

**COOS BAY-NORTH BEND WATER BOARD
COOS COUNTY, OREGON**

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

COOS BAY-NORTH BEND WATER BOARD
Coos County, Oregon

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

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BOARD OFFICIALS

COOS BAY-NORTH BEND WATER BOARD

BOARD OFFICIALS

June 30, 2011

BOARD OF DIRECTORS:

Mike Helfrich, Chair
1020 Oakway Drive
Coos Bay, Oregon 97420

Melissa Cribbins, Vice-Chair
1800 Lincoln Road
Coos Bay, Oregon 97420

Richard Vigue, Member
598 Anderson Avenue
Coos Bay, Oregon 97420

J. Gregory Solarz, Member
2656 Stanton Street
North Bend, Oregon 97459

ADMINISTRATIVE STAFF

Rob K. Schab, General Manager

Jeffrey Howes, Finance Director

James C. Coffey, Legal Counsel

REGISTERED OFFICE:

2305 Ocean Boulevard
P.O. Box 539
Coos Bay, Oregon 97420

FINANCIAL SECTION



Hough, MacAdam & Wartnik, LLC
CERTIFIED PUBLIC ACCOUNTANTS

JIM HOUGH, CPA
SHIRLEY MACADAM, CPA
JAYSON WARTNIK, CPA
BRIAN BRAS, CPA
JOE COLO, CPA

LAURA FISHER, CPA
BOB GORMAN, CPA
SALLY JAEGGLI, CPA
TINA JONES, CPA
BRYAN WILLIAMS, CPA

INDEPENDENT AUDITOR'S REPORT

November 8, 2011

To the Board of Directors of Coos Bay-North Bend Water Board:

We have audited the accompanying basic financial statements of the Coos Bay-North Bend Water Board, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Coos Bay-North Bend Water Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coos Bay-North Bend Water Board as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2011 on our consideration of the Coos Bay-North Bend Water Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Coos Bay-North Bend Water Board as a whole. The budgetary comparison information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison information is the responsibility management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Hough, MacAdam & Wartnik, LLC
North Bend, Oregon



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Rob K. Schab, General Manager

Management's Discussion and Analysis

As management of the Coos Bay-North Bend Water Board (Water Board), we offer readers of the Water Board's financial statements this narrative overview and analysis of the financial activities of the Coos Bay-North Bend Water Board for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the Coos Bay-North Bend Water Board's Financial Statements, and the notes thereto, which follow this narrative.

Financial Highlights

- Total assets of the Water Board were \$57,747,778 and \$55,793,344 as of June 30, 2011 and 2010, respectively, with the utility plant at \$51,104,609 and \$50,001,784 net of accumulated depreciation. Current and restricted assets are \$6,221,486 and \$5,671,015 and other assets are \$421,683 and \$120,545.
- The assets of the Coos Bay-North Bend Water Board exceeded its liabilities at the close of the 2011 and 2010 fiscal years by \$46,167,623 and \$44,438,545, respectively. Of these amounts, \$5,163,229 and \$4,098,255 (unrestricted net assets) may be used to meet the Water Board's ongoing obligations.
- Capital assets less related debt are \$41,004,394. Revenue secured loans total \$917,832 general obligation bonds total \$9,520,000 and a loan had an outstanding balance of \$12,858, as of June 30, 2011.
- The Water Board's net assets increased by \$1,729,078 from June 30, 2010 to June 30, 2011, and \$1,330,582 during the previous 2010 fiscal year.
- Total liabilities were \$11,580,155 and \$11,354,799 as of June 30, 2011 and 2010, respectively, with long-term liabilities of \$9,606,456 and \$9,391,211, and other liabilities (comprised of current liabilities and those payable from restricted assets) of \$1,973,699 and \$1,963,588 for fiscal 2011 and 2010, respectively.
- Total operating revenues for the fiscal year 2010-2011 were \$6,077,785, which is an increase of 3.7% over the prior year. The increase in revenues is the result of a rate adjustment thought to generate a 2.8% increase in revenue in fiscal year 2010-2011, as well as increased water sales.
- Total operating expenses for the fiscal year 2010-2011 and 2009-2010 were \$4,593,947 and \$4,441,325, respectively. This is an increase of 3.4% over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Coos Bay-North Bend Water Board's basic financial statements. The Water Board is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Water Board's basic financial statements are comprised of three components; 1) Statement of Net Assets; 2) Statement of Revenues, Expenses and Changes in Net Assets; 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 Assets (page 9) 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 Water Board is improving or deteriorating over time. This statement includes all of the Water Board's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Water Board's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Water Board and assessing the liquidity and financial flexibility of the Water Board.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 10) present information showing profitability and credit worthiness as well, as how the Water Board's net assets changed during the most recent fiscal year. This statement shows income and expenses from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the Water Board's operations over the past year and can be used to determine whether the Water Board has successfully recovered all its costs through its user fees and other charges.

The Statement of Cash Flows (page 11) is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, non-capital financing activities, capital and related financing activities and investing activities. This statement also includes a reconciliation to the Statement of Revenues, Expenses, and Changes in Net Assets. The primary purpose of this statement is to provide information about the Water Board's cash receipts and cash payments during the reporting period. It answers such questions as where did the cash come from, what was the cash used for and what was the change in cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Water Board's financial position. In the Coos Bay-North Bend Water Board's case, assets exceeded liabilities by \$46.1 million at the close of the most recent fiscal year, an increase of \$1.7 million, or 3.9%.

By far the largest portion of the Water Board's net assets (89%) reflects its investment in the utility plant (e.g., land, buildings, equipment, reservoirs and pipelines), less related debt used to acquire the utility plant that is still outstanding. The Water Board uses the utility plant to provide services to ratepayers; consequently, the utility plant assets are not available for future spending. Although the Water Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from services to customers (ratepayers) or other sources, since the utility plant cannot be used to liquidate these liabilities.

| | Net Assets | | | |
|--|---------------|---------------|--------------|---------|
| | 2011 | 2010 | Difference | % |
| Current and other assets | \$ 6,643,169 | \$ 5,791,560 | \$ 851,609 | 14.7 |
| Utility Plant | 51,104,609 | 50,001,784 | 1,102,825 | 2.2 |
| Total Assets | 57,747,778 | 55,793,344 | 1,954,434 | 3.5 |
| Other liabilities | 1,973,699 | 1,963,588 | 10,111 | 0.5 |
| Long-term liabilities | 9,606,456 | 9,391,211 | 215,245 | 2.3 |
| Total Liabilities | 11,580,155 | 11,354,799 | 225,356 | 2.0 |
| Invested in capital assets, net of related debt | 41,004,394 | 40,147,751 | 856,643 | 2.1 |
| Restricted | - | 192,539 | (192,539) | (100.0) |
| Unrestricted | 5,163,229 | 4,098,255 | 1,064,974 | 26.0 |
| Total Net Assets | \$ 46,167,623 | \$ 44,438,545 | \$ 1,729,078 | 3.9 |

At June 30, 2011, capital assets net of debt totaled \$41 million, the remaining \$5.2 million of unrestricted net assets may be used to meet the Water Board's ongoing obligations to ratepayers and creditors. None of the Water Board's net assets represents resources that are subject to external restrictions on how they may be used.

Operating and non-operating activities increased the Water Board's net assets by \$1.7 million, an increase of 3.9%.

