887,807	0	0
GO Bonds	<u>9,096,409</u>	<u>0</u>	<u>511,361</u>	<u>8,585,048</u>	<u>530,054</u>	<u>262,193</u>
Total	<u>\$20,896,802</u>	<u>\$ 4,469,110</u>	<u>\$3,117,330</u>	22,248,582	<u>\$ 7,204,610</u>	<u>\$ 462,034</u>
				Bond premium <u>129,755</u>		
				Total <u>\$22,378,337</u>		

NOTE 8 - COMPENSATED ABSENCES

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

	7/01			6/30	Due in
	<u>Balance</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u>	<u>One Year</u>
Compensated absences	<u>\$ 88,031</u>	<u>\$ 64,592</u>	<u>\$ 47,095</u>	<u>\$ 105,528</u>	<u>\$ 21,106</u>

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

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

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

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description

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

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

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

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

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

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - Defined Benefit

Oregon Public Employees Retirement System (OPERS)

2. OPSRP Defined Benefit Pension Program (238A)

Pension Benefits - The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. To be classified as a fire member the individual must be continuously employed as a fire member for at least five years immediately preceding retirement.

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

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

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

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

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

3. OPSRP Individual Account Program (238A)

Pension Benefits - An OPSRP Individual Account Program (IAP) member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement a member of the OPSRP IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20- year period or an anticipated lifespan option. Each distribution option has a \$200 minimum distribution limit.

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

3. OPSRP Individual Account Program (238A)

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

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

Contributions:

The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the OPERS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the District for the year ending June 30, 2021 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, 2021 were \$97,838, excluding amounts to fund employer specific liabilities. The rates in effect for the year ended June 30, 2021 were 32.10 percent for Tier One/Tier Two General Service, 18.18 percent of OPSRP General Service Members, 22.81 percent for OPSRP Police and Fire Members, and 6 percent for OPSRP Individual Account Members.

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

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Net Pension Liability

At June 30, 2021, the District reported a net pension liability of \$1,100,010 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2019, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2020. 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 0.005040500 and 0.00520851 for the years ended June 30, 2021 and 2020 respectively. For the year ended June 30, 2021, the District recognized pension expense (income) of \$150,666. At June 30, 2021, 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	\$ 48,414	\$ 0
Changes of assumptions	59,034	2,068
Net difference between projected and actual earnings on investments	129,347	0
Changes in proportionate share	24,549	19,748
Contributions made subsequent to measurement date	97,838	0
Differences between employer contributions and employer's proportionate share of system contributions	<u>0</u>	<u>33,907</u>
Total	<u>\$ 359,182</u>	<u>\$ 55,723</u>

Deferred outflows of resources of \$97,838 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, 2021. 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, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Year Ended <u>June 30</u>	Deferred Outflow/(Inflow) of resources (prior to post- measurement date contributions)
2022	\$ 48,829
2023	63,664
2024	57,428
2025	37,232
2026	<u>(1,533)</u>
Total	<u>\$ 205,620</u>

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the entry age normal cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16 years.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Valuation Date	December 31, 2018, rolled forward to June 30, 2020
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Fair value of assets
Actuarial Assumptions	
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50% overall payroll growth
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs, as described in the valuation.</p> <p><i>Disabled retirees:</i> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2016 experience study, which reviewed experience for the four-year period ending December 31, 2016.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Assumed Asset Allocation</u>			
<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	13.5	21.5	17.5
Real estate	9.5	15.5	12.5
Alternative equity	0	12.5	12.5
Opportunity portfolio	0	3.0	<u>0</u>
Total		<u>100.0%</u>	

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

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

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

A. PENSION PLAN - DEFINED BENEFIT

Oregon Public Employees Retirement System (OPERS)

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Discount Rate

The following presents the District's net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) and one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20)%</u>	<u>Current Disc. Rate (7.20)%</u>	<u>1% Increase (8.20)%</u>
Net Pension Liability (Asset)	\$ 1,633,425	\$ 1,100,010	<u>\$ 652,718</u>

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 was filed challenging Senate Bill 1049 but the Oregon Supreme Court upheld the Senate Bill stating its provisions were constitutional.

B. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

As a member of OPERS, the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other post-employment benefit plan (OPEB) administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 9 - RETIREMENT BENEFITS - Continued

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

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.50 and 0.43 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2021, 2020, and 2019 were paid and equaled the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). The other postemployment benefits for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums administered by the Special District Association of Oregon (SDAO), and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2021 by Milliman Actuarial Services for both plans. At June 30, 2021, 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, 2021

NOTE 11 - OTHER INFORMATION

Tax Abatement

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

Commitments

Project Phase IV

Beaver Creek Water Source Project Phase IV was designed and engineered by CH2M HILL Engineers, Inc. (aka Jacobs Engineering Group). CH2M HILL will continue to act as the District's representative, assume all duties and responsibilities, and have the rights and authority assigned to Engineer in the contract documents in connection with the completion of Phase IV.

In December 2019, the District engaged R&G Excavating, Inc. as the contractor for the Beaver Creek Water Source Project Phase IV construction of facilities including river intake, raw water pumping station, all piping, 4,000 square foot water treatment plant, membrane filtration equipment installation, as well as other water treatment components, two welded steel tanks (250,000 and 500,000 gallons), one portable and one installed backup generators, and related facilities. This contract has an effective date of April 30, 2020 in the amount of \$10,690,000. Construction is to be substantially completed within 448 days from the effective date (July 22, 2021), with final payment due within 480 days (August 24, 2021).

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

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

Economic Dependency

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

Risk Management

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

SEAL ROCK WATER DISTRICT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2021

NOTE 11 - OTHER INFORMATION - Continued

Evaluation of Subsequent Events

Bonds

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

Pandemic

In the beginning of March 2020, the COVID-19 virus was declared a global pandemic and later in the same month the Oregon governor issued Executive Order No. 20-12 which directed Oregonians to "Stay Home, Save Lives". In June 2021, the Governor lifted most COVID-19 restrictions and reopened the state for business activities. However, effective August 27, 2021, a new statewide outdoor mask requirement was required to help stop the spread of the highly contagious Delta variant. In November of 2021, Oregon Health Authority lifted the outdoor mask requirement. This is an evolving virus.

The District has evaluated subsequent events through December 3, 2021, the date which the financial statements were available to be issued.

**SEAL ROCK WATER DISTRICT
OREGON**

REQUIRED SUPPLEMENTAL SECTION

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET LIABILITY (ASSET)
as of June 30, 2021

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Eight Fiscal Years

Fiscal Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset) Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2014	0.00393	\$ 200,660	\$ 413,981	48.47%	92.0%
2015	0.00393	(89,129)	425,633	-20.94%	103.6%
2016	0.00454	260,819	423,759	61.55%	91.9%
2017	0.00465	698,307	441,799	158.06%	80.5%
2018	0.00492	663,408	464,754	142.74%	83.1%
2019	0.00499	756,962	483,584	156.53%	82.07%
2020	0.00521	900,947	521,465	172.77%	80.2%
2021	0.00504	1,100,010	548,922	200.39%	75.8%

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

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

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
as of June 30, 2021

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Eight Fiscal Years

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

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

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

SEAL ROCK WATER DISTRICT, OREGON
Seal Rock, Oregon

**NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF
CONTRIBUTIONS for the Year Ended June 30, 2021**

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:
<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/2018-GASB68.pdf>.

Changes in Assumptions

A summary of key changes implemented since the December 31, 2016 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:
<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/2018-GASB68.pdf>.

