



Coos Bay - North Bend Water Board

COOS COUNTY, OREGON

Financial Statements and Supplementary

Information For the Year Ended June 30, 2021

Coos Bay - North Bend Water Board

COOS COUNTY, OREGON

Financial Statements and Supplementary Information

For the Year Ended June 30, 2021

Prepared by the Finance Department

Jeffrey Howes

Finance Director

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INTRODUCTORY SECTION

Coos Bay - North Bend Water Board

List of Principal Officials

July 1, 2020 - June 30, 2021

BOARD OF DIRECTORS

Chair	J. Gregory Solarz
Vice Chair	Charles J. Sharps, Ph.D.
Secretary	Melissa Cribbins
Member	Bob Dillard

ADMINISTRATIVE STAFF

General Manager	Ivan Thomas
Finance Director	Jeffrey Howes
Legal Counsel	James C. Coffey

ADDRESS

Coos Bay - North Bend Water Board
2305 Ocean Boulevard
P.O. Box 539
Coos Bay, OR 97420

FINANCIAL SECTION



1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coos Bay - North Bend Water Board
Coos Bay, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Coos Bay - North Bend Water Board ("Water Board"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Water Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Board as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in total pension liability, fiduciary net position and related ratios, schedule of employer contributions, notes to pension required supplementary information, and the schedule of changes in total OPEB liability and related ratios 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 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Board's basic financial statements. The schedule of operating revenues and expenditures - budget and actual and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating revenues and expenditures - budget and actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues and expenditures - budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated November 8, 2021 on our consideration of the Water Board's compliance with certain provisions of 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 our testing of compliance and the results of that testing and not to provide an opinion on compliance.



By Paul R. Nielson, member of the firm
Isler CPA
Eugene, Oregon

November 8, 2021

Management's Discussion and Analysis

The Coos Bay - North Bend Water Board (Water Board) management staff offers readers of the Water Board's financial statements this overview and analysis of the financial activities of the Coos Bay - North Bend Water Board for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the Water Board's Financial Statements and associated notes.

Financial Highlights

- The assets of the Water Board were \$71,560,906 and \$70,758,124 as of June 30, 2021 and June 30, 2020 respectively, with capital asset values at \$63,060,083 and \$63,595,539, net of accumulated depreciation. Current assets are \$8,500,823 and \$7,162,585 as of June 30, 2021 and June 30, 2020.
- The assets of the Water Board exceeded its liabilities at the close of the 2021 and 2020 fiscal years by \$57,459,231 and \$55,436,201, respectively. Of these amounts, \$4,717,006 and \$3,480,553 may be used to meet the Water Board's ongoing obligations.
- The Water Board's net position increased by \$2,023,030 in the year ended June 30, 2021, and \$1,377,925 during the previous 2020 fiscal year.
- Total liabilities were \$13,306,345 and \$15,237,025 as of June 30, 2021 and June 30, 2020, respectively, with long-term liabilities of \$10,054,233 and \$11,972,893, and other liabilities (comprised of current liabilities and those payable from restricted assets) of \$3,252,112 and \$3,264,132 for fiscal years 2021 and 2020, respectively.
- Total operating revenues for the fiscal year 2020-2021 were \$8,549,655, which is an increase of 4.67% over the fiscal year 2019-2020 amount of \$8,168,160.
- Total operating expenses for the fiscal years 2020-2021 and 2019-2020 were \$6,813,181 and \$6,708,980 respectively. This is an increase of 1.55% over the prior year.

Overview of the 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 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 Water Board is improving or deteriorating over time. The financial 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 Utility and assessing the liquidity and financial flexibility of the Water Board.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing profitability and credit worthiness as well as how the Water Board's net position 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 user fees and other charges.

The Statement of Cash Flows is prepared using the direct method (reporting revenue and expenditures as they happen) 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 Position. 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, which is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, net position may serve as a useful indicator of the Water Board's financial position. In the Water Board's case, assets exceeded liabilities by \$57.46 million at the close of the most recent fiscal year, an annual increase of \$2.02 million, or 3.65% .

By far the largest portion of the Water Board's net position 91.79% reflects its investment in the utility plant (e.g. land, buildings, equipment, reservoirs and pipelines), less related debt. 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 are 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.

