

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

AUDIT REPORT

JUNE 30, 2025

Prepared By
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Certified Public Accountant
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PO Box 1930
Newport, Oregon 97365

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

COMMISSIONERS

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

ADMINISTRATION

District General Manager	Adam Denlinger
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REGISTERED AGENT

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page
List of Commissioners
Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report	1-3
Management's Discussion and Analysis	I-XV
Basic Financial Statements	
Statement of Net Position - Proprietary Fund	4
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	5
Statement of Cash Flows - Proprietary Fund	6
Fiduciary Funds – Statements of Net Assets and Changes in Net Assets	7
Notes to Financial Statements	8-23

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) - Oregon Public Employee Retirement System.....	24
Schedule of the District's Contributions - Oregon Public Employee Retirement System	25
Notes to the Schedules of the District's Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions	26

SUPPLEMENTARY INFORMATION

Description of Budgetary Funds.....	27
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	28
Capital Projects Fund	29
Debt Service Fund.....	30
Rural Development Requirement Reserve Fund	31
Revenue Bond Reserve Fund	32
System Development Charges Fund	33
Water Source and Distribution System Improvement Reserve Fund	34
SLARRA/Depreciation Reserve Fund.....	35

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

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION – Continued	<u>Page</u>
Reconciliation of Revenues and Expenditures (Budgetary Basis) to the Statement of Revenues, Expenses and Changes in Net Position	36
AUDITOR’S COMMENTS AND DISCLOSURES	
Independent Auditor’s Report Required by Oregon State Regulations	37-38

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Seal Rock Water District
Seal Rock, Oregon

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities of Seal Rock Water District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial portion of the business-type activities of Seal Rock Water District, as of June 30, 2025, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit employee pension plan (PERS) schedules and notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying budget and actual fund schedules 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget and actual fund schedules, and reconciliation of budget basis to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated March 6, 2026 on my consideration of Seal Rock Water District's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.

GRIMSTAD CPA



Signe Grimstad
Certified Public Accountant

Newport, Oregon
March 6, 2026



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Seal Rock Water District

Management Discussion and Analysis (MD&A) Fiscal Year Ended June 30, 2025

The intent of the Management Discussion and Analysis is to provide highlights of the Seal Rock Water District's financial activities for the fiscal year 2025, ending June 30, 2025. 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 \$36,402,752 with Capital Assets of \$32,159,735 net of accumulated depreciation. Current Assets are \$3,259,397 and other noncurrent assets are \$436,338. Deferred Outflows of Resources for Pension Contributions are \$547,282 on June 30, 2025.
- The assets of Seal Rock Water District exceeded its liabilities at the close of the fiscal year by \$16,790,830 (Net Position). Of this amount, \$1,757,073 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Net investment in capital assets, less related debt is \$14,281,420. Revenue Bonded debt is \$5,547,391 and General Obligation debt is \$12,330,924.
- The District's net position increased by \$796,019 from June 30, 2024.
- Total Operating Revenues for the fiscal year 2024-25 was \$2,573,105, which is a decrease of .03% over the prior year. This change reflects the increases in water services and decreases in service connections along with other operating revenue.
- Total Operating Expenses for the fiscal year 2024-25 were \$3,456,606. This figure is 7.51% higher than the prior year, due primarily to increases in Payroll & Benefits, Professional Services, General and Administration and Depreciation.
- Total Liabilities and Deferred Inflows of Resources are \$19,611,922 with long-term liabilities at \$18,227,124, current liabilities at \$1,308,664, and deferred inflows of resources for pension at \$76,134.

Overview of Financial Statements

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

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

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

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

Notes to Financial Statements

The notes to the financial statements found on pages 8 through 23 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 \$16,790,830 at the close of the fiscal year, an increase of \$796,019 from the prior year. This is primarily due to the increases in Net Invested in Capital Assets. The District took out an interim loan with Truist Bank to fund its Beaver Creek Source Water Project. This interim loan was paid off by

USDA-RUS using the District's Revenue Bond and General Obligation Bond on December 17, 2021.

85% of the District's net position (\$14,281,420) reflects its investment in capital assets (e.g., land, building, equipment, reservoirs, and pipelines); less related debt obligations used to acquire those assets that are still outstanding. The District uses these assets to provide services to ratepayers, consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from user fees to customers (ratepayers) or other sources, since capital assets cannot be used to liquidate these liabilities.

Net Position

	2025	2024	2023	Difference 2024-25	%
ASSETS					
Current Assets	\$3,259,397	\$3,323,380	\$3,295,445	(\$63,983)	-1.93%
Capital Assets	32,159,735	32,135,901	33,022,015	23,834	0.07%
Other noncurrent Assets	436,338	478,379	519,914	(42,041)	-8.79%
Total Assets	35,855,470	35,937,660	36,837,374	(82,190)	-0.23%
Deferred Outflows-Pension Contributions	547,282	340,288	283,429	206,994	60.83%
Total Assets & Deferred Outflows	36,402,752	36,277,948	37,120,803	124,804	0.34%
LIABILITIES					
Current Liabilities	1,308,664	2,039,883	2,178,387	(731,219)	-35.85%
Long Term Liabilities	18,227,124	18,877,106	20,691,019	(649,982)	-3.44%
Total Liabilities	19,535,788	20,916,989	22,869,406	(1,381,201)	-6.60%
Deferred Inflows-Pension	76,134	116,148	286,064	(40,014)	-34.45%
Total Liabilities & Deferred Inflows	19,611,922	21,033,137	23,155,470	(1,421,215)	-6.76%
NET POSITION					
Net Invested in Capital Assets	14,281,420	13,254,736	11,812,265	1,026,684	7.75%
Restricted	752,337	812,139	940,986	(59,802)	-7.36%
Unrestricted	1,757,073	1,177,936	1,212,082	579,137	49.17%
Prior Period Adjustment	0	750,000	0	(750,000)	-100.00%
Total Net Position	\$16,790,830	\$15,994,811	\$13,965,333	\$796,019	4.98%

A portion of the District's net position (5% or \$752,337) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (10% or \$1,757,073) may be used to meet the District's ongoing obligations to ratepayers and creditors.

Operating and non-operating activities increased the District's net position by \$796,019, an increase of 4.98% over the previous year. The change in net position is comprised of operating and non-operating income of \$766,655 and capital contributions of \$29,364 which represents system development charges.

Governmental Accounting Standard Board Statement 68 (GASB 68) requires governmental entities that participate in a pension plan to include an entry for the employer's proportionate share of the system's Unfunded Liability (UL). The District's proportionate share of the Net Pension Liability as of June 30, 2025, was .00550497 or \$1,223,603.

At end of the FY 2024-25, the District's financial reports reflected deferred outflows of resources of \$547,282. This amount was derived by adding the differences between expected and actual experience, which was \$72,487, changes in assumptions which was \$123,021, net difference between projected and actual earnings on investments which was \$77,733, changes in proportionate share which was \$101,757, the contributions the District made subsequent to measurement date which was \$161,951, and the differences between employer contributions and the employer's proportionate share of system contributions which was \$10,333. The District also reported deferred inflows of resources of \$76,314. This amount was the total of differences between employer contributions and the employer's proportionate share of system contributions which was \$41,285, changes in proportionate share which was \$31,951, the net difference between projected and actual earnings on investments which were \$0, changes in assumptions which were \$158, and the difference between expected and actual experience which was \$2,920.

GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions became effective on June 30, 2019. This statement requires the reporting of liabilities (assets) pertaining to retiree health care and other post-employment benefits (OPEB). The District provides an implicit rate subsidy for retiree health insurance premiums through the Special District Association of Oregon (SDAO) and a contribution to Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental, and vision increases, mortality rate, and other inputs. The total OPEB liability was estimated at June 30, 2025, by Milliman Actuarial Services for both plans. On June 30, 2025, 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

	2025	2024	2023	Difference 2025-24	%
OPERATING REVENUES					
Water Service	\$2,524,259	\$2,514,276	\$2,151,988	\$9,983	0.40%
Service Connections	24,174	28,383	46,922	(4,209)	-14.83%
Other Operating Revenue	24,672	31,338	37,884	(6,666)	-21.27%
Total Operating Revenues	2,573,105	2,573,997	2,236,794	(892)	-0.03%
OPERATING EXPENSES					
Payroll and Benefits	1,493,876	1,295,180	1,118,627	198,696	15.34%
Water Purchase	24,144	71,333	159,497	(47,189)	-66.15%
Maintenance and Repair	310,657	358,501	256,262	(47,844)	-13.35%
General and Admin	230,089	170,964	150,496	59,125	34.58%
Professional Services	195,004	160,515	184,378	34,489	21.49%
Depreciation	1,202,836	1,158,777	1,136,245	44,059	3.80%
Total Operating Expenses	3,456,606	3,215,270	3,005,505	241,336	7.51%
OPERATING INCOME (LOSS)	(883,501)	(641,273)	(768,711)	(242,228)	37.77%
NON OPERATING REVENUES (EXPENSES)					
Interest Income	50,793	47,209	45,601	3,584	7.59%
Property Taxes	1,140,543	1,192,674	1,485,878	(52,131)	-4.37%
Grants/Loan Proceeds	834,545	864	248,380	833,681	96490.86%
Loan Forgiven	0	1,030,000	0	(1,030,000)	100.00%
Disposal of Assets	0	0	(264)	0	0.00%
Interest Expense	(375,725)	(400,172)	(453,309)	24,447	-6.11%
Total Nonoperating Revenues (Expenses)	1,650,156	1,870,575	1,326,286	(220,419)	-11.78%
Income (Loss) Before Contributions	766,655	1,229,302	557,575	(462,647)	-37.63%
CAPITAL CONTRIBUTIONS	29,364	50,176	88,092	(20,812)	-41.48%
CHANGES IN NET POSITION	796,019	1,279,478	645,667	(483,459)	-37.79%
Net Position - Beginning of Year	15,994,811	13,965,333	13,319,666	2,029,478	14.53%
Prior period adjustment	0	750,000	0	(750,000)	0.00%
Net Position - Beginning of Year restated	15,994,811	14,715,333	13,319,666	1,279,478	8.69%
Net Position - End of Year	\$16,790,830	\$15,994,811	\$13,965,333	\$796,019	4.98%

Financial Condition

The District's financial condition improved compared to the previous year. The District maintained adequate liquid assets to support ongoing operations and meet system demand. As of June 30, 2025, unrestricted net position was \$1,757,073.

On November 8, 2011, District voters approved \$15 million in General Obligation (G.O.) Bond authority. The G.O. Bonds are repaid through property tax revenues. These funds were intended to finance water system improvements identified in the 2010 Water Master Plan and subsequent amendments, refinance existing debt to reduce costs to taxpayers, and pay 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 \$5 million in General Obligation Bonds. A portion of the proceeds was used to refinance two Revenue Bonds, reducing the interest rate from 6.5% to 3.22%. The remaining proceeds funded the Phase I and Phase II of the water system improvements identified in the 2010 Water Master Plan.

On December 1, 2016, the District issued an additional \$3.5 million G.O. Bond to finance Phase III improvements. This bond carries an interest rate of 1.875% and a 25-year term.

The remaining \$6.5 million in G.O. Bond authority was issued in 2022 to help finance the District's Phase IV Beaver Creek Primary Source Water Project. Phase IV improvements reached substantial completion in August 2022.

On July 2, 2019, the District received a Letter of Conditions (LOC) from the United States Department of Agriculture Rural Development (USDA-RD) confirming approval of the District's funding application for the Phase IV Beaver Creek Source Water Project. The total funding package approved was \$11,895,500, consisting of a loan not to exceed \$9,096,000 and a grant not to exceed \$2,799,500. The USDA loan is payable over 25 years from property tax revenues.

In May 2020, through a USDA-RD sub-grant funding application, the District received an additional \$1,500,000 grant for the Beaver Creek Source Water Project.

On November 4, 2021, USDA-RD issued a letter amending the original July 9, 2019, Letter of Conditions, reducing the loan interest rate from 2.75% to 1.75%. As a result, the annual payment is \$325,682 at an interest rate of 1.75%. Financing closed on December 15, 2021.

Funding from USDA-RD, along with a \$2,451,000 loan and \$1,030,000 forgivable loan from the Business Oregon Infrastructure Finance Authority (IFA), was used to construct the Beaver Creek water supply system improvements. These improvements include a new water intake on Beaver Creek, a membrane treatment facility, storage reservoirs, and raw and finished water pipelines.

The Beaver Creek raw water pipeline consists of 14-inch high-density polyethylene (HDPE) pipe following South Beaver Creek Road and North Beaver Creek Road before crossing private property to the treatment site. The treatment facility is located east of the Makai

Community on property owned by the District. This location was selected due to its elevation and proximity to Beaver Creek.

The treatment system uses membrane filtration technology, which meets the Oregon Health Authority's target microbial removal requirements. The project also includes a 500,000-gallon welded steel storage reservoir, measuring 50 feet in diameter, located at the Makai treatment facility site. A 12-inch HDPE finished water pipeline connects the new storage facility to the District's existing distribution system.

Project delays pushed the original startup and commissioning schedule beyond June 15, 2021. Due to continued delays, the certificate of substantial completion was not issued until August 2022.

The District entered arbitration with the project contractor on September 10th – 12th, 2024. Following negotiations, the parties reached a settlement that was approved by the SRWD Board of Commissioners on September 19, 2024.

Under the settlement agreement, the District paid \$750,000 to the contractor. This resolution allowed the District to control the financial outcome and avoid the uncertainty and additional costs of continued litigation. The settlement amount was fully covered within the remaining project funding provided by USDA-RD, eliminating the need for additional financing or District resources.

The District has historically followed a policy of implementing small annual rate adjustments in order to avoid large, one-time increases needed to meet the operational and maintenance needs of the water distribution and treatment systems.

Each year, the SRWD Board of Commissioners evaluates the need for a rate adjustment and directs staff to prepare rate scenarios. These proposals are then presented to the community during a public hearing.

The proposed rate adjustment in 2026 reflects the cost of operating and maintaining both the water distribution system and the new water treatment facility. Due to economic conditions outside the District's control, the cost of materials and supplies has increased by as much as 35%.

The proposed rate adjustment was included in the FY 2025-2026 budget, with an average increase of 6.6%. For a typical residential customer using 1,000 gallons per month, the increase is \$4.25 per month, raising the monthly charge from \$56.50 to \$60.75. Water rates for customers outside the District remain set at 150% of the inside-District rate.

Operating expenses include Payroll and Benefits, Water Purchase, Maintenance and Repairs, General and Administrative expenses, Professional Services, and Depreciation. Total operating expenses increased by \$241,336 compared to the prior year. As a result, the Net Operating loss increased by 37.77%, driven by higher operating costs and lower Operating and Non-Operating Revenues.

Overall, the District's Net Position increased by \$796,019. This reflects Operating and Non-Operating revenues exceeding operating expenses by \$766,655, supplemented by \$29,364 in capital contributions from System Development charges for a total change in Net Position of \$796,019.

Capital Assets and Debt Administration

Capital Assets

Seal Rock Water District's investment in capital assets as of June 30, 2025, totaled \$32.16 million (net of depreciation). This investment includes land, buildings, reservoirs, pipelines, pump stations, vehicles, programs and office equipment. The District's total investment in capital assets increased by 0.07% compared to the prior year due to completion of major construction efforts. This figure includes the new water treatment plant, the raw water intake pump station, and new meter installations.

Major capital asset activities during the fiscal year included in the following:

On February 15, 2018, the District entered into a financial agreement with the Oregon Business Development Department (OBDD) through the State's Safe Drinking Water Revolving Loan Fund (SDWRLF) Program to help fund the District's Phase 4 Primary Source Water Improvements Project. Phase 4 improvements include development of a primary source water intake, raw water transmission system, and a membrane water treatment facility.

The financing agreement included a loan in the amount of \$2,451,000 and a forgivable loan (grant) amount of \$1,030,000. The loan carries an interest rate of 1.00% with a repayment period of 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 procurement of membrane treatment equipment. Proceeds from the OBDD loan were used to finance the final design work.

In early 2020, the District Board of Commissioners, with authorization from USDA Rural Development, approved the construction contract for the Beaver Creek Source Water Project. The original expected completion date for this project was August 2021. However, although significant progress was made, delays by the contractor pushed startup and commissioning of the water treatment facility beyond that date. Substantial completion was certified by the engineer in August 2022. Final project certification was achieved through arbitration and dated September 19, 2022.