Total operating revenues were up 3.7%. The increase is the result of rate adjustments targeted to generate a 2.8% increase in revenue in fiscal year 2010-2011, as well as increased water sales.

Change in Net Assets

| | 2011 | 2010 | Difference | % |
|--|---------------|---------------|--------------|---------|
| Water Service | \$ 5,940,908 | \$ 5,701,679 | \$ 239,229 | 4.0 |
| Other | 136,877 | 160,183 | (23,306) | (14.5) |
| Total operating revenues | 6,077,785 | 5,861,862 | 215,923 | 3.7 |
| Source of supply | 175,211 | 183,167 | (7,956) | (4.3) |
| Power and pumping | 337,716 | 333,307 | 4,409 | 1.3 |
| Purification | 764,665 | 731,284 | 33,381 | 4.6 |
| Transmission | 1,113 | 54 | 1,059 | 1,961.1 |
| Distribution | 705,982 | 619,655 | 86,327 | 13.9 |
| Customer's accounting and collection | 764,417 | 700,749 | 63,668 | 9.1 |
| Administrative and collection | 701,833 | 691,774 | 10,059 | 1.5 |
| Depreciation | 1,143,010 | 1,181,335 | (38,325) | (3.2) |
| Total operating expense | 4,593,947 | 4,441,325 | 152,622 | 3.4 |
| Operating Income | 1,483,838 | 1,420,537 | 63,301 | 4.5 |
| Interest income | 23,011 | 29,491 | (6,480) | (22.0) |
| Miscellaneous | 385,974 | 13,466 | 372,508 | 2,766.3 |
| Sewer service billing | 106,993 | 104,141 | 2,852 | 2.7 |
| Interest expense | (451,489) | (467,892) | 16,403 | (3.5) |
| Amortization of debt discount and expense | (25,961) | (25,961) | - | - |
| Total net non-operating (expenses)/revenue | 38,528 | (346,755) | 385,283 | (111.1) |
| Contributed capital | 206,712 | 256,800 | (50,088) | (19.5) |
| Change in net assets | 1,729,078 | 1,330,582 | 398,496 | 29.9 |
| Beginning net assets | 44,438,545 | 43,107,963 | 1,330,582 | 3.1 |
| Ending net assets | \$ 46,167,623 | \$ 44,438,545 | \$ 1,729,078 | 3.9 |

Operating expenses increased in total by 3.4%. Significant changes from year to year are as follows:

- Transmission increased 1961.1% reflecting maintenance work that occurs on an irregular basis. This category of operation is typically less the \$10,000 per year.
- Distribution increased by 13.9% reflecting the large meter program, changing out large meters, increase in service work, and a long-term employee retiring.
- Customer's accounting and collections increased by 9.1% reflecting union positions wage increases by union negotiation.

Noteworthy changes in assets, liabilities, and nonoperating income and expenses are as follows:

- Current and other assets increased 14.7% due to the increase in inventory levels, release of restricted assets, and sale of timber.
- Restricted assets decreased (100)% due to a mitigation project and a hydroelectric study being completed. The state released the restriction on the funds for the project. The hydroelectric study was completed.
- Other operating revenues decreased (14.5)% due to reduced customer's installations and miscellaneous water revenue.
- Interest Income decreased (22.2)% due to the interest rate dropping during current economic conditions.
- Miscellaneous income increased by over \$372,000 due to timber sales during the current year.

Capital Asset and Debt Administration

Capital Assets (Utility Plant in Service)

The Coos Bay-North Bend Water Board's investment in capital assets as of June 30, 2011 amounts to \$51.1 million (net of accumulated depreciation). This investment in capital assets includes land, structures, mains, services, meters, furniture & fixtures, and various other equipment for transportation, shop, lab, and communication. The total increase in the Water Board's investment in capital assets for the current fiscal year was 2.2%.

A Major Capital Project

The Pony Creek Treatment Plant Expansion project consists of expanding the treatment plant and water delivery capacity from 8 mgd to 12 mgd. Project components include adding a filter, constructing a chemical building with chemical feed equipment and storage, enhancing the treatment process for manganese control, constructing a new high service pump station, and providing for emergency standby power.

The overall project budget is \$12.3 million, itemized as follows: \$8.45 million construction, \$2.68 million engineering, \$269,000 Water Board expenses, \$55,000 for Upper Pony Creek Reservoir intake improvements (SolarBee), and \$846,000 for contingency. Construction began June 23, 2011 and is scheduled for completion December 31, 2012.

Additional information on the Water Board's capital assets (Utility Plant) can be found on page 19 of this report.

Long Term Debt

At the end of the 2011 fiscal year, Coos Bay-North Bend Water Board had total debt outstanding of \$10.4 million. The majority of the debt is held by the City of Coos Bay and the City of North Bend on behalf of the Water Board. The refunding obligation bonds of \$9.5 million were used to fund the Water Supply Expansion Project and revenue secured loans of \$0.2 million were used to fund The Bay Crossing Pipeline Project. The Pony Creek Treatment Plant Expansion project has incurred debt of \$0.7 as of June 30, 2011. The remaining \$13 thousand held by the Water Board is a loan with Oregon Economic Development Department for the Hauser reservoir and water line. On the Statement of Net Assets, \$0.5 million is due within the next 2011 fiscal year and is reported under current liabilities, with the remaining \$9.9 million being reported as long-term liabilities. Additional information on the Water Board's long-term debt can be found on page 22 of this report.

Economic Factors and Next Year's Budgets and Finances

The Coos Bay-North Bend Water Board operates on a zero based budget. During the budgeting process the Water Board's first step is to identify all possible capital, operational and reserve expenditures. The next step is to analyze the sources of revenue. If the revenues do not cover all the expenditures, then expenditures are analyzed again to determine what, if anything, can be reduced or deleted altogether. The major source of our income (water sales/rates) is then analyzed and adjusted to meet all proposed expenditures. Before increasing rates for the 2011 fiscal year the Water Board built in a 0.25% growth factor for the residential, multi-residential, and commercial customer classes. For the 2011 fiscal year, rates were increased to provide an overall increase in revenue by 2.8% to cover shortages in funds.

Requests for Information

The financial report is designed to provide a general overview of the Coos Bay-North Bend Water Board's finances for all those with an interest in the Water Board's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Coos Bay-North Bend Water Board; PO Box 539; Coos Bay, Oregon 97420.