Total assets, liabilities, deferred inflows/outflows of resources, and net position were as follows:

	June 30, 2021	June 30, 2020	Change	Percentage Change
Assets:				
Current assets	\$ 8,500,823	\$ 7,162,585	\$ 1,338,238	18.68 %
Capital assets (net)	63,060,083	63,595,539	(535,456)	(0.84)%
Total assets	<u>71,560,906</u>	<u>70,758,124</u>	<u>802,782</u>	1.13 %
Deferred outflows of resources	<u>775,386</u>	<u>427,866</u>	<u>347,520</u>	81.22 %
Liabilities:				
Current liabilities	3,252,112	3,264,132	(12,020)	(0.37)%
Long-term liabilities	<u>10,054,233</u>	<u>11,972,893</u>	<u>(1,918,660)</u>	(16.03)%
Total liabilities	<u>13,306,345</u>	<u>15,237,025</u>	<u>(1,930,680)</u>	(12.67)%
Deferred inflow of resources	<u>1,570,716</u>	<u>512,764</u>	<u>1,057,952</u>	
Net position:				
Net investment in capital assets	52,742,225	51,955,648	786,577	1.51 %
Unrestricted net position	<u>4,717,006</u>	<u>3,480,553</u>	<u>1,236,453</u>	35.52 %
Total net position	<u>\$ 57,459,231</u>	<u>\$ 55,436,201</u>	<u>\$ 2,023,030</u>	3.65 %

At June 30, 2021, capital assets net of debt totaled \$52.74 million, \$4.72 million of unrestricted net position may be used to meet the Water Board's ongoing obligations to ratepayers and creditors. None of the Water Board's net position 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 position by \$2,023,030 an increase of 3.65%, inclusive of prior period adjustment.

Total operating revenues were up 4.67%. The increase is the result of the rate adjustments and increase in customer sales.

The following schedule presents a summary of revenues, expenses and increase in net position for the Water Board and the amount and percentage change from 2020 to 2021.

	June 30, 2021	June 30, 2020	Change	Percentage Change
Operating revenues:				
Water sales	\$ 8,280,663	\$ 7,840,098	\$ 440,565	5.62 %
Other revenues	<u>268,992</u>	<u>328,062</u>	<u>(59,070)</u>	(18.01)%
Total operating revenues	8,549,655	8,168,160	381,495	4.67 %
Nonoperating revenues:				
Interest income	<u>36,617</u>	<u>87,804</u>	<u>(51,187)</u>	(58.30)%
Total revenues	8,586,272	8,255,964	330,308	4.00 %
Operating expenses				
Depreciation	1,818,875	1,808,407	10,468	0.58 %
Other operating expenses	<u>4,994,306</u>	<u>4,900,573</u>	<u>93,733</u>	1.91 %
Total operating expenses	<u>6,813,181</u>	<u>6,708,980</u>	<u>104,201</u>	1.55 %
Nonoperating expenses				
Interest expense	(336,533)	(380,134)	43,601	(11.47)%
Other nonoperating expenses	<u>(37,772)</u>	<u>(161,626)</u>	<u>123,854</u>	(76.63)%
Total nonoperating expenses	<u>(374,305)</u>	<u>(541,760)</u>	<u>167,455</u>	(30.91)%
Increase (decrease) in net position before contributions	1,398,786	1,005,224	393,562	39.15 %
Capital contributions	<u>624,244</u>	<u>372,701</u>	<u>251,543</u>	67.49 %
Change in net position	2,023,030	1,377,925	645,105	46.82 %
Beginning net position*	<u>55,436,201</u>	<u>54,058,276</u>	<u>1,377,925</u>	2.55 %
Ending net position	<u>\$ 57,459,231</u>	<u>\$ 55,436,201</u>	<u>\$ 2,023,030</u>	3.65 %

Total revenues increased in total by 4.00% or \$330,308 and operating expenses increased in total by 1.55% or \$104,201.