Long Term Debt

At the end of the fiscal year, Seal Rock Water District had total long-term debt outstanding of \$17,878,315. Of this amount, \$5,547,391 is secured by revenue bonds, and \$12,330,924 (including a bond premium of \$84,611) consists of general obligation bonds payable from property tax revenue.

A portion of this long-term debt, totaling \$947,295, is payable within the next fiscal year and is therefore classified as current debt. The District issues bonds to finance capital improvements or to refinance existing debt when more favorable interest rates become available.

Economic Factors and Next Year's Budget and Finances

The District adopted a budget of \$7,307,360 for the fiscal year 2025-26. The following factors were known at the time the financial statements were prepared and audited.

- PERS employer contribution rates for fiscal year 2025-26 are 26.00% for Tier 1/Tier 2 employees and 23.32% for OPSRP.
- Health insurance premiums continue to increase.
- The district continues to consider the possibility of developing an emergency water supply agreement with the City of Toledo, like the emergency supply agreement currently in place with the City of Newport.
- On December 1, 2017, the District presented the Phase 4 Beaver Creek Source Water Improvements Project to 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 through the Oregon State Safe Drinking Water Revolving Loan Fund (SDWRLF) Program.
- This SDWRLF funding package included a loan of \$2,451,000 at an interest rate of 1% for 30 years and a forgivable loan (grant) of \$1,030,000. All of this funding was used toward completion of the Beaver Creek Source Water Project.
- The forgivable loan required the project to be completed on schedule and required the District to maintain an average monthly residential water rate of \$50.21 per 7,000 gallons at the time of completion. During the year ending June 30, 2024, the District met the requirements of the OBDD Infrastructure Finance Authority (IFA), and the forgivable loan was forgiven in full.
- 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 refinance an existing line of credit with Cashmere Valley Bank.
- This interim financing was permanently satisfied through bond proceeds authorized by the Board on November 15, 2021. The USDA Rural Development General Obligation Bond loan closed on December 17, 2021, in the amount of \$6,549,000 at an interest rate of 1.75% for a term of 25 years. The remaining \$2,547,000 revenue bond portion of the financing closed on November 18, 2020, at an interest rate of 1.75% for a term of 30 years.

Under the authority of the SRWD Board of Commissioners, District staff have worked with consultants for several years to evaluate the development of a primary source water supply for the District.

Planning documents completed and adopted by the Board include the Reconnaissance Level Source Water Study, adopted in March 2015; the Phase IV Conceptual Design Report for the SRWD Beaver Creek Water Supply, adopted in September 2016; and the Preliminary Engineering Report and Environmental Report, both completed in May 2017 and adopted by the Board.

Final design and contract documents were completed in February 2019 and approved by USDA Rural Development in November 2019. The Board authorized staff to apply for funding through the USDA Rural Development program to support Phase 4 improvements in the amount of \$11,895,500. The application was approved through a Letter of Conditions issued to the district on July 2, 2019.

Additionally, through a USDA Rural Development sub-grant funding application, the District received a Letter of Conditions in May 2020 awarding an additional \$1,500,000 in grant funding for the Beaver Creek Source Water Project.

Substantial completion of the project was certified by the engineer in August 2022, and final Project Certification was achieved through arbitration and dated September 19, 2022.

Although significant progress was made by the district to complete the source water project, delays by the contractor pushed startup and commissioning of the water treatment facility.

The Beaver Creek Source Water Project has since been constructed and is operational. However, the project monitoring period and final engineering project closeout have not yet been completed. Several equipment failures were identified, including issues with pumping equipment, Variable Frequency Drives (VFDs), and heating elements. In early 2026, operators began to experience premature membrane module failure within the treatment system. Operators are in the process of replacing the membrane modules on filtration skid -1 before the engineer can restart the monitoring period.

All these factors were considered in preparing the Seal Rock Water District budget for fiscal year 2025-26.

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 02/28/26
2025-26	1,797,781,312	901,179,600	1,200,711	0.1259	1.2095	In Process of Collection	93.81%
2024-25	1,758,546,037	869,979,100	1,145,893	0.1259	1.1943	97.50%	98.41%
2023-24	1,653,145,447	835,264,130	1,227,554	0.1259	1.3468	97.41%	98.96%
2022-23	1,410,651,095	801,232,070	1,543,294	0.1259	1.8033	97.87%	99.51%
2021-22	1,174,447,691	766,966,200	893,505	0.1259	1.0421	98.08%	99.92%
2020-21	981,026,166	734,519,500	835,296	0.1259	1.0142	97.96%	99.96%
2019-20	921,297,820	707,936,610	860,627	0.1259	1.0937	97.23%	99.98%

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

Source: Lincoln County Treasurer and Assessor, February 28, 2026

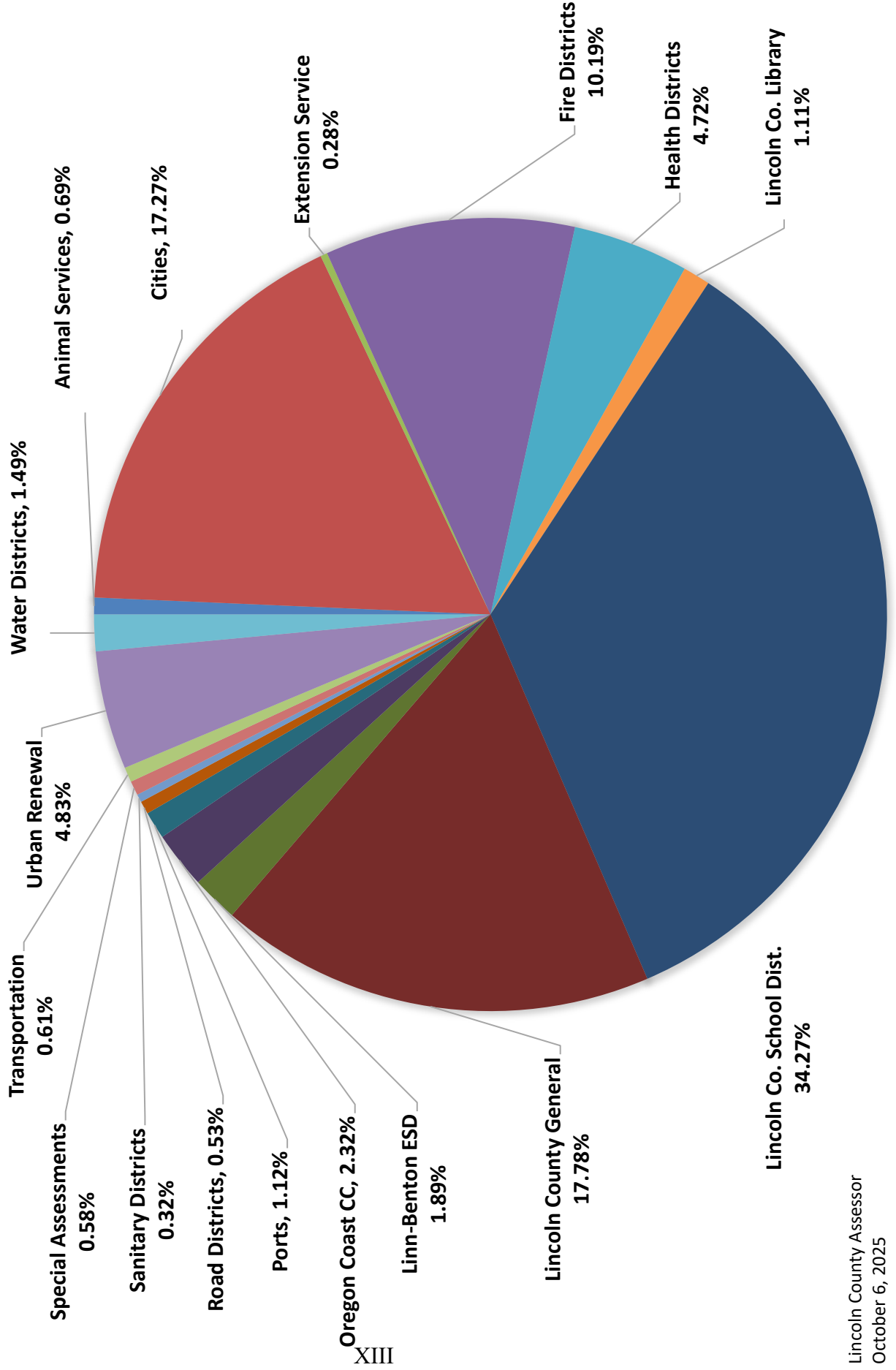
**LINCOLN COUNTY
MAJOR TAXPAYERS
FOR 2025-26**