BASIC FINANCIAL STATEMENTS

COOS BAY-NORTH BEND WATER BOARD
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

| | <u>2011</u> |
|---|----------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 4,994,898 |
| Accounts receivable: | |
| Customer - net | 340,117 |
| Sewer service customers | 282,361 |
| Outside surcharges | 28,596 |
| Other | 15,285 |
| Prepaid expenses | 5,799 |
| Inventory | <u>482,386</u> |
| Total current assets | <u>6,149,442</u> |
| Noncurrent assets: | |
| Restricted cash: | |
| Customer water deposits | 28,259 |
| Customer project deposits | <u>43,785</u> |
| Total restricted cash | <u>72,044</u> |
| Deferred charges and other assets: | |
| Clearing accounts | 18,571 |
| Water source development | 24,376 |
| Preliminary surveys | 54,466 |
| Other work in progress | <u>324,270</u> |
| Total deferred charges and other assets | <u>421,683</u> |
| Utility plant: | |
| Utility plant (net of accumulated depreciation) | 48,269,623 |
| Construction in progress | <u>2,834,986</u> |
| Total utility plant | <u>51,104,609</u> |
| Total assets | <u>\$ 57,747,778</u> |

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

LIABILITIES AND NET ASSETS

| | 2011 |
|---|----------------------|
| Current liabilities (payable from current assets): | |
| Accounts payable | \$ 340,503 |
| Accrued salaries, payroll taxes and insurance | 73,068 |
| Accrued interest on long-term debt | 43,977 |
| Accrued vacation | 128,402 |
| Accrued other expenses | 16,600 |
| Current portion of long-term liabilities | 493,759 |
| Due to cities of Coos Bay and North Bend: | |
| Sewer service collections | 522,985 |
| Sewer service receivables | 282,361 |
| Total current liabilities (payable from current assets) | <u>1,901,655</u> |
| Noncurrent liabilities (payable from restricted assets): | |
| Customer water deposits | 28,259 |
| Customer project deposits | 43,785 |
| Total noncurrent liabilities (payable from restricted assets) | <u>72,044</u> |
| Long-term liabilities: | |
| Bonds and loans payable (net) | <u>9,606,456</u> |
| Total liabilities | <u>11,580,155</u> |
| Net assets: | |
| Investment in capital assets, net of related debt | 41,004,394 |
| Unrestricted | 5,163,229 |
| Total net assets | <u>\$ 46,167,623</u> |

COOS BAY-NORTH BEND WATER BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

| | <u>2011</u> |
|---|-----------------------------|
| Operating revenues: | |
| Water sales | \$ 5,940,908 |
| Other | <u>136,877</u> |
| Total operating revenues | <u>6,077,785</u> |
| Operating expenses: | |
| Source of supply | 175,211 |
| Power and pumping | 337,716 |
| Purification | 764,665 |
| Transmission | 1,113 |
| Distribution | 705,982 |
| Customers' accounting and collecting | 764,417 |
| Administrative and general | 701,833 |
| Depreciation | <u>1,143,010</u> |
| Total operating expenses | <u>4,593,947</u> |
| Operating income | <u>1,483,838</u> |
| Non-operating revenues (expenses): | |
| Interest income | 23,011 |
| Miscellaneous income | 385,974 |
| Sewer service billing income | 106,993 |
| Interest expense | (451,489) |
| Amortization of debt discount and expense | <u>(25,961)</u> |
| Total net non-operating revenues/(expenses) | <u>38,528</u> |
| Income before capital contributions | 1,522,366 |
| Capital contributions | <u>206,712</u> |
| Change in net assets | 1,729,078 |
| Net assets, beginning of the year | <u>44,438,545</u> |
| Net assets, end of the year | <u><u>\$ 46,167,623</u></u> |

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

COOS BAY-NORTH BEND WATER BOARD
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

| | <u>2011</u> |
|--|----------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 6,061,878 |
| Cash payments to employees | (2,667,972) |
| Cash payments to suppliers | <u>(784,033)</u> |
| Net cash provided by operating activities | <u>2,609,873</u> |
| Cash flows from noncapital financing activities: | |
| Misc income | 62,776 |
| Sewer service billing income | <u>106,993</u> |
| Net cash provided (used) by noncapital financing activities: | <u>169,769</u> |
| Cash flows from capital and related financing activities: | |
| Interest paid | (451,540) |
| Project deposits | (30,800) |
| Additions to plant and equipment | (2,275,207) |
| Amortization of bond issuance cost and discount | 25,961 |
| Disposition of equipment | 25,118 |
| Capital contributions (from outside parties) | 206,712 |
| Issuance of debt | 709,004 |
| Principal payments on long-term debt | <u>(488,783)</u> |
| Net cash provided by (used for) capital and related financing activities | <u>(2,279,535)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>23,011</u> |
| Net increase (decrease) in cash and cash equivalents | 523,118 |
| Cash and cash equivalents, beginning of year (including restricted cash of \$192,539) | <u>4,543,824</u> |
| Cash and cash equivalents, end of year (including restricted cash of \$72,044) | <u><u>\$ 5,066,942</u></u> |

Reconciliation of operating income to net cash provided by operating activities

| | |
|---|----------------------------|
| Operating income | \$ 1,483,838 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,143,010 |
| Depreciation allocated to materials and services | 65,005 |
| Changes in assets and liabilities: | |
| Accounts receivable | (15,907) |
| Inventory | (45,668) |
| Prepaid expenses | 31,170 |
| Accounts payable | (71,299) |
| Accrued payroll and benefits | 7,548 |
| Compensated absences payable | 13,471 |
| Customer deposits | <u>(1,295)</u> |
| Net cash provided by operating activities | <u><u>\$ 2,609,873</u></u> |
| Noncash investing, capital and financing activities: | |
| Timber sale proceeds | <u><u>\$ 298,086</u></u> |

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

COOS BAY-NORTH BEND WATER BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Nature of Operations

The Coos Bay-North Bend Water Board (Water Board) was established through City Charter provisions in 1947. At that time, the cities of Coos Bay and North Bend jointly purchased the water system from the Coos Bay Water Corporation (a private company which provided the public water system for the Coos Bay and North Bend area dating back to 1897). The creation and full control over the operation, maintenance, and extension of the water system is granted to the Coos Bay-North Bend Water Board by the charter of each city under the provision of ORS 225.050. The Water Board operates today as a municipal water provider with a four-member board of directors, two from each city as appointed by the Mayor, with 4-year terms each.

The Water Board serves approximately 13,000 customers both inside and outside the city limits of Coos Bay and North Bend. The Water Board relies on three different surface water reservoirs in the area holding over 2 billion gallons of water in total and maintains two water treatment plants as well.

The Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Water Board considered all potential component units in determining what organizations should be included in the financial statements. Based on the criteria discussed earlier, there are no component units to include in the Water Board's financial statements.

The accounting principals of the Coos Bay-North Bend Water Board conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Water Board complies with accounting principles generally accepted in the United States of America and applies all relevant GASB pronouncements.

B. Basis of Presentation

The accounts of the Water Board are organized and operated on the basis of a single proprietary fund. The Water Board's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. These activities are financed primarily by water sales and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Board's enterprise funds are water sales. Operating expenses for enterprise funds include depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. See Note IIIB for discussion of sewer service charges.

D. Assets, Liabilities, and Equity

1. Cash and Investments

The Water Board is restricted by State of Oregon statutes in the types of investments that can be made. Statutes authorize the Water Board to invest in obligations of the U.S. Treasury, agencies, and instrumentalities of the U.S.; States of Oregon, Washington, Idaho and California; various interest bearing bonds of municipalities; commercial paper rated P-2 and better by Moody's Investors Services or A-2 and better by Standard and Poor's Corporation; bankers' acceptances; and the Oregon State Treasurer's Short-Term Government Investment Fund. Certain other investment types, which are not listed here, are also authorized.

Investments are valued at cost, which approximates fair value. No investments are recorded at amortized cost. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale.

2. Cash Equivalents/Statement of Cash Flows

For purposes of the statement of cash flows, cash and investments include short-term (original maturity of three months or less) highly liquid investments that are readily converted into known amounts of cash or so near maturity they present insignificant risk of changes in value as a result of changes in interest rates.