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

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

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

**SEAL ROCK WATER DISTRICT
OREGON**

SUPPLEMENTAL SECTION

SEAL ROCK WATER DISTRICT, OREGON

DESCRIPTION OF BUDGETARY FUNDS

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

Budgetary comparison schedules include the following funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

Rural Development Requirement Reserve Fund

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

Revenue Bond 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
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

GENERAL FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Water sales	\$ 1,729,000	\$ 1,853,652	\$ 124,652
Service connections	30,000	57,792	27,792
Miscellaneous	37,800	15,937	(21,863)
Grants	203,000	20,221	(182,779)
Fiduciary funds grants	270,000	-	(270,000)
Interest	33,600	33,297	(303)
Subdivision assessments	1,000	-	(1,000)
Note receivable receipts	-	26,856	26,856
Property taxes	78,000	88,463	10,463
Total revenue	2,382,400	2,096,218	(286,182)
EXPENDITURES			
Personnel services	1,040,700	920,696	120,004
Materials and services	1,221,400	1,108,962	112,438
Capital outlay	204,000	60,564	143,436
Fiduciary funds expenses	280,700	-	280,700
Contingency	100,000	-	100,000
Total expenditures	2,846,800	2,090,222	756,578
Excess (deficiency) of revenue over expenditures	(464,400)	5,996	470,396
OTHER FINANCING SOURCES (USES)			
Transfers in (out), net	174,400	174,400	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(290,000)	180,396	470,396
FUND BALANCE - Beginning of year	290,000	333,176	43,176
FUND BALANCE - End of year	\$ -	513,572	\$ 513,572
GAAP ADJUSTMENTS - Reconciled to June 2020		17,152,200	
Note receivable receipts		(26,856)	
Inventory transfer		4,077	
Capital assets activity			
Additions		60,564	
Asset transfers		145,682	
Asset disposals		(2,529)	
Depreciation		(736,715)	
Long-term debt activity			
Revenue bond 2020 transfer		(2,547,000)	
Principal payments		58,969	
Interest accrued		(27,287)	
Pension activity, net		(150,666)	
FUND BALANCE - End of Year (GAAP basis)		\$ 14,444,011	

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2021

CAPITAL PROJECTS FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Loan proceeds	\$ 10,497,600	\$ 4,469,110	\$ (6,028,490)
Grants	5,429,500	39,169	(5,390,331)
Miscellaneous	-	4,190	4,190
Interest	5,000	2,356	(2,644)
	<u>15,932,100</u>	<u>4,514,825</u>	<u>(11,417,275)</u>
EXPENDITURES			
Capital outlay	14,776,100	8,803,332	5,972,768
Debt service	9,456,000	2,547,000	6,909,000
	<u>24,232,100</u>	<u>11,350,333</u>	<u>12,881,768</u>
Excess (deficiency) of revenue over expenditures	(8,300,000)	(6,835,508)	1,464,492
FUND BALANCE - Beginning of year	<u>8,300,000</u>	<u>7,622,439</u>	<u>(677,561)</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>786,931</u>	<u>\$ 786,931</u>
GAAP ADJUSTMENTS - Reconciled to June 2020		(17,141,535)	
Inventory transfer		(4,077)	
Capital assets activity			
Additions		8,803,332	
Asset transfers		(35,318)	
Long-term debt activity			
Loan proceeds		(4,469,110)	
Revenue bond 2020 transfer		2,547,000	
Prepaid bond costs		(1,593)	
Principal payments		3,058,361	
Bond premium amortization		11,286	
Interest accrued		<u>5,638</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ (6,439,085)</u>	