Owner of Record (Taxpayer)	Total Assessed Value	% of Total County Assessed Value	Taxes Imposed	% of All Countywide Taxes Imposed
Georgia Pacific Toledo LLC	\$228,567,570	2.20%	\$3,606,530.58	2.29%
Central Lincoln PUD	\$109,966,220	1.06%	\$1,610,557.96	1.02%
Northwest Natural Gas Co	\$88,244,960	0.85%	\$1,454,782.70	0.92%
Weyerhaeuser Company	\$119,407,220	1.15%	\$1,442,491.82	0.92%
Pacificorp	\$59,483,490	0.57%	\$820,972.20	0.52%
Charter Communications	\$44,706,560	0.43%	\$725,806.93	0.46%
Worldmark The Club	\$52,338,060	0.50%	\$721,640.74	0.46%
Hallmark Inns & Resorts Inc.	\$31,836,970	0.31%	\$569,560.69	0.36%
Lincoln City Outlets/CMBS LLC	\$33,023,060	0.32%	\$548,549.36	0.35%
Dulchich Realty/Pacific Choice Seafoo	\$19,161,700	0.18%	\$342,419.74	0.22%
Total Top Ten Tax Payers in the County	\$786,735,810	7.59%	\$11,843,313	7.53%
Remaining County Taxpayers	\$9,582,857,990	92.41%	\$145,521,104	92.47%
Total County	\$10,369,593,800	100.00%	\$157,364,417.00	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 Finance Manager, Seal Rock Water District, 1037 NW Grebe Street, Seal Rock, Oregon 97376.

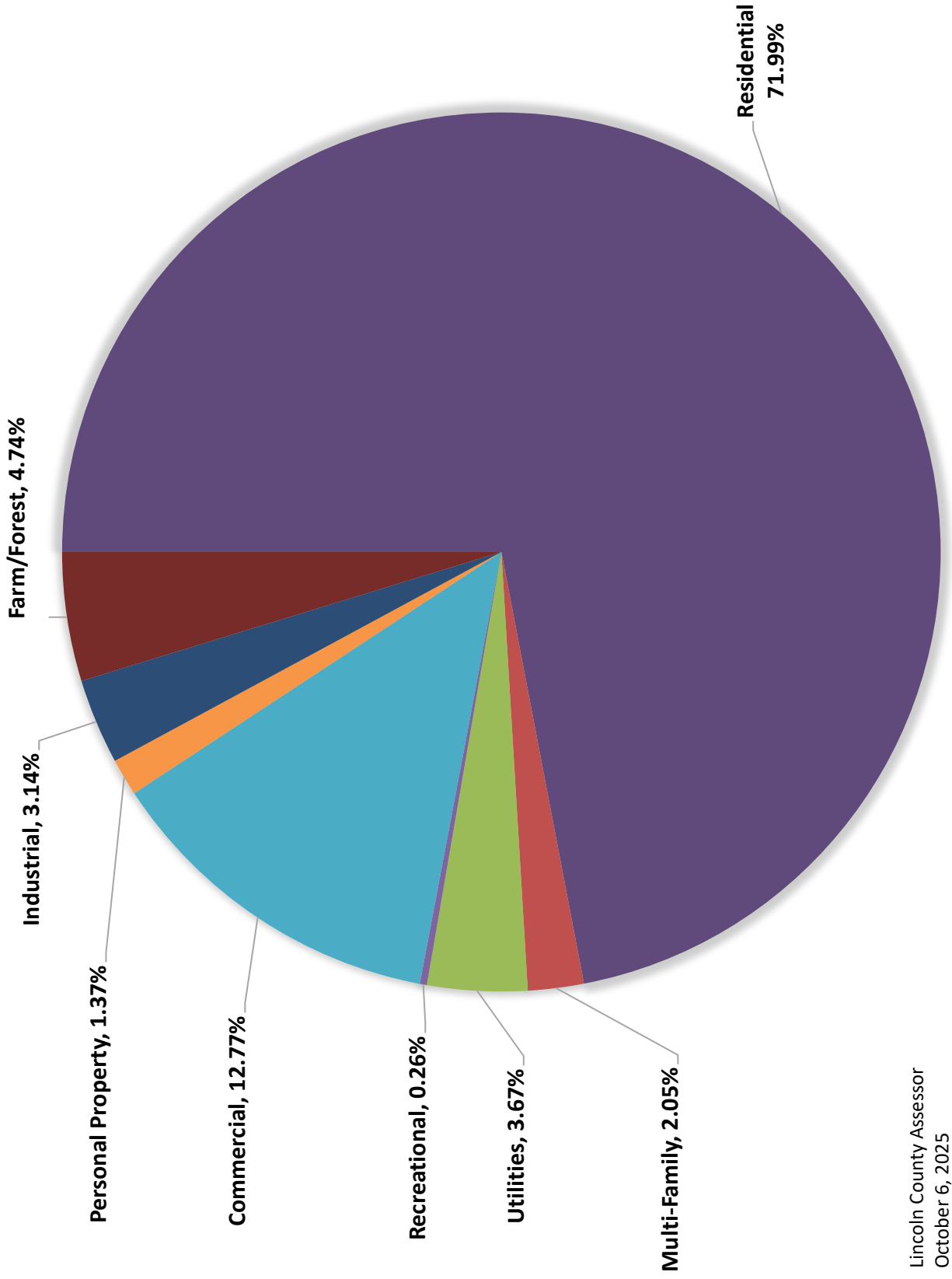
LINCOLN COUNTY 2025-2026 YOUR TAX DOLLAR DISTRIBUTION



XIII



WHO PAYS LINCOLN COUNTY PROPERTY TAXES 2025-2026



Supplemental Continuing Disclosure Information
Seal Rock Water District
November 30, 2024

	2024-25	2025-26
General Obligation Debt Capacity/Limitation		
Real Market Value	1,758,546,037	1,797,781,312
General Obligation Debt Capacity (10.0% of RMV)	175,854,604	179,778,131
Outstanding Obligations Subject to Limitation ⁽¹⁾	18,701,200	11,848,428
Remaining General Obligation Debt Capacity	157,153,404	167,929,703
Percent of Remaining Debt Capacity/Total Debt Capacity	89.37%	93.41%
Percent of Outstanding Obligation/Total Debt Capacity	10.63%	6.59%
Percent of Outstanding Obligation/Real Market Value	1.06%	0.66%

Source: The District

Consolidated Tax Rates Per \$1,000
TAX CODE AREA: 326 (AV \$213,538,260)
REPRESENTS 24.6% OF DISTRICT'S ASSESSED VALUE ON ROLL

Fiscal Year	Real Market Value ⁽¹⁾	Assessed Value ⁽²⁾	Net Tax Imposed	Billing Rate Per		Consolidated Rate	Percent Collected as of	
				\$1,000 of Taxable	Bond Levy Rate Per \$1,000 of Assessed Value ⁽³⁾		Year of Levy (4)	2/28/2026
2025-26	1,797,781,312	901,179,600	1,200,711	0.1259	1.2095	1.3354	In Process of Collection	93.81%
2024-25	1,758,546,037	869,979,100	1,145,893	0.1259	1.1943	1.3202		98.41%
2023-24	1,653,145,447	835,264,130	1,227,554	0.1259	1.3468	1.4727		98.96%
2022-23	1,410,651,095	801,232,070	1,543,294	0.1259	1.8033	1.9292		99.51%
2021-22	1,174,447,691	766,966,200	893,505	0.1259	1.0421	1.1680		99.92%
2020-21	981,026,166	734,519,500	835,296	0.1259	1.0142	1.1401		99.96%
2019-20	921,297,820	707,936,610	860,627	0.1259	1.0937	1.2196		99.98%

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

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

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

(4) In process of collection.