3. Accounts Receivable

Water revenues are recorded when billed. Billings are rendered on twelve monthly cycles for water consumption utilized as of the read date. An allowance for doubtful accounts is reviewed periodically for adequacy and was \$3,720 at June 30, 2011. The sewer service customers receivable amount consists of pass through receipts. See Note IIIB. Outside surcharges are additional fees for customers outside the city's boundaries.

4. Inventories

Inventory of materials is stated at average cost, which approximates market. The costs of inventories are recorded as expenses when consumed rather than when purchased.

5. Restricted Assets and Related Liabilities

Assets, whose use is restricted to specific purposes and which include water deposits, customer project deposits, and other purposes, along with related liabilities are segregated on the Statement of Net Assets.

6. Deferred Charges

Deferred charges consist of preliminary costs for projects that may be capitalized in the future but are not yet capitalized. If the project is abandoned these costs will be expensed. Also included are customer-funded projects.

7. *Utility Plant in Service*

All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Expenditures or major additions, improvements, and replacements are capitalized for amounts in excess of \$500 with an initial useful life of more than one reporting period. The costs of normal maintenance and repairs incurred that do not add to the value of the asset or materially extend asset lives are charged to operations and not capitalized. Major outlays for capital assets and improvements are capitalized as projects are incurred. Capital assets are depreciated using the straight-line method over their estimated useful lives.

Depreciation is computed using the straight-line method over the estimated useful lives of the various assets as follows:

| | |
|-------------------------|-----------------|
| Buildings | 5 to 50 years |
| Land improvements | 10 to 100 years |
| Furniture and fixtures | 3 to 15 years |
| Machinery and equipment | 3 to 15 years |
| Vehicles | 6 to 20 years |
| Water utility system | 10 to 75 years |

8. *Compensated Absences*

Each regular employee is entitled to accumulate an unlimited amount of sick leave. Upon retirement from Water Board employment, as defined by the Water Board Retirement Program, the employee shall be paid for thirty percent (30%) of his/her accumulated sick leave at their regular rate if they have between 0 to 399 accumulated hours of sick leave, fifty percent (50%) for 400 to 799 accumulated hours of sick leave, and seventy percent (70%) for 800 to 1,200 accumulated hours of sick leave. For purposes of payment upon retirement, accumulated sick leave will be capped at 1,200 hours.

No amount has been determined or accrued for the potential liability of the Water Board pertaining to the payment of accumulated sick leave, as it is paid only to those employees who actually retire from Water Board service and is not considered a liability until that event occurs. However, \$64,525 of accumulated sick leave was estimated as of June 30, 2011, for employees 55 or over.

Currently there is no limit to the amount of vacation leave employees can accrue, however there is an annual limit of forty hours carryover per employee. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees.

9. *Long-term Obligations*

Long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Debt premiums, discounts and issuance costs are reported as non-operating expenditures.

10. *Capital Contributions*

Contributions from customers are comprised primarily of service installation fees, system development charges, and contributions by developers for meter and pipe installation.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2011. Actual results may differ from such estimates.

12. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: Investment in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets.

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

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt (revenue bonds, revenue secured loans, and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investment is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net assets not included in the above categories.

| | <u>2011</u> |
|--|-----------------------------|
| Investment in capital assets, net of related debt: | |
| Net capital assets | \$ 51,104,609 |
| Less: | |
| Revenue secured loans | (917,832) |
| Revenue bonds | (9,520,000) |
| Contracts and agreements | (12,858) |
| Unamortized debt issuance costs (deferred amount on refunding) | <u>350,475</u> |
| | <u><u>\$ 41,004,394</u></u> |

II. OTHER INFORMATION

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Under the provision of ORS 294.316 (7), the Water Board is exempt from Local Budget Law. However, the Water Board does follow many of the practices of entities that are subject to Local Budget Law, such as a budget committee, public hearing, media advertisements, and resolution adopting the budget by functional category.

III. DETAILED NOTES

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Water Board at June 30, 2011. If bank deposits at year-end are not entirely insured or collateralized with securities held by the Water Board or by its agent in the Water Board's name, the Water Board must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes now require that the financial institution participate in the Public Funds Collateralization Program. The Public Funds Collateralization Program is a multiple financial institution collateral pool administered by the Oregon State Treasurer's office. For the fiscal year ended June 30, 2011, the carrying amounts of the Water Board's deposits in various financial institutions were \$4,200,952 and the bank balances were \$4,208,620. All deposits are held in the name of the Water Board in accounts that include certificates of deposit and money market checking. Of the bank balances, \$754,355 was covered by federal depository insurance. The remaining \$3,454,265 was covered by the Public Funds Collateralization Program.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Water Board does not have a formal deposit policy for custodial credit risk.

Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank. The \$3,454,265 in the Water Board's deposits covered by the state collateral pool are not exposed to custodial credit risk because although the collateral is held by a third party custodian bank, it is considered to be held in the Water Board's name.

Investments. State statutes authorize the Water Board 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, certain commercial papers and the State Treasurer's Investment Pool, among others.

At June 30, 2011, the Water Board had invested \$862,667 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an unrated, open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP.

Credit Risk – Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Water Board has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risks - The Water Board is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Water Board has no such investments.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund Board manages this risk by limiting the maturity of the investments held by the fund. The Water Board's investment policy includes only those investments authorized by statute, but places no limits on the amount of each type in the investment portfolio. The Water Board does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments in the State Treasurer's investment pool are stated at fair value, which is essentially equal to cost at June 30, 2011. The fair value of investments is determined annually, and is based on current market prices. Investments with remaining maturities of up to ninety days are carried at amortized cost, which approximates fair value.

At fiscal year end, the carrying amounts of the Water Board's investments were as follows:

| | <u>June 30, 2011</u> |
|---|----------------------|
| Oregon State Treasury | |
| Local Government Investment Pool (LGIP) | <u>\$ 862,667</u> |

Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* established accounting and financial reporting standards for investments held by governmental external investment pools, and established fair value standards for other governmental entities. GASB Statement No. 31 requires that governmental entities, including those such as the Water Board, report certain investments at fair value in the balance sheets and recognize the corresponding change in the fair value of investments in the year in which the change occurred. This is reported under Non-operating Revenues (Expenses) on the Statement of Revenues, Expenses, and Changes in Net Assets. The net increase (decrease) in the fair value of investments the year ended June 30, 2011 was zero. The amount takes into account all changes in fair value during the year.

In addition, the LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposit, adjusted for withdrawals and distributed income. Accordingly, the above adjustments to fair value do not represent an expendable decrease or increase in the Water Board's cash position.

Investments in Oregon State Treasury Local Government Investment Pool are made under the provisions of ORS 294.810. These funds are held in the Water Board's name and are not subject to the collateralization requirements of ORS 295.015.

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets follows:

| | 2011 |
|-------------------------------------|---------------------|
| Petty cash | \$ 3,323 |
| Carrying amount of deposits | 4,200,952 |
| Carrying amount of investments | <u>862,667</u> |
| Total cash and cash equivalents | <u>\$ 5,066,942</u> |
| Cash and cash equivalents: | |
| In unrestricted accounts | \$ 4,994,898 |
| In restricted accounts (Note III C) | <u>72,044</u> |
| Total | <u>\$ 5,066,942</u> |

B. Related Party Transactions

All sewer service charges are billed by the Water Board as an accommodation for the Cities of Coos Bay and North Bend, and collections thereon are remitted to the cities, less a handling fee, for providing these services. The Water Board received \$59,889 from Coos Bay and \$47,104 from North Bend for these sewer billing services for the year ending June 30, 2011. The North Bend monies included handling fees for storm sewer payments. Sewer fees collected by the Water Board and remitted to the City of Coos Bay, along with charges for sludge disposal and office use, were \$4,295,481, and to North Bend for sewer fees and storm sewer were \$1,814,577, totaling \$6,110,058 for the fiscal year ended June 30, 2011. The uncollected sewer service charges are offset by a like amount under current liabilities. The current liabilities also include the sewer charges collected but not yet remitted to the cities.