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

DEBT SERVICE FUND - GENERAL OBLIGATION BONDS

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 1,000	\$ (771)	\$ (1,771)
Property taxes	714,037	732,191	18,154
Note receivable receipts	7,500	6,444	(1,056)
Miscellaneous	4,000	-	(4,000)
	<u>726,537</u>	<u>737,864</u>	<u>11,327</u>
Total revenue			
EXPENDITURES			
Debt service	<u>781,537</u>	<u>773,554</u>	<u>7,983</u>
Excess (deficiency) of revenue over expenditures	(55,000)	(35,690)	19,310
Unappropriated ending fund balance	(365,000)	-	365,000
FUND BALANCE			
Beginning of year (Budget basis)	<u>420,000</u>	<u>417,971</u>	<u>(2,029)</u>
End of year (Budget basis)	<u>\$ -</u>	<u>382,281</u>	<u>\$ 382,281</u>
GAAP ADJUSTMENTS - Reconciled to June 2020		46,028	
Note receivable receipts		(6,444)	
2013 RGOB Advance		<u>2,587</u>	
FUND BALANCE - End of Year (GAAP basis)		<u>\$ 424,452</u>	

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

RURAL DEVELOPMENT REQUIREMENT RESERVE FUND

	Original and Final Budget	Actual	Variance
REVENUE			
Interest	\$ 80	\$ 32	\$ (48)
EXPENDITURES			
Capital outlay	69,210	-	69,210
Excess (deficiency) of revenue over expenditures	(69,130)	32	69,162
OTHER FINANCING SOURCES (USES)			
Transfers in	7,430	7,430	-
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(61,700)	7,462	69,162
FUND BALANCE			
Beginning of year (Budget basis)	61,700	61,784	84
End of year (Budget basis)	\$ -	\$ 69,246	\$ 69,246

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

REVENUE BOND RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Interest	\$ 20	\$ 29	\$ 9
EXPENDITURES			
Debt service	<u>93,140</u>	<u>93,102</u>	<u>38</u>
Excess (deficiency) of revenue over expenditures	(93,120)	(93,073)	47
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>82,120</u>	<u>82,120</u>	<u>-</u>
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(11,000)	(10,953)	47
FUND BALANCE			
Beginning of year (Budget basis)	<u>11,000</u>	<u>33,727</u>	<u>22,727</u>
End of year (Budget basis)	<u>\$ -</u>	<u>\$ 22,774</u>	<u>\$ 22,774</u>

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
for the Year Ended June 30, 2021

SYSTEM DEVELOPMENT CHARGES FUND

	Original and Final Budget	Actual	Variance
REVENUE			
System development charges (SDC)	\$ 73,410	\$ 113,785	\$ 40,375
Interest	1,800	673	(1,127)
	75,210	114,458	39,248
EXPENDITURES			
SDC improvements	525,210	-	525,210
Excess (deficiency) of revenue over expenditures	(450,000)	114,458	564,458
FUND BALANCE			
Beginning of year (Budget basis)	450,000	475,615	25,615
End of year (Budget basis)	\$ -	\$ 590,073	\$ 590,073

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

WATER SOURCE IMPROVEMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Interest	\$ 12,000	\$ 4,029	\$ (7,971)
EXPENDITURES			
Capital outlay	<u>552,050</u>	<u>-</u>	<u>552,050</u>
Excess (deficiency) of revenue over expenditures	(540,050)	4,029	544,079
OTHER FINANCING SOURCES (USES)			
Transfers	<u>(347,950)</u>	<u>(347,950)</u>	<u>-</u>
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(888,000)	(343,921)	544,079
FUND BALANCE			
Beginning of year (Budget basis)	<u>888,000</u>	<u>888,902</u>	<u>902</u>
End of year (Budget basis)	<u>\$ -</u>	<u>\$ 544,981</u>	<u>\$ 544,981</u>

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

SLARRA/DEPRECIATION RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Interest	\$ 1,500	\$ 515	\$ (985)
EXPENDITURES			
Capital outlay	<u>355,500</u>	<u>110,364</u>	<u>245,136</u>
Excess (deficiency) of revenue over expenditures	(354,000)	(109,849)	244,151
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Excess (deficiency) of revenue over expen- ditures and other financing sources (uses)	(270,000)	(25,849)	244,151
FUND BALANCE			
Beginning of year (Budget basis)	<u>270,000</u>	<u>281,786</u>	<u>11,786</u>
End of year (Budget basis)	<u>\$ -</u>	<u>\$ 255,937</u>	<u>\$ 255,937</u>