Capital Asset and Debt Administration

Capital Assets

The Water Board's investment in capital assets as of June 30, 2021 and 2020 is summarized below:

Amounts in thousands

	2021	2020
Land and right of way	\$ 1,423	\$ 1,423
Construction in progress	1,844	1,608
Equipment	13,927	13,905
Building and improvements	29,607	30,671
Infrastructure	<u>16,260</u>	<u>15,988</u>
Total	<u>\$ 63,061</u>	<u>\$ 63,595</u>

Long Term Debt

At the end of the 2021 fiscal year, the Water Board had total debt outstanding of \$10.32 million. All of the debt is held by the City of Coos Bay and the City of North Bend equally on behalf of the Water Board. A summary of long-term debt is listed below:

Amounts in thousands

	2021	2020
Pony Creek	\$ 6,532	\$ 6,991
Advance refunding	3,288	4,072
Revenue loans	123	133
Full faith and credit	418	498
Unamortized discount	(42)	(55)
Total	<u>\$ 10,319</u>	<u>\$ 11,639</u>

Amounts above show combined amounts for the two cities for each debt issuance.

Additional information on the Water Board's capital assets and long-term debt can be found in the footnotes to the financial statements.

Economic Factors and Next Year's Budget and Finances

The 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. The Water Board built in a 0.25% annual growth factor for the residential, multi-residential, and commercial customer classes. For the 2021 fiscal year, rates were increased by 3.38% to provide additional revenue to cover budgeted expenditures.

Requests for Information

The financial report is designed to provide a general overview of the Coos Bay - North Bend Water Board's finances. Questions concerning any of the information provided in the 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 Position June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,992,337
Utility billings receivable	340,158
Accounts receivable - other	82,736
City sewer receivable	361,865
Prepaid expenses	166,398
Inventory	<u>557,329</u>

Total current assets 8,500,823

Noncurrent assets:

Capital assets	<u>63,060,083</u>
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Total assets 71,560,906

DEFERRED OUTFLOWS OF RESOURCES

Deferred gain on debt refunding	47,687
Deferred amounts related to OPEB	36,239
Deferred amounts related to pensions	<u>691,460</u>

Total deferred outflows of resources 775,386

LIABILITIES

Current liabilities:

Trade accounts payable	162,969
Accrued payroll	206,723
City receivable payable	1,250,255
Accrued interest	139,507
Current portion of long-term debt	1,354,858
Accrued compensated absences	<u>137,800</u>

Total current liabilities 3,252,112

Long-term liabilities

Customer deposits	201,288
Bonds and notes payable	8,963,000
Pension liability	732,634
Net OPEB liability	<u>157,311</u>

Total long-term liabilities 10,054,233

Total liabilities 13,306,345

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to OPEB	39,759
Deferred amounts related to pensions	<u>1,530,957</u>

Total deferred inflows of resources 1,570,716

NET POSITION

Net invested in capital assets	52,742,225
Unrestricted	<u>4,717,006</u>
Total net position	<u>\$ 57,459,231</u>

See accompanying notes to financial statements.

Coos Bay - North Bend Water Board

Statement of Revenues, Expenses and Changes in Net Position Year ended June 30, 2021

Operating revenues:	
Water sales	\$ 8,280,663
Rent from water properties	110,697
Billing and collection revenues	<u>158,295</u>
Total operating revenues	<u>8,549,655</u>
Operating expenses:	
Source of supply	173,892
Power and pumping	412,599
Purification	1,073,418
Distribution	980,680
Customer accounting	1,257,634
Admin and general	1,096,083
Depreciation	<u>1,818,875</u>
Total operating expenses	<u>6,813,181</u>
Operating income (loss)	<u>1,736,474</u>
Non-operating revenues (expenses):	
Interest income	36,617
Miscellaneous non-operating expenses	(37,772)
Interest expense	<u>(336,533)</u>
Total non-operating revenues (expenses)	<u>(337,688)</u>
Income (loss) before capital contributions	<u>1,398,786</u>
Capital contributions:	
System development charges	<u>624,244</u>
Change in net position	2,023,030
Net position - beginning	<u>55,436,201</u>
Total net position - ending	<u>\$ 57,459,231</u>

See accompanying notes to financial statements.