C. Restricted Assets

During the fiscal year ended June 30, 2011, a restricted account was maintained with the State's Local Government Investment Pool for a \$150,000 deposit to maintain a fund to satisfy the requirements of the Oregon Division of State Lands (DSL) in lieu of the Water Board's providing a performance bond for the Water Supply Project, completed during fiscal year 2009-10. The funds were released back to the Water Board during 2010-11 upon successful environmental mitigation at Matson Creek.

Other restricted assets were:

Restricted assets (and similar liabilities) pertaining to customer water deposits on hand of \$28,259 at June 30, 2011, to eventually be refunded or applied to water sales.

The remaining restricted item as of June 30, 2011 pertains to \$43,785, of monies being received from customers for project deposits.

E. Utility Plant

The utility plant in service is summarized by major categories as follows:

| | Balance July 1, 2010 | Additions | Disposals | Balance June 30, 2011 |
|---|-------------------------|------------------|------------------|--------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Construction in progress | \$ 2,028,430 | \$ 1,705,061 | \$ (898,505) | \$ 2,834,986 |
| <i>Capital assets being depreciated:</i> | | | | |
| Intangible plant, franchises and consents | 33,699 | - | - | 33,699 |
| Source of supply plant | 24,105,917 | 46,449 | - | 24,152,366 |
| Power and pumping plant | 2,723,740 | - | - | 2,723,740 |
| Purification plant | 9,407,869 | 1,361 | - | 9,409,230 |
| Transmission plant | 2,497,249 | - | - | 2,497,249 |
| Distribution storage plant | 2,461,192 | 496,481 | (13,506) | 2,944,167 |
| Distribution plant | 22,021,428 | 583,725 | (10,537) | 22,594,616 |
| General plant | 5,252,019 | 357,610 | (60,018) | 5,549,611 |
| Total capital assets being depreciated | 68,503,113 | 1,485,626 | (84,061) | 69,904,678 |
| Accumulated depreciation: | | | | |
| Intangible plant | (760) | (152) | - | (912) |
| Source of supply plant | (2,525,642) | (243,199) | - | (2,768,841) |
| Power and pumping plant | (1,073,634) | (82,994) | - | (1,156,628) |
| Purification plant | (3,932,143) | (228,054) | - | (4,160,197) |
| Transmission plant | (1,000,161) | (33,721) | - | (1,033,882) |
| Distribution storage plant | (1,356,188) | (32,998) | 13,506 | (1,375,680) |
| Distribution plant | (8,330,173) | (382,276) | 13,950 | (8,698,499) |
| General plant | (3,114,901) | (211,643) | 80,087 | (3,246,457) |
| Unallocated reserve | 803,843 | - | 2,198 | 806,041 |
| Total accumulated depreciation | (20,529,759) | (1,215,037) | 109,741 | (21,635,055) |
| Total capital assets being depreciated (net) | 47,973,354 | 270,589 | 25,680 | 48,269,623 |
| Total utility plant | \$ 50,001,784 | \$ 1,975,650 | \$ (872,825) | \$ 51,104,609 |

F. Construction in Progress

The Water Board has embarked upon a project to increase the capacity of its water treatment plant located at Pony Creek from 8 million gallons per day (MGD) to 12 MGD. Engineering began in fiscal year 2009-10. Construction began in fiscal year 2010-11 and will continue into 2012-13 when the project is expected to be completed. Cost of the project is around \$12.3 million dollars. The cities of Coos Bay and North Bend have each borrowed approximately \$5 million dollars on the Water Board's behalf. The monies are federal stimulus monies.

G. Non-current Liabilities

1. Bonds and Loans Payable

The Water Board, by resolution, is pledged to establish, maintain, and collect rates and charges for water service that will produce sufficient revenue, after deducting the expenses for operation and maintenance, to meet principal and interest payments when due. The Water Board makes payments on these obligations to the individual cities and the cities make the debt payments to the financing institutions.

During 2009-10, the Water Board began a project to increase the capacity of the Pony Creek water treatment plant from 8 MGD to 12 MGD. Engineering began in 2009-10 and construction began in 2010-11, continuing into 2012-13. The cities of Coos Bay and North Bend each borrowed approximately \$5 million dollars on the Water Board's behalf to finance the project. The Water Board will pledge its revenue stream to the two cities for repayment of the debt when it is due. Debt repayment will begin on December 1st of the year in which the project is completed. Payment terms are not yet available. The amount of the loan drawn at June 30, 2011 was \$354,502 from each city.

Advance refundings – In 2006 the Water Board, on behalf of the Cities of Coos Bay and North Bend, issued \$11,290,000 of limited tax full faith and credit refunding obligation bonds, \$5,645,000 each city, to provide resources that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on Revenue Bonds issued in 2000. This refunding reduced the total debt service payments over the years by \$866,502. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$749,048.

The reacquisition price and issuance costs of the new debt exceeded the net carrying amount of the refunded debt by \$495,534. This amount is reported as an offset against the new debt and is amortized over the life of the refunded debt, which is the same life as the debt issued.

The bonds outstanding as of June 30, 2011 for each individual city are as follows:

| Fiscal Year | Issue of April 26, 2006 | | |
|-------------|-------------------------|---------------------|---------------------|
| | Total | Principal | Interest |
| 2011-2012 | \$ 456,905 | \$ 250,000 | \$ 206,905 |
| 2012-2013 | 450,218 | 255,000 | 195,218 |
| 2013-2014 | 456,967 | 275,000 | 181,967 |
| 2014-2015 | 452,968 | 285,000 | 167,968 |
| 2015-2016 | 453,343 | 300,000 | 153,343 |
| 2017-2021 | 2,266,675 | 1,725,000 | 541,675 |
| 2022-2025 | 1,814,741 | 1,670,000 | 144,741 |
| Total | <u>\$ 6,351,817</u> | <u>\$ 4,760,000</u> | <u>\$ 1,591,817</u> |

Interest rates: Vary between 4.15% and 5.00%

Revenue loans – On June 13, 2005, the Water Board secured revenue loans with the State of Oregon, Business Development Department, in the amount of \$250,000, \$125,000 each City, for its portion of the Bay Crossing Project water line construction. This is a primary obligation of the Cities of Coos Bay and North Bend over 25 years at 4.97% annual interest.