Source: Lincoln County Treasurer and Assessor, February 28, 2026

Seal Rock Water District
Outstanding Debt Obligations
As of February 28, 2026

Outstanding Debt	Date of Issue	Date of Maturity	Amount Issued	Outstanding Principal Amount
Revenue Obligations				
Water Revenue Installment Bonds (USDA)	6/1/2012	6/1/2042	1,505,000	998,415
2020 Revenue Bond (USDA)	11/18/2020	11/18/2051	2,547,000	2,209,086
2022 Revenue Bond (IFA)	12/1/2022	12/1/2051	2,451,000	2,197,762
Total Revenue Obligations			6,503,000	5,405,263
General Obligation Bonds				
General Obligation Bonds, Series 2011	10/27/2011	10/27/2041	1,626,200	1,082,596
General Obligation Bonds, Series 2012	6/13/2012	6/1/2032	5,000,000	1,510,000
General Obligation Bonds, Series 2013	2/27/2013	6/1/2036	2,075,000	1,185,000
General Obligation Bonds, Series 2016	12/1/2016	12/1/2041	3,451,000	2,388,254
General Obligation Bonds, Series 2021	12/17/2021	12/17/2047	6,549,000	5,682,578
Total General Obligations			18,701,200	11,848,428
Total Outstanding Obligations			\$25,204,200	\$17,253,691

Source: The District

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
as of June 30, 2025

ASSETS

Current assets

Cash and cash equivalents	\$ 2,627,263
Accounts receivable	197,499
Property taxes receivable	57,681
Prepaid expense	98,241
Inventory	238,265
Note receivable	40,448
Total current assets	3,259,397

Noncurrent assets

Prepaid bond insurance	11,151
Note receivable, long-term	425,187
Total noncurrent assets	436,338
Capital assets	
Land	400,729
Construction in progress	17,066
Plant and equipment (net of depreciation)	31,741,940
Total capital assets	32,159,735
Total assets	35,855,470

Deferred outflows of resources - pension contributions

Total assets and deferred outflows of resources	547,282
	36,402,752

LIABILITIES

Current liabilities

Accounts payable	52,513
Compensated absences	75,463
Unearned revenue	75,023
Accrued interest payable from restricted	158,370
Current portion of long-term debt, payable from restricted	947,295
Total current liabilities	1,308,664

Long-term liabilities

Net pension liability	1,223,603
Compensated absences, net	72,503
Revenue bond, net	5,358,273
General Obligation bonds, net	11,572,745
Total long-term liabilities	18,227,124
Total liabilities	19,535,788

Deferred inflows of resources - pension

Total liabilities and deferred inflows of resources	76,134
	19,611,922

NET POSITION

Net invested in capital assets	14,281,420
Restricted	
Debt service	665,644
Construction	86,693
Unrestricted	1,757,073
Total net position	\$ 16,790,830

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

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS for the Year Ended June 30, 2025

OPERATING REVENUES

Water service pledged as security for revenue bonds	\$ 2,524,259
Service connections	24,174
Other operating revenue	<u>24,672</u>
Total operating revenues	<u>2,573,105</u>

OPERATING EXPENSES

Payroll and benefits	1,493,876
Water purchase	24,144
Maintenance and repairs	310,657
General and administrative	230,089
Professional services	195,004
Depreciation	<u>1,202,836</u>
Total operating expenses	<u>3,456,606</u>

OPERATING INCOME (LOSS) (883,501)

NONOPERATING REVENUES (EXPENSES)

Interest income	50,793
Property taxes	1,140,543
Grants	834,545
Interest expense	<u>(375,725)</u>
Total nonoperating revenues (expenses)	<u>1,650,156</u>

Income (loss) before contributions 766,655

CAPITAL CONTRIBUTIONS 29,364

Change in net position 796,019

NET POSITION - Beginning of year 15,244,811

Prior period adjustment 750,000

NET POSITION - Beginning of year restated 15,994,811

NET POSITION - End of year \$ 16,790,830

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

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 2,546,869
Cash payments for goods and services	(722,040)
Cash payments for employees and benefits	<u>(1,417,705)</u>
Net cash provided (used) by operating activities	<u>407,124</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	1,129,838
Grants	871,419
Note receivable receipts	<u>39,942</u>
Net cash provided (used) by noncapital financing activities	<u>2,041,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,226,671)
Principal paid on debt	(991,203)
Interest paid on debt	(395,084)
Capital contributed by customers	<u>29,364</u>
Net cash provided (used) by capital and related financing activities	<u>(2,583,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>50,793</u>
Net increase (decrease) in cash and cash equivalents	(84,478)
Cash and cash equivalents - Beginning of year (restricted \$1,419,887)	<u>2,711,741</u>
Cash and cash equivalents - End of year (restricted \$1,406,818)	<u><u>\$ 2,627,263</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (883,501)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	1,202,836
(Increase) decrease in operating assets	
Accounts receivable	21,453
Inventory	(30,094)
Prepaid expense	(7,185)
Increase (decrease) in operating liabilities	
Accounts payable	25,377
Accrued compensated absences	27,788
Net pension liability	48,383
Unearned revenue	<u>2,067</u>
Net cash provided (used) by operating activities	<u><u>\$ 407,124</u></u>

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

SEAL ROCK WATER DISTRICT, OREGON

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2025

	<u>MCWCC</u>	<u>MCWPP</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 33,102	\$ 0	\$ 33,102
LIABILITIES			
Accounts payable	\$ 0	\$ 0	\$ 0
LIABILITIES			
Held by fiduciary	\$ 33,102	\$ 0	\$ 33,102

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2025

	<u>MCWCC</u>	<u>MCWPP</u>	<u>Total</u>
ADDITIONS			
Water Districts contributions	\$ 50,000	\$ 0	\$ 50,000
Government grants	0	59,483	59,483
Total additions	50,000	59,483	109,483
DEDUCTIONS			
Consultant services	44,641	63,330	107,971
Indirect costs	0	3,383	3,383
Total deductions	44,641	66,713	111,354
Changes in fiduciary net assets	5,359	(7,230)	(1,871)
Net assets, beginning of year	27,743	7,230	34,973
Net assets, end of year	\$ 33,102	\$ 0	\$ 33,102

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

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

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Basis of Accounting and Presentation

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

Deposits and Investments

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

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

Inventory

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

Restricted Assets

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

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

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

Property Taxes

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

Capital Assets

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

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

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

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

Compensated Absences

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

Pensions

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

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

Net position is divided into three components:

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

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

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

Operating Revenues, Non-Operating Revenues and Operating Expenses

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

Use of Estimates

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

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

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	\$ 1,220,445
Cash and cash equivalents - restricted	<u>1,406,818</u>
Total cash, cash equivalents and investments	<u>\$ 2,627,263</u>

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

	<u>Balance</u>
Petty cash	\$ 800
Deposits with financial institutions	1,655,659
Investments - external investment pool	<u>970,804</u>
Total	<u>\$ 2,627,263</u>

Restricted cash represents funds for debt retirement of \$710,068 and construction of \$696,750.

Deposits

At the end of the fiscal year, the District's total deposits with financial institutions have a bank value of \$1,746,106.

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

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Investments

At year end, the District has total funds of \$970,804 (fair value) in the Local Government Investment Pool.

Interest rate risk

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

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

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

Credit risk

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

Concentration of credit risk

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

NOTE 4 - RECEIVABLES

Receivables at June 30, consist of the following:

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Property taxes	\$ 57,681	\$ 5,138	\$ 52,543
Accounts receivable	197,499	197,499	0
Total receivables	\$ 255,180	\$ 202,637	\$ 52,543

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 4 – RECEIVABLES - Continued

Accounts Receivable

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

Property Taxes

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

NOTE 5 - NOTE RECEIVABLE

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

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

In March 2015, Amendment No. 2 to the IGA specified that the City of Newport's debt to the District for lost revenue plus the portion of the bonded indebtedness, excluding the 2013 refunding general obligation bond (originally the 2007 general obligation bond) for the withdrawn properties is \$1,800,000. The City of Newport's share of the 2013 refunding general obligation bond was calculated as \$55,322, which was paid in full on July 1, 2015. Final payment is in 2043.