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 for the Year Ended June 30, 2021

SRWD LAND AND BUILDINGS RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Interest	\$ 2,000	\$ 883	\$ (1,117)
EXPENDITURES			
Capital outlay	<u>137,000</u>	<u>199</u>	<u>136,801</u>
Excess (deficiency) of revenue over expenditures	(135,000)	684	135,684
FUND BALANCE			
Beginning of year (Budget basis)	<u>135,000</u>	<u>138,205</u>	<u>3,205</u>
End of year (Budget basis)	<u>\$ -</u>	<u>\$ 138,889</u>	<u>\$ 138,889</u>

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

RECONCILIATION OF REVENUE AND EXPENDITURES (BUDGETARY BASIS)
TO THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
for the Year Ended June 30, 2021

	<u>Total Revenue</u>	<u>Total Expenses</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 2,096,218	\$ 2,090,222	\$ 5,996
Capital Projects Fund	4,514,825	11,350,333	(6,835,508)
Debt Service Fund - GOBs	737,864	773,554	(35,690)
RD Requirement Reserve Fund	32	-	32
Revenue Bond Reserve Fund	29	93,102	(93,073)
System Development Charges Fund	114,458	-	114,458
Water Source Improvement Reserve Fund	4,029	-	4,029
SLARRA/Depreciation Reserve Fund	515	110,364	(109,849)
Land and Buildings Reserve Fund	883	199	684
	<u> </u>	<u> </u>	<u> </u>
Total budgetary basis	<u>\$ 7,468,853</u>	<u>\$ 14,417,774</u>	(6,948,921)
Add (deduct) items to reconcile to net income on a financial reporting basis			
Note receivable activity			
City of Newport taxes			(33,300)
2013 RGOB advance			2,587
Capital asset activity			
Additions			8,974,260
Disposals			(2,529)
Depreciation			(736,715)
Long-term debt activity			
Loan proceeds			(4,469,110)
Prepaid bond costs			(1,593)
Principal payments			3,117,330
Bond premium amortization			11,286
Interest accrued			(21,649)
Pension activity, net			<u>(150,666)</u>
Change in net position			(259,020)
NET POSITION - Beginning of year			<u>10,310,298</u>
NET POSITION - End of year			<u>\$ 10,051,278</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, 2021

<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 (loan funds) Phase 4	10.760		\$ 6,816,850
Water and Waste Disposal Systems for Rural Communities (grant funds) Phase 3	10.760		<u>39,169</u>
<i>Subtotal CFDA 10.760</i>			<u>6,856,019</u>
Department of the Treasury			
<i>Passed through:</i>			
State of Oregon, Department of Administrative Services			
<i>Program:</i>			
Coronavirus Relief Fund	21.019		<u>20,221</u>
<i>Total Environmental Protection Agency</i>			<u>20,221</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	1,034,303
Capitalization Grants for Drinking Water State Revolving Funds (forgivable loan funds)	66.468	S18011	<u>887,805</u>
<i>Subtotal CFDA 66.468</i>			<u>1,922,108</u>
<i>Total Environmental Protection Agency</i>			<u>1,922,108</u>
<i>Total Federal Expenditures</i>			<u><u>\$ 8,798,348</u></u>

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2021

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, 2021. 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, Cost 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 where in 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 as allowed under the Uniform Guidance.

Note 3 - Federal Loans

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 fully spent in 2016 and 2017. The loan is due in 25 years, and requires annual payments of \$174,207.