The future requirements for amortization of this revenue secured debt, for each individual City, are as follows:

| Fiscal Year | Issue of June 13, 2005 | | |
|-------------|------------------------|-------------------|------------------|
| | Total | Principal | Interest |
| 2011-2012 | \$ 8,620 | \$ 3,431 | \$ 5,189 |
| 2012-2013 | 8,620 | 3,601 | 5,019 |
| 2013-2014 | 8,620 | 3,780 | 4,840 |
| 2014-2015 | 8,620 | 3,968 | 4,652 |
| 2015-2016 | 8,620 | 4,165 | 4,455 |
| 2016-2017 | 8,620 | 4,372 | 4,248 |
| 2017-2018 | 8,620 | 4,590 | 4,030 |
| 2018-2019 | 8,620 | 4,818 | 3,802 |
| 2019-2020 | 8,620 | 5,057 | 3,563 |
| 2020-2025 | 43,100 | 29,314 | 13,786 |
| 2025-2030 | 43,058 | 37,318 | 5,740 |
| Total | <u>\$ 163,738</u> | <u>\$ 104,414</u> | <u>\$ 59,324</u> |

The amount of the unamortized reacquisition price and issuance costs of all refunded debt at June 30, 2011, is \$350,475 with current annual amortization expenses of \$25,961.

2. *Contracts and Agreements*

The Water Board entered into a financing agreement with the State of Oregon, Business Development Department, for construction of a water reservoir and main line in Hauser, Oregon. The terms require annual payments of \$13,502, including interest at 5% through December 1, 2011.

Future requirements for this financing agreement by fiscal year are as follows:

| Fiscal Year Ended June 30 | Principal | Interest | Total Requirements |
|------------------------------|------------------|---------------|-----------------------|
| 2012 | <u>\$ 12,858</u> | <u>\$ 643</u> | <u>\$ 13,501</u> |

3. *Changes in long-term liabilities.*

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

| | Balance 7/1/2010 | Additions | Reductions | Balance 6/30/2011 | Amount due within one year |
|---------------------------|---------------------|-------------------|---------------------|----------------------|----------------------------------|
| <u>City of Coos Bay</u> | | | | | |
| Issue 6/14/05 | \$ 107,682 | \$ - | \$ (3,268) | \$ 104,414 | \$ 3,431 |
| Issue 4/26/06 (refunding) | 4,995,000 | - | (235,000) | 4,760,000 | 250,000 |
| Issue 2010 | - | 354,502 | - | 354,502 | - |
| <u>City of North Bend</u> | | | | | |
| Issue 6/14/05 | 107,682 | - | (3,268) | 104,414 | 3,431 |
| Issue 4/26/06 (refunding) | 4,995,000 | - | (235,000) | 4,760,000 | 250,000 |
| Issue 2010 | - | 354,502 | - | 354,502 | - |
| <u>Water Board</u> | | | | | |
| Contract payable | 25,105 | - | (12,247) | 12,858 | 12,858 |
| Total | 10,230,469 | 709,004 | (488,783) | 10,450,690 | 519,720 |
| Less unamortized discount | (376,436) | - | 25,961 | (350,475) | (25,961) |
| Total | <u>\$ 9,854,033</u> | <u>\$ 709,004</u> | <u>\$ (462,822)</u> | <u>\$10,100,215</u> | <u>\$ 493,759</u> |

| | Balance 7/1/2010 | Additions | Reductions | Balance 6/30/2011 | Amount due within one year |
|------------------|---------------------|-------------------|--------------------|----------------------|----------------------------------|
| Accrued vacation | <u>\$ 114,931</u> | <u>\$ 107,336</u> | <u>\$ (93,865)</u> | <u>\$ 128,402</u> | <u>\$ 128,402</u> |

H. Operating Leases

The Water Board leased land to three companies under operating leases for communication sites with future minimum rent payment obligations. Lessees are also obligated to pay real property taxes assessed on the respective sites.

1. *High Level Reservoir Site A - Pacificorp*

The original date of this lease was December 18, 2001, and was last renewed on May 8, 2006. This lease is for five years ending December 20, 2011, requires an annual lease payment of \$3,925, and is adjusted annually for consumer price index variations. The lessee is also obligated to pay half of the real property taxes assessed (sharing costs with High Level Reservoir Site B, below). Annual payments on this lease are payable to the Water Board on December 21st.

2. *High Level Reservoir Site B – Charter Communications*

The original date of this lease was May 25, 2001, and was last renewed March 29, 2007. This lease is for five years ending February 28, 2012, requires an annual lease payment of \$10,194 and is adjusted annually for consumer price index variations. The lessee is also obligated to pay half of the real property taxes assessed (sharing costs with High Level Reservoir Site A, above). Annual payments on this lease are payable to the Water Board on March 1st.

3. *Charleston Site – Edge Wireless, LLC/AT&T*

The original date of this lease was September 1, 2002 and was last renewed August 23, 2007. This lease is for five years ending August 31, 2012, requires an annual lease payment of \$9,740, and is adjusted annually for consumer price index variations. The lessee is also obligated to pay the real property taxes assessed. Annual payments on this lease are payable to the Water Board on September 1st.

The following is a schedule as of June 30, 2011, of projected future rentals (based on a 2% Consumer Price Index increase) on non-cancelable operating leases, with remaining terms in excess of one year, by fiscal year.

| <u>June 30th</u> | |
|------------------|-----------------|
| 2012 | <u>\$ 9,871</u> |

I. **Timber Management Plan**

The Pony Creek watershed, consisting of about 2,855 land and reservoir acres, is divided between the City of Coos Bay, which individually controls approximately 37% of the area, and the Water Board, which manages the remaining 63%. By agreement between the City and the Water Board, the general management of the entire area is assigned to the Water Board.

The logging, clearing, and planting of the area is to be accomplished over a period of years by management units. Net revenues from log sales from certain management units are divided between the City of Coos Bay and the Water Board, based on a percentage of controlled land by each agency within the logged units. The Water Board's share of the net gain or loss is determined and reported on an annual basis.

J. **Pension Plan**

1. *Plan Description*

The Water Board manages a retirement income plan for its employees. The Plan's funds are held by Alliance Capital and AXA Equitable. This plan is a single employer retirement income defined benefit plan, covers all eligible employees and does not issue a stand-alone financial report. The Water Board determines which benefit provisions are established and may be amended. The covered payroll for employees in the plan for the years ended June 30, 2011 was \$1,632,819; the Water Board's total payroll was \$1,689,165.

Effective January 1, 2011 the plan was frozen to new entrants.

2. Actuarial Procedures and Assumptions

The Retirement Income Plan for employees of the Water Board's most recent Actuarial Valuation was prepared as of July 1, 2011 by Milliman USA, and the report may be obtained by contacting the Water Board. The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The valuation method used for the Water Board's plan is the Entry Age Normal Actuarial Cost Method. At the July 1, 2011 valuation date there were 36 plan members.

Actuarial Cost Method

Entry Age Normal Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Under this method the excess (deficit) of the Actuarial Accrued Liability over (under) the Actuarial Value of Assets is the Unfunded Actuarial Accrued Liability (Surplus). Also under this method the Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

This method produces a recommended contribution equal to the Normal Cost plus an amortization of the Unfunded Actuarial Accrued Liability expressed as a level dollar amount.

Valuation of Assets

For this valuation, assets were based on the market value of associated investment accounts with Alliance Capital and AXA Equitable.

Actuarial Assumptions

| | | |
|--|--|----------------------------|
| Investment Earnings: | 7% (net of expenses) | |
| Salary Increases: | 4.0% | |
| Post-retirement Cost-of-Living Increases: | 2.0% | |
| Termination from Employment: | <u>Years of Service</u> | <u>Rate of Termination</u> |
| | Less than 5 | 4.5% |
| | 5 - 9 | 3.0% |
| | 10 - 14 | 1.5% |
| | More than 15 | 0.0% |
| Retirement | 65% at Normal Retirement Age, and 35% at First age at which the Rule of 85 applies | |
| Unused Vacation Pay: | Each member was assumed to accrue unused vacation pay of 220 hours at retirement. | |
| Target Amortization Period: | 15 years | closed |

The significant above actuarial assumptions used to compute the actuarially determined annual contribution requirement are the same as those used to compute the pension benefit obligation.