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Note receivable, City of Newport	\$ 465,635	\$ 412,542	\$ 53,093

The note receivable maturity schedule is as follows:

Year Ending <u>June 30</u>	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
2026	\$ 40,448	\$ 34,040	\$ 6,408
2027	42,338	35,693	6,645
2028	44,210	37,425	6,785
2029	43,553	39,242	4,311
2030	45,870	41,417	4,453
2031-2035	238,113	224,725	13,388
2036-2040	7,637	0	7,637
2041-2043	3,466	0	3,466
Totals	<u>\$ 465,635</u>	<u>\$ 412,542</u>	<u>\$ 53,093</u>

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 6 - CAPITAL ASSETS

Below are the major classes of capital assets:

	7/1			6/30
	Balance	Increases	Decreases	Balance
Non-depreciable				
Land	\$ 400,729	\$ -	\$ -	\$ 400,729
Construction in progress	-	17,064	-	17,064
Total nondepreciable	400,729	17,064	-	417,793
Depreciable				
Buildings	11,242,162	-	-	11,242,162
Furn/equip/vehicles	1,356,745	322,629	-	1,679,374
Water system	30,047,639	886,978	-	30,934,617
Total depreciable	42,646,546	1,209,607	-	43,856,153
Accumulated Depreciation				
Buildings	902,087	227,480	-	1,129,567
Equipment	802,783	140,388	-	943,171
Water system	9,206,504	834,968	-	10,041,472
Total acc deprec	10,911,374	1,202,836	-	12,114,210
Total, net of depreciation	31,735,172	6,771	-	31,741,943
Capital assets, net	<u>\$32,135,901</u>	<u>\$ 23,835</u>	<u>\$ -</u>	<u>\$32,159,736</u>

Depreciation expense for the year was \$1,202,836.

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 \$998,415.

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 \$2,278,943.

A revenue bond in the amount of \$2,451,000, payable from water system net operating revenue, was issued December 19, 2017. The bond is payable in annual installments of \$94,972 with interest at 1%, beginning December 1, 2022, maturing December 1, 2051. Current balance is \$2,270,033.

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds - Continued

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

Year Ending June 30,	Principal	Interest	Total Future Requirements
2026	\$ 189,118	\$ 90,039	\$ 279,157
2027	192,353	86,804	279,157
2028	195,654	83,504	279,158
2029	198,921	80,236	279,157
2030	202,452	76,706	279,158
2031-2035	1,066,112	329,673	1,395,785
2036-2040	1,162,888	232,900	1,395,788
2041-2045	1,040,248	132,138	1,172,386
2046-2050	962,365	61,758	1,024,123
2051-2052	<u>337,280</u>	<u>4,240</u>	<u>341,520</u>
Totals	<u>\$ 5,547,391</u>	<u>\$ 1,177,998</u>	<u>\$ 6,725,389</u>

General Obligation Bonds

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

On October 27, 2011 the District issued a GO Bond for \$1,626,000 with a rate of 3.75%, maturing 2042. The current balance is \$1,131,384.

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 \$1,510,000.

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 \$1,185,000.

On December 1, 2016 the District issued a GO Bond for \$3,451,000 with a rate of 1.875%, maturing 2041. The current balance is \$2,515,299.

On December 17, 2021 the District issued a GO Bond for \$6,549,000 with a rate of 1.75%, maturing 2047. The current balance is \$5,904,630.

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

Year Ending June 30,	Principal	Interest	Total Future Requirements
2026	\$ 758,178	\$ 279,909	\$ 1,038,087
2027	781,281	261,006	1,042,287
2028	799,565	241,122	1,040,687
2029	682,784	220,897	903,681
2030	701,691	203,688	905,379
2031-2035	3,215,178	760,850	3,976,028
2036-2040	2,668,300	416,652	3,084,952
2041-2045	2,003,746	154,373	2,158,119
2046-2048	<u>635,590</u>	<u>16,773</u>	<u>652,363</u>
Totals	<u>\$12,246,313</u>	<u>\$2,555,270</u>	<u>\$ 14,801,583</u>

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonds - Continued

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

	7/1			6/30	Due in One	Interest
	<u>Balance</u>	<u>Increase</u>	<u>Payments</u>	<u>Balance</u>	<u>Year</u>	<u>Paid</u>
GO Bonds	\$13,051,571	\$ 0	\$805,258	\$12,246,313	\$ 758,178	\$300,228
Bond premium	0	0	0	<u>84,611</u>		
Total GO Bond				12,330,924		
Revenue Bonds	5,733,336	0	185,945	5,547,391	189,117	93,212
Compensated absences	<u>120,178</u>	<u>27,788</u>	<u>0</u>	<u>147,966</u>	<u>75,463</u>	<u>0</u>
Total	<u>\$18,905,085</u>	<u>\$ 27,788</u>	<u>\$ 991,203</u>	<u>Total \$18,026,281</u>	<u>\$1,022,758</u>	<u>\$393,490</u>

Note 8 – RETIREMENT BENEFITS

PENSIONS

Defined benefit pension plan (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. The 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 Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits provided

Tier One/Tier Two retirement benefit ORS Chapter 238 Pension benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) 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 contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 defined benefit pension plan is closed to new members hired on or after August 29, 2003.

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

Note 8 – RETIREMENT BENEFITS - Continued

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 one or more of the following conditions are met:

- The member was employed by a PERS employer at time of death,
- The member died within 120 days after termination of PERS-covered employment,
- The member died as a result of injury while employed in a PERS-covered job, or
- The member was on official leave of absence from a PERS-covered job at 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- incurred 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 disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit changes

Members that choose to continue participation in a variable equities investment account after retiring 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 changes.

Oregon Public Service Retirement Plan (OPSRP) defined benefit pension program

Pension benefits

The pension program (ORS Chapter 238A) 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% is multiplied by the number of years of service and final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5% is multiplied by the number of years of service and 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 OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits

Upon the death of a 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% of the pension that would otherwise have been paid to the deceased member.

Disability benefits

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

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

Note 8 – RETIREMENT BENEFITS - Continued

Changes in Plan Provisions

House Bill 4045 from the 2024 legislative session lowered the normal retirement age for OPSRP Police & Fire from age 60 to 55, effective January 1, 2025. Members still qualify for early unreduced retirement if age 53 with 25 or more years of service. Effective January 1, 2025, forensic scientists and elected District Attorneys are now included in the “Police & Fire” definition of membership.

OPSRP Individual Account Program (IAP)

Pension benefits

An IAP member becomes vested on the date the employee account is established or 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 IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment, or in equal installments over a 5, 10, 15, or 20 year period, or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death benefits

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

Record keeping

OPERS 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. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation. The rates, expressed as a percentage of payroll, first became effective July 1, 2023. The rates in effect for the year ended June 30, 2025 were 26.86% for Tier One/Tier Two members, 22.15% for OPSRP General Service members, 26.94% for OPSRP Fire members, and 6% for OPSRP Individual Account Program members. District contributions for the year ending June 30, 2025 were \$161,951 excluding amounts to fund employer specific liabilities.

Covered employees are required to contribute 6% of their salary to the OPSRP Individual Account Program, but the employer is allowed to pay any or all of the employee contribution in addition to the required employer contribution. The District has elected not to “pick-up” the 6% employee contribution.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

Note 8 – RETIREMENT BENEFITS - Continued

At June 30, 2025, the District reported a liability of \$1,223,603 for its proportionate share of the net pension liability. This liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. 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 0.00550497 and 0.00495557 for the years ending June 30, 2025 and 2024 respectively.