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 \$3,338,807 at June 30, 2021. Repayment of the loan begins on December 1, 2021, with annual payments of \$60,118 including principal and interest at 1%, maturing on December 1, 2051. The forgivable portion of the loan does not require repayment if the District at project completion date, has average monthly residential water rates for the water supplied by the new water system which are at or above the affordability rate of \$50.21 per 7,500 gallons.

The principal balance of the loans for the last five years 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>
Department of Agriculture					
Water and Waste Disposal Systems					
for Rural Communities					
	10.760	10/27/2015	10/27/2045	2021	\$ 3,000,523
				2020	\$ 3,116,300
				2019	\$ 3,229,945
				2018	\$ 3,341,499
				2017, 2016	\$ 3,451,000
Oregon Business Development Department					
Capitalization Grants for Drinking Water					
State Revolving Funds (loan funds)					
	66.468	12/19/2017	12/1/2051	2021	\$ 2,451,000
				2020	\$ 1,416,697
				2019	\$ 1,319,378
				2018	\$ 232,122
Oregon Business Development Department					
Capitalization Grants for Drinking Water					
State Revolving Funds (forgivable loan)					
	66.468	12/19/2017	forgivable	2021	\$ 887,807

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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 and the aggregate remaining fund information of Seal Rock Water District, as of and for the year ended June 30, 2021, 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 December 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Members:
AICPA OSCPA & OAI

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seal Rock Water District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read 'Signe Grimstad', with a stylized, cursive script.

SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
December 3, 2021

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

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

Report on Compliance for Each Major Federal Program

I have audited Seal Rock Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Seal Rock Water District's major federal program for the year ended June 30, 2021. Seal Rock Water District's major federal program is 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 program 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 program for the year ended June 30, 2021.

Report on 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
December 3, 2021

FINDINGS AND RECOMMENDATIONS

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

Schedule of Findings and Questioned Costs
for the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____yes _____✓no

Significant deficiency(ies) identified? _____yes _____✓none reported

Noncompliance material to financial statements noted? _____yes _____✓no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____yes _____✓no

Significant deficiency(ies) identified? _____yes _____✓none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____yes _____✓no

Identification of major federal programs:

CFDA Number(s)	10.760 66.468	Name of Federal Program or Cluster:	Water and Waste Disposal Systems for Rural Communities AND Capitalization Grants for Drinking Water State Revolving Funds
----------------	---------------	-------------------------------------	---------------------------------------------------------------------------------------------------------------------------

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee under 2 CFR Section 200.520? _____✓yes _____no

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

Schedule of Prior Year Findings and Questioned Costs
for the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____yes _____✓_____no

Significant deficiency(ies) identified? _____yes _____✓_____none reported

Noncompliance material to financial statements noted? _____yes _____✓_____no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____yes _____✓_____no

Significant deficiency(ies) identified? _____yes _____✓_____none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____yes _____✓_____no

Identification of major federal programs:

CFDA Number(s)	10.760 66.468	Name of Federal Program or Cluster:	Water and Waste Disposal Systems for Rural Communities AND Capitalization Grants for Drinking Water State Revolving Funds
----------------	---------------	-------------------------------------	---------------------------------------------------------------------------------------------------------------------------

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee under 2 CFR Section 200.520? _____✓_____yes _____no

SEAL ROCK WATER DISTRICT
Seal Rock, Oregon

Schedule of Findings and Questioned Costs
for the Year Ended June 30, 2021

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

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Independent Auditor's Report Required by Oregon State Regulations

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Seal Rock Water District, as of and for the year ended June 30, 2021, 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 December 3, 2021.

Compliance

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

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

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

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

Members:
AICPA OSCPA & OAIA

Internal Control Over Financial Reporting

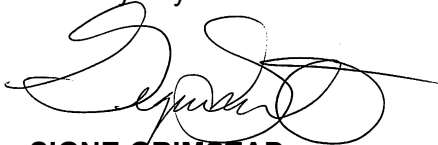
In planning and performing my audit of the financial statements, I considered Seal Rock Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses 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
December 3, 2021