The following schedule of funding progress presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|---------------------------------------|---|--|----------------------------|----------------|---|
| 07/01/07 | 3,902,800 | (4,618,300) | (715,500) | 84.5% | 1,392,500 | 51.4% |
| 07/01/09 | 3,290,800 | (5,184,700) | (1,893,900) | 63.5% | 1,412,800 | 134.1% |
| 07/01/11 | 4,687,400 | (6,314,400) | (1,627,000) | 74.2% | 1,709,000 | 95.2% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Plan Year Ending | Covered Payroll | Actual Employer Contributions | Actual Percentage Employer Contributions | Annual Required Contribution (ARC) % | Annual Pension Cost (APC) | Percentage of ARC Contributed | Net Pension Obligation |
|------------------------|--------------------|-------------------------------------|---|---|------------------------------------|-------------------------------------|------------------------------|
| 06/30/08 | \$1,426,200 | \$ 220,491 | 15.5% | 15.5% | 15.6% | 100% | (111,200) |
| 06/30/09 | \$1,540,000 | \$ 237,875 | 15.4% | 14.4% | 14.5% | 107% | (125,600) |
| 06/30/10 | \$1,506,200 | \$ 244,500 | 16.2% | 14.4% | 14.5% | 113% | (151,300) |
| 06/30/11 | \$1,632,819 | \$ 370,383 | 22.7% | 22.8% | 22.9% | 100% | (147,200) |

The rate of employer contribution is based upon the actuarial valuations. The required employer contribution rate for 2010-11 was 22.8% of annual covered payroll. The actual employer contribution rate for 2010-2011 averaged 22.7%. No employee contributions have been made since 1975. Total contributions were \$370,383 for 2010-2011. Under the entry age normal actuarial cost method all annual required contributions represent annual pension costs.

The above pension liability (asset) net obligation was determined in accordance with Government Accounting Standards Board (GASB) Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) at the date of transition was zero. GASB Statement No. 25 was followed in presenting the above funded status of the Water Board's Retirement Income Plan and in utilizing the Entry Age Normal Actuarial Cost Method to determine the Annual Required Contribution (ARC). GASB No. 50, which amends GASB No. 25 and No. 27, is effective for fiscal years beginning after June 15, 2007. The disclosures required under GASB No. 25 and No. 27 continue to be sufficient under GASB No. 50.

K. Risk Management

The Water Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Water Board purchases and carries commercial insurance subject to customary deductibles and total coverage limits recommended by the Water Board's insurance agent of record. Workers compensation insurance is purchased from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates. Loss prevention services are available from the carrier and the Water Board has no potential liability beyond the premiums paid.

Insurance coverage for the years ended June 30, 2011 was the same or greater than in prior years. No losses were incurred during the past three years which were greater than the Water Board's coverage.

L. Commitments

At June 30, 2011 the Coos Bay-North Bend Water Board is involved in various phases of improvement projects. The significant contracts and remaining amounts are shown below:

| Description | Original Contract Amount | Outstanding Contract Amount | Percentage of Completion |
|---------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| Charleston Boat Basin Drive | \$ 269,111 | \$ 200,212 | 74% |
| Water Treatment Plant Expansion | 12,299,401 | 2,406,984 | 20% |
| | <u>\$ 12,568,512</u> | <u>\$ 2,607,196</u> | |

M. Other

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* was effective for the Water Board in Fiscal year 2009-10. Management has determined that the Water Board has no liability under GASB 45.

SUPPLEMENTARY INFORMATION

COOS BAY-NORTH BEND WATER BOARD
SCHEDULE OF OPERATING REVENUES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|---------------------|---------------------|-------------------|
| Operating revenues: | | | |
| Water sales: | | | |
| Residential | \$ 3,665,800 | \$ 3,623,140 | \$ (42,660) |
| Commercial | 1,282,000 | 1,285,435 | 3,435 |
| Industrial | 391,500 | 586,571 | 195,071 |
| Private fire protection - commercial | 27,000 | 29,136 | 2,136 |
| Public authorities - metered | 396,300 | 373,987 | (22,313) |
| Public authorities - hydrants | 27,000 | 26,481 | (519) |
| Other water sales | 8,200 | 16,158 | 7,958 |
| Total water sales | <u>5,797,800</u> | <u>5,940,908</u> | <u>143,108</u> |
| Other operating revenues: | | | |
| Rent from water property | 24,200 | 23,859 | (341) |
| Servicing customer's installations | 9,000 | 3,924 | (5,076) |
| Miscellaneous water revenue | 125,000 | 109,094 | (15,906) |
| Total other operating revenue | <u>158,200</u> | <u>136,877</u> | <u>(21,323)</u> |
| Total operating revenues | <u>\$ 5,956,000</u> | <u>\$ 6,077,785</u> | <u>\$ 121,785</u> |

See auditor's report.

COOS BAY-NORTH BEND WATER BOARD
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------|-----------------|-----------------|-----------------|
| Operating Expenses: | | | |
| Source of supply: | | | |
| Operating: | | | |
| Labor | \$ 41,300 | \$ 37,872 | \$ 3,428 |
| Supplies and expenses | 109,900 | 65,055 | 44,845 |
| Maintenance: | | | |
| Labor | 41,200 | 42,954 | (1,754) |
| Supplies and expenses | 50,900 | 29,330 | 21,570 |
| Total source of supply | <u>243,300</u> | <u>175,211</u> | <u>68,089</u> |
| Power and pumping: | | | |
| Operating: | | | |
| Labor | 38,700 | 31,785 | 6,915 |
| Supplies and expenses | 13,500 | 15,658 | (2,158) |
| Power purchase | 262,700 | 255,686 | 7,014 |
| Maintenance: | | | |
| Labor | 29,200 | 24,057 | 5,143 |
| Supplies and expenses | 7,700 | 10,530 | (2,830) |
| Total power and pumping | <u>351,800</u> | <u>337,716</u> | <u>14,084</u> |
| Purification: | | | |
| Operating: | | | |
| Labor | 435,300 | 425,337 | 9,963 |
| Supplies and expenses | 407,300 | 299,657 | 107,643 |
| Maintenance: | | | |
| Labor | 24,400 | 20,097 | 4,303 |
| Supplies and expenses | 7,600 | 19,574 | (11,974) |
| Total purification | <u>874,600</u> | <u>764,665</u> | <u>109,935</u> |
| Transmission: | | | |
| Operating: | | | |
| Labor | 700 | 689 | 11 |
| Supplies and expenses | 200 | 77 | 123 |
| Maintenance: | | | |
| Labor | 1,600 | 334 | 1,266 |
| Supplies and expenses | 800 | 13 | 787 |
| Total transmission | <u>\$ 3,300</u> | <u>\$ 1,113</u> | <u>\$ 2,187</u> |

See auditor's report.