For the year ended June 30, 2025, the District recognized a pension expense (income) of \$207,955. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 72,487	\$ 2,740
Changes in assumptions	123,021	158
Net difference between projected and actual earnings on investments	77,733	0
Changes in proportionate share	101,757	31,951
Difference between employer contributions and employer's proportionate share of system contributions	10,333	41,285
District's contributions subsequent to the measurement date	<u>161,951</u>	<u>N/A</u>
Total	<u>\$ 547,282</u>	<u>\$ 76,134</u>

\$547,282 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflow/(Inflow) of resources (prior to post measurement date contributions)</u>
2026	\$ 7,607
2027	144,338
2028	87,161
2029	57,355
2030	<u>12,557</u>
Total	<u>\$ 309,018</u>

Actuarial methods and assumptions

The employer contribution rates effective July 1, 2023 through June 30, 2025 were set using the entry age normal actuarial 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 the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP pension program component of the PERS 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 the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

Note 8 – RETIREMENT BENEFITS - Continued

Actuarial Methods and Assumptions	
Valuation date	December 31, 2022
Measurement date	June 30, 2024
Experience Study Report	2022, Published July 24, 2023
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair value
Inflation rate	2.40 percent
Investment rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions above are based on the 2022 Experience Study which reviewed experience from January 1, 2017 to December 31, 2022.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 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 following table shows Milliman’s assumptions for each of the asset classes in which the plans were invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	20-Year Annualized Geometric Return
Global Equity	27.50%	7.07%
Private Equity	25.50%	8.83%
Core Fixed Income	25.00%	4.50%
Real Estate	12.25%	5.83%
Master Limited Partnerships	0.75%	6.02%
Infrastructure	1.50%	6.51%
Hedge Fund of Funds - Multistrategy	1.25%	6.27%
Hedge Fund Equity – Hedge	0.63%	6.48%
Hedge Fund – Macro	5.62%	4.83%
Assumed Inflation - Mean		2.35%

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

Note 8 – RETIREMENT BENEFITS - Continued

Discount rate

The discount rate used to measure the total pension liability was 6.90% for the defined benefit pension plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District 's proportionate share of the net pension liability (asset)	\$ 1,930,184	\$ 1,223,603	\$ 631,807

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Defined benefit other postemployment benefit plan (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.

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.

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

Note 8 – RETIREMENT BENEFITS - Continued

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.00 and 0.00 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, 2025, 2024, and 2023 were paid and equaled the required contributions for each year.

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). At June 30, 2025, the Districts 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. Accordingly, no assets or liabilities relating to OPEB have been reported on the government-wide statements.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

With the contract settlement, Project Phase IV concluded this year. When recognizing the final project assets it was determined the accrual of retainage from 2021 to 2024 had not been recognized as work in progress. It had been expensed over this period, reflecting expenses overstated in this period and assets understated by \$750,000.

NOTE 10 - 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

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 had an effective date of April 30, 2020 in the amount of \$10,690,000. Construction was substantially completed within 448 days from the effective date (July 22, 2021), with final payment due within 480 days (August 24, 2021). Phase IV was not completed timely and was subject to arbitration on the contract amount remaining and on project completion.

In August 2024, the District was awarded a \$50,000 loan by the Oregon Clean Water State Revolving Fund for preparation of the District's Drinking Water Protection Plan or DWPP. Loan terms include interest at .98% for five years and may be forgiven once the DWPP is completed and specified conditions are met.

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

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2025

NOTE 10 - OTHER INFORMATION - Continued

Commitments

Project Phase IV

In October 2024, a settlement agreement was formed between the District and R&G Excavating, Inc. that terminated arbitration, specifying the final amount owed to R&G Excavating, Inc. is \$750,000, the certificate of substantial completion is August 18, 2022, and a change order is to be completed to adjust the contract price. U.S. Department of Agriculture-Rural Development received all documents involved in the settlement agreement for approval of the payment to the contractor. The payment of \$750,000 was issued in October of 2024.

Drinking Water Protection Plan (DWPP)

In April 2024, the District authorized the General Manager to execute all documents to satisfy funding provided by and through the Oregon Clean Water State Revolving Fund (CWSRF) in the amount of \$50,000 to complete a Drinking Water Protection Plan. This loan may be forgiven if the District meets specific requirements.

Economic Dependency

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

Risk Management

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

The District has evaluated subsequent events through March 6, 2026, the date which the financial statements were available to be issued.

SEAL ROCK WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET LIABILITY (ASSET)
as of June 30, 2025

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

Fiscal Year Ended	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset) Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
2016	0.00454	\$ 260,819	\$ 423,759	61.55%	91.9%
2017	0.00465	698,307	441,799	158.06%	80.5%
2018	0.00492	663,408	464,754	142.74%	83.1%
2019	0.00499	756,962	483,584	156.53%	82.1%
2020	0.00521	900,947	521,465	172.77%	80.2%
2021	0.00504	1,100,010	548,922	200.39%	75.8%
2022	0.00502	600,380	553,816	108.41%	87.6%
2023	0.00463	708,799	701,830	100.99%	84.5%
2024	0.00496	928,212	733,065	126.62%	81.7%
2025	0.005505	1,223,603	837,962	146.02%	79.3%

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

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

SEAL ROCK WATER DISTRICT, OREGON
SEAL ROCK, OREGON

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
as of June 30, 2025

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM
Last Ten Fiscal Years

Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency /(Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	22,008	22,392	(384)	423,759	5.28%
2016	40,348	40,897	(549)	441,799	9.26%
2017	42,432	42,432	-	464,754	9.13%
2018	64,846	64,846	-	483,584	13.41%
2019	67,315	67,315	-	521,465	12.91%
2020	97,690	97,690	-	548,922	17.80%
2021	97,838	97,838	-	554,257	17.65%
2022	103,765	103,765	-	553,816	18.74%
2023	131,757	131,757	-	701,830	18.77%
2024	143,031	143,031	-	733,065	19.51%
2025	161,951	161,951	-	837,962	19.33%

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

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

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

NOTES TO THE SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED
CONTRIBUTIONS for the Year Ended June 30, 2025

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/2024/2024_GASB68.pdf.

Changes of Assumption

A summary of key changes implemented since the December 31, 2022 valuation are described in the Oregon Employees Retirement System's GASB 68 Disclosure Information which can be found at:

https://www.oregon.gov/pers/emp/Documents/GASB/2024/2024_GASB68.pdf.

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2022 Experience Study for the System, which was published on July 24, 2013 and can be found at:

https://www.oregon.gov/pers/Documents/Financials/Actuarial/2023/2022_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 occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There were no changes subsequent to the June 30, 2024 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

SEAL ROCK WATER DISTRICT

SUPPLEMENTARY INFORMATION

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

DESCRIPTION OF BUDGETARY FUNDS

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

Budgetary comparison schedules include the following funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

Rural Development Requirement Reserve Fund

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

Revenue Bond Reserve Fund

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

System Development Charges Fund

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

Water Source and Distribution System Improvement Reserve Fund

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

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

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

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

GENERAL FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Water sales	\$ 2,594,500	\$ 2,524,259	\$ (70,241)
Service connections	22,500	24,174	1,674
Miscellaneous	40,500	16,317	(24,183)
Grants	53,000	50,000	(3,000)
Interest	28,100	28,591	491
Subdivision assessments	1,000	0	(1,000)
Boundary withdrawal	0	25,613	25,613
Property taxes	103,000	103,476	476
Total revenues	<u>2,842,600</u>	<u>2,772,430</u>	<u>(70,170)</u>
 EXPENDITURES			
Personnel services	1,576,500	1,445,493	131,007
Materials and services	1,306,050	875,731	430,319
Capital outlay	45,000	1,271	43,729
Contingency	100,000	0	100,000
Total expenditures	<u>3,027,550</u>	<u>2,322,495</u>	<u>705,055</u>
 Excess (def) of revenues over expenditures	(184,950)	449,935	634,885
 OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(568,050)</u>	<u>(468,050)</u>	100,000
 Excess (def) of revenues over expenditures and other financing sources (uses)	(753,000)	(18,115)	734,885
 FUND BALANCE - Beginning of year (Budget basis)	753,000	955,832	202,832
 FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	937,717	<u>\$ 937,717</u>
 GAAP ADJUSTMENTS - Reconciled to June 2024		28,589,980	
Note receivable receipts		(32,464)	
Capital asset activity			
Additions		345,607	
Asset transfers		881,064	
Depreciation		(1,202,836)	
Long-term debt activity			
Principal payments		114,389	
Interest accrued		954	
Unearned revenue		(32,936)	
Pension activity, net		(48,383)	
 FUND BALANCE - End of Year (GAAP basis)		29,553,092	
Prior period adjustment		750,000	
FUND BALANCE - End of Year restated (GAAP basis)		<u>\$ 30,303,092</u>	

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

CAPITAL PROJECTS FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Loan proceeds	\$ 2,000,000	\$ 0	\$ (2,000,000)
Grants	820,000	817,481	(2,519)
Interest	<u>100</u>	<u>300</u>	<u>(200)</u>
 Total revenues	 2,820,100	 817,781	 (2,002,319)
EXPENDITURES			
Capital outlay	<u>2,770,100</u>	<u>798,158</u>	<u>1,971,942</u>
 Excess (def) of revenues over expenditures	 (50,000)	 19,623	 69,623
FUND BALANCE - Beginning of year (Budget basis)	<u>50,000</u>	<u>(748,222)</u>	<u>(798,222)</u>
FUND BALANCE - End of year (Budget basis)	<u>\$ 0</u>	<u>(728,599)</u>	<u>\$ (728,599)</u>
 GAAP ADJUSTMENTS - Reconciled to June 2024		 (15,551,515)	
Capital asset activity			
Additions		798,157	
Asset transfers		(798,157)	
Long-term debt activity			
Prepaid bond costs		(1,593)	
Principal payments		876,813	
Bond premium amortization		11,286	
Interest accrued		<u>7,119</u>	
 FUND BALANCE - End of Year (GAAP basis)		 <u>\$ (15,386,489)</u>	

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

DEBT SERVICE FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	\$ 4,000	\$ 6,145	\$ 2,145
Property taxes	1,012,100	1,008,317	(3,783)
Boundary withdrawal income	8,000	7,971	(29)
Miscellaneous income	<u>1,000</u>	<u>8,355</u>	<u>7,355</u>
 Total revenues	 1,025,100	 1,030,788	 5,688
EXPENDITURES			
Debt service	<u>1,105,580</u>	<u>1,105,537</u>	<u>43</u>
 Excess (def) of revenues over expenditures	 (80,480)	 (74,749)	 5,731
 Unappropriated ending fund balance	 (669,520)	 0	 669,520
FUND BALANCE			
Beginning of year (Budget basis)	<u>750,000</u>	<u>710,612</u>	<u>(39,388)</u>
 End of year (Budget basis)	 <u>\$ 0</u>	 635,863	 <u>\$ 635,863</u>
 GAAP ADJUSTMENTS - Reconciled to June 2024		29,029	
Note receivable receipts		(7,478)	
2013 RGOB Adv		<u>2,644</u>	
 FUND BALANCE - End of Year (GAAP basis)		 <u>\$ 660,058</u>	

SEAL ROCK WATER DISTRICT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025**

RURAL DEVELOPMENT REQUIREMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 10	\$ 497	\$ 487
EXPENDITURES			
Capital outlay	<u>120,670</u>	<u>0</u>	<u>120,670</u>
Excess (def) of revenues over expenditures	(120,660)	497	121,157
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>10,990</u>	<u>10,990</u>	<u>0</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(109,670)	11,487	121,157
FUND BALANCE			
Beginning of year (Budget basis)	<u>109,670</u>	<u>109,674</u>	<u>4</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 121,161</u>	<u>\$ 121,161</u>

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

REVENUE BOND RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 10	\$ 74	\$ 64
EXPENDITURES			
Debt service	<u>383,500</u>	<u>279,157</u>	<u>104,343</u>
Excess (def) of revenues over expenditures	(383,490)	(279,083)	104,407
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>382,490</u>	<u>282,490</u>	<u>(100,000)</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(1,000)	3,407	4,407
FUND BALANCE			
Beginning of year (Budget basis)	<u>1,000</u>	<u>2,179</u>	<u>1,179</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 5,586</u>	<u>\$ 5,586</u>

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

SYSTEM DEVELOPMENT CHARGES FUND

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	\$ 1,000	\$ 5,169	\$ 4,169
System development charges	<u>55,100</u>	<u>29,364</u>	<u>(25,736)</u>
 Total revenues	 56,100	 34,533	 (21,567)
 EXPENDITURES			
SDC Improvements	<u>636,100</u>	<u>221</u>	<u>635,879</u>
 Excess (def) of revenues over expenditures	 (580,000)	 34,312	 614,312
 FUND BALANCE			
Beginning of year (Budget basis)	<u>580,000</u>	<u>578,174</u>	<u>(1,826)</u>
 End of year (Budget basis)	 <u><u>\$ 0</u></u>	 612,486	 <u><u>\$ 612,486</u></u>
 GAAP ADJUSTMENTS - Reconciled to June 2024		 <u>(2,429)</u>	
 FUND BALANCE - End of Year (GAAP basis)		 <u><u>\$ 610,057</u></u>	

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

WATER SOURCE AND DISTRIBUTION SYSTEM IMPROVEMENT RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 3,000	\$ 6,552	3,552
EXPENDITURES			
Capital outlay	<u>320,000</u>	<u>0</u>	<u>320,000</u>
Excess (def) of revenues over expenditures	(317,000)	6,552	323,552
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>62,000</u>	<u>62,000</u>	<u>0</u>
Excess (def) of revenues over expenditures and the financing sources (uses)	(255,000)	68,552	323,552
FUND BALANCE			
Beginning of year (Budget basis)	<u>255,000</u>	<u>259,283</u>	<u>4,283</u>
End of year (Budget basis)	<u>\$ 0</u>	<u>\$ 327,835</u>	<u>\$ 327,835</u>

SEAL ROCK WATER DISTRICT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2025

SLARRA/DEPRECIATION RESERVE FUND

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 2,500	\$ 3,465	\$ 965
EXPENDITURES			
Capital outlay	<u>422,070</u>	<u>278,719</u>	<u>143,351</u>
Excess (def) of revenues over expenditures	(419,570)	(275,254)	144,316
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>112,570</u>	<u>112,570</u>	<u>0</u>
Excess (def) of revenues over expenditures and other financing sources (uses)	(307,000)	(162,684)	144,316
FUND BALANCE			
Beginning of year (Budget basis)	<u>307,000</u>	<u>312,214</u>	<u>5,214</u>
End of year (Budget basis)	<u><u>\$ 0</u></u>	149,530	<u><u>\$ 149,530</u></u>
GAAP Adjustments			
Capital asset addition		278,719	
Asset transfer		<u>(278,719)</u>	
Fund balance - End of year (GAAP Basis)		<u><u>\$ 149,530</u></u>	

SEAL ROCK WATER DISTRICT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2025

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis			
General Fund	\$ 2,772,430	2,790,545	\$ (18,115)
Capital Projects Fund	817,781	798,158	19,623
Debt Service Fund	1,030,788	1,105,537	(74,749)
R. D. Requirement Reserve Fund	11,487	0	11,487
Revenue Bond Reserve Fund	282,564	279,157	3,407
System Development Charges Fund	34,533	221	34,312
Water Source Improvement Reserve Fund	68,552	0	68,552
Depreciation Reserve Fund	<u>116,035</u>	<u>278,719</u>	<u>(162,684)</u>
 Total budgetary basis	 <u>\$ 5,134,170</u>	 <u>\$ 5,252,337</u>	 (118,167)
Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Note receivable activity			
City of Newport taxes			(39,942)
2013 RGOB Advance			2,644
Capital asset activity			
Additions			1,226,671
Depreciation			(1,202,836)
Long-term debt activity			
Prepaid bond costs			(1,593)
Principal payments			991,202
Bond premium amortization			11,286
Interest accrued			8,073
Unearned revenue			(32,936)
Pension activity, net			<u>(48,383)</u>
 Change in net position			 <u>796,019</u>
 NET POSITION - Beginning of year			 15,244,811
Prior period adjustment			<u>750,000</u>
NET POSITION - Beginning of year restated			<u>15,994,811</u>
 NET POSITION - End of year			 <u>\$ 16,790,830</u>

SEAL ROCK WATER DISTRICT

AUDITOR'S COMMENTS AND DISCLOSURES

GRIMSTAD CPA

530 NW 3RD ST | PO BOX 1930 | NEWPORT, OR 97365
541.265.5411 | INFO@GRIMSTAD-ASSOC.COM

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, the financial statements of the business-type activities of Seal Rock Water District, as of and for the year ended June 30, 2025, 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 March 6, 2026.

Compliance

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

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

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

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

Internal Control Over Financial Reporting

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

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

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

Purpose of This Report

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



SIGNE GRIMSTAD
Certified Public Accountant

Newport, Oregon
March 6, 2026