COOS BAY-NORTH BEND WATER BOARD
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL (continued)
For the Fiscal Year Ended June 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------|-------------------|-------------------|--------------------|
| Distribution: | | | |
| Operating: | | | |
| Storage: | | | |
| Labor | \$ 25,800 | \$ 40,085 | \$ (14,285) |
| Supplies and expenses | 10,300 | 12,086 | (1,786) |
| Mains: | | | |
| Labor | 190,200 | 133,002 | 57,198 |
| Supplies and expenses | 22,400 | 24,509 | (2,109) |
| Meters: | | | |
| Labor | 52,100 | 78,479 | (26,379) |
| Supplies and expenses | 7,400 | 10,595 | (3,195) |
| Services: | | | |
| Labor | 61,100 | 66,558 | (5,458) |
| Supplies and expenses | 12,500 | 12,050 | 450 |
| Maintenance: | | | |
| Storage: | | | |
| Labor | 59,700 | 48,337 | 11,363 |
| Supplies and expenses | 23,000 | 14,116 | 8,884 |
| Mains: | | | |
| Labor | 78,800 | 57,854 | 20,946 |
| Supplies and expenses | 49,000 | 31,974 | 17,026 |
| Meters: | | | |
| Labor | 21,500 | 46,034 | (24,534) |
| Supplies and expenses | 9,600 | 24,218 | (14,618) |
| Services: | | | |
| Labor | 37,700 | 59,269 | (21,569) |
| Supplies and expenses | 21,100 | 46,816 | (25,716) |
| Total distribution | <u>\$ 682,200</u> | <u>\$ 705,982</u> | <u>\$ (23,782)</u> |

See auditor's report.

COOS BAY-NORTH BEND WATER BOARD
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL (continued)
For the Fiscal Year Ended June 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------|---------------------|-------------------|
| Customers' accounting and collecting: | | | |
| Operating: | | | |
| Meter reading: | | | |
| Labor | \$ 193,000 | \$ 207,240 | \$ (14,240) |
| Supplies and expenses | 16,600 | 25,919 | (9,319) |
| Collecting: | | | |
| Labor | 308,600 | 332,166 | (23,566) |
| Supplies and expenses | 27,900 | 32,196 | (4,296) |
| Billing: | | | |
| Labor | 75,100 | 73,697 | 1,403 |
| Supplies and expenses | 51,300 | 50,491 | 809 |
| Uncollectible accounts | 11,000 | 42,708 | (31,708) |
| | <u>683,500</u> | <u>764,417</u> | <u>(80,917)</u> |
| Total customers' accounting and collecting | | | |
| Administrative and general: | | | |
| Operating: | | | |
| Salaries of administrative officers | 142,300 | 126,317 | 15,983 |
| Other general office salaries | 365,900 | 326,087 | 39,813 |
| General office supply and expense | 72,100 | 97,195 | (25,095) |
| Special services-audit | 17,100 | 17,100 | - |
| Legal services | 28,000 | 38,381 | (10,381) |
| Insurance - liability and property | 21,400 | 23,772 | (2,372) |
| Miscellaneous general expense | 10,300 | 6,195 | 4,105 |
| General property tax | - | 592 | (592) |
| Maintenance: | | | |
| Labor | 29,200 | 32,173 | (2,973) |
| Supplies and expenses | 30,700 | 34,021 | (3,321) |
| | <u>717,000</u> | <u>701,833</u> | <u>15,167</u> |
| Total administrative and general | | | |
| Depreciation | <u>1,205,600</u> | <u>1,143,010</u> | <u>62,590</u> |
| Total operating expenses | <u>\$ 4,761,300</u> | <u>\$ 4,593,947</u> | <u>\$ 167,353</u> |

See auditor's report.

COOS BAY-NORTH BEND WATER BOARD
SCHEDULE OF NON-OPERATING REVENUES (EXPENSES) - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|-------------------|---------------|-------------------|
| Non-operating revenues (expenses): | | | |
| Interest income | \$ 39,000 | \$ 23,011 | \$ (15,989) |
| Miscellaneous income | 15,000 | 385,974 | 370,974 |
| Sewer service billing income | 104,200 | 106,993 | 2,793 |
| Interest expense | (463,200) | (451,489) | 11,711 |
| Amortization of debt refunding deferral | (25,000) | (25,961) | (961) |
| | <u>(330,000)</u> | <u>38,528</u> | <u>368,528</u> |
| Total non-operating revenues (expenses) | | | |
| | <u>\$ 864,700</u> | 1,522,366 | <u>\$ 657,666</u> |

Adjustments to excess of revenues over expenses
to reconcile to changes in Net Assets on a GAAP basis:

| | |
|--------------------------------------|----------------------------|
| Capital contributions received: | |
| Tap charges | 35,238 |
| System development charges | 118,025 |
| Contributions in aid of construction | <u>53,449</u> |
| Change in Net Assets | <u><u>\$ 1,729,078</u></u> |

ACCOMPANYING INFORMATION

**COOS BAY-NORTH BEND WATER BOARD
COOS COUNTY, OREGON**

INDEPENDENT AUDITOR'S COMMENTS

JUNE 30, 2011

Audit Report Requirements

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

Accounting Systems and Internal Controls

The Coos Bay-North Bend Water Board's (Water Board) accounting systems are adequate and the accounting records are properly maintained. The internal controls for the Water Board are operating as designed and no material weaknesses or reportable conditions were noted.

Collateral

For the months tested, balances on deposit with financial institutions were secured in accordance with requirements of ORS 295.015.

Indebtedness

The Water Board is exempt from the requirements of ORS 287a.001 in regards to legal debt limitations. The bonds were issued on behalf of the cities of Coos Bay and North Bend, so the cities have the burden of compliance. Based on the results of our tests, payments appear to have been made timely.

Budget

The Water Board prepared and adopted a budget for fiscal year 2010-11, in a manner consistent with organizations subject to Oregon Budget Law under ORS 294.316. However, the Water Board is exempt from Oregon Budget Law under ORS 294.316.

Insurance and Fidelity Bonds

We examined insurance policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering Board-owned property in force at June 30, 2011, are adequate.

The Board has complied with provisions of ORS 198.220 regarding the bonding of Water Board personnel.

Investments

Based on our tests, the Board is in compliance with legal requirements pertaining to investment of public funds.

Public Contracts and Purchasing

Based on the results of our tests and our review of the minutes, the Water Board appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.

Programs Funded from Outside Sources

We selected and tested, to the extent deemed appropriate, transactions, records and reports relative to programs funded from outside sources.

The results of our tests indicate, for the items tested, the Water Board complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

Since the Water Board expended less than \$500,000 in Federal Financial Assistance, they were not subject to the requirements of OMB Circular A-133.

Statement of Accountability for Independently Elected Officials

This statement is not applicable to the Coos Bay-North Bend Water Board.



Hough, MacAdam & Wartnik, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 8, 2011

To the Board of Directors of Coos Bay-North Bend Water Board:

We have audited the accompanying financial statements of Coos Bay-North Bend Water Board as of and for the year ended June 30, 2011, which comprise the Water Board's basic financial statements and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coos Bay-North Bend Water Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water Board's internal control over financial reporting.

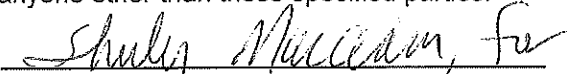
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Water Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coos Bay-North Bend Water Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management; the Board of Directors of the Coos Bay-North Bend Water Board, the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Hough, MacAdam & Wartnik, LLC
North Bend, Oregon