Coos Bay - North Bend Water Board

Statement of Cash Flows Year ended June 30, 2021

Cash flows from operating activities:

Received from customers	\$ 8,638,746
Paid to suppliers for goods and services	(1,729,693)
Paid for employee wages, taxes and benefits	<u>(3,032,428)</u>
Net cash provided by operating activities	<u>3,876,625</u>

Cash flows provided by non-capital financing activities:

Miscellaneous non-operating expenses	<u>(37,772)</u>
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Cash flows from capital and related financing activities:

Interest paid	(347,238)
Principal payments on long-term debt	(1,308,076)
Cash paid to acquire and construct capital assets	(1,284,419)
System development fees received	<u>624,244</u>
Net cash used by capital and related financing activities	<u>(2,315,489)</u>

Cash flows from investing activities:

Interest received	<u>36,617</u>
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Net decrease in cash and cash equivalents 1,559,981

Cash and cash equivalents at beginning of year 5,431,356

Cash and cash equivalents at end of year \$ 6,991,337

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 1,736,474
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	1,818,875
Change in expenses related to pension	88,940
Change in expenses related to OPEB	(12,341)
Changes in:	
Accounts receivable	89,091
Inventory	11,234
Prepaid expenses	32,448
Accounts payable	22,169
Payroll and related accruals	38,659
Customer deposits	<u>51,076</u>
Net cash provided by operating activities	<u><u>\$ 3,876,625</u></u>

See accompanying notes to financial statements.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of significant accounting policies

a. *Reporting entity.*

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 Coos Bay and North Bend). 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 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.

b. *Basis of presentation and accounting.*

The Water Board's financial statements are maintained on a flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred.

c. *Operating and nonoperating revenues and expenses.*

The Water Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily the sale of water and water service charges. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Revenues and expenses related to financing and construction of systems development are reflected as nonoperating.

d. *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 the reported amounts of assets and liabilities, deferred outflows of resources, deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. *Cash and cash equivalents.*

The Water Board's cash and cash equivalents are considered to be cash on hand, demand deposits and all amounts in the State of Oregon Local Government Investment Pool (LGIP).

The Water Board is legally authorized to invest in the types of investments listed in Oregon Revised Statutes section 294.035. The Water Board's investments consist of certificates of deposit and balances in the LGIP, all of which are authorized by Oregon Revised Statutes and are considered cash equivalents by the Water Board.

f. *Receivables.*

Accounts receivables are for residential, commercial, and industrial sales. The credit practices of the Water Board require an evaluation of each new customer's credit worthiness on a case-by-case basis. Services may be terminated for customers more than 65 days delinquent who have not responded to reminder and shut off notices. The allowance for uncollectible accounts is based on an analysis of historical bad debt experience and current receivables aging.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of significant accounting policies (continued)

g. Inventory.

Inventory of materials and supplies is stated at average cost and is charged to operations as used.

h. Capital assets.

Capital assets are stated at cost. The cost of internally constructed capital assets includes material, labor, indirect costs, overhead, and contracted services. The Water Board capitalizes assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Maintenance, repairs, and routine replacements are expensed as incurred. Replacements which improve or extend the lives of the assets are capitalized. Upon the sale or disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in operations. Contributed capital assets, comprised primarily of contributions from developers and customers for additions to mains, hydrants, and services, are recorded at the actual cost incurred by the property owner.

Depreciation is computed on the capital assets placed in service using the straight-line method over their estimated useful lives 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

i. Compensated absences.

Earned but unpaid vacation and holiday pay is accrued and charged to operating expense. Earned but unpaid sick leave does not vest and is therefore not recorded in the accompanying financial statements.

j. Restricted resources.

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 needed.

Note 2 - Cash and investments

Cash and cash equivalents are comprised of the following at June 30:

Checking and sweep accounts	\$ 1,503,675
Deposit with LGIP	5,488,662
Total cash and cash equivalents	<u>\$ 6,992,337</u>

The LGIP is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore, the preservation of principal is not assured. The LGIP is not rated by a national rating service. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. Additional information about the OSTF can be obtained at www.ost.state.or.us and www.oregon.gov/treasury.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 2 - Cash and investments (continued)

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Water Board's deposits may not be returned to it. At June 30, 2021, the Water Board's deposits with various financial institutions had a bank balance of \$1,383,986. All deposits not covered by FDIC are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

Note 3 - City sewer collections

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 annualized monthly payments for fiscal year 2021 are:

	<u>City of Coos Bay</u>	<u>City of North Bend</u>
Sewer	\$ 6,688,640	\$ 1,827,874
Storm	-	303,263
Public Safety fee	-	871,393
Transportation fee	1,020,536	-
Total	<u>\$ 7,709,176</u>	<u>\$ 3,002,530</u>

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.

Note 4 - Capital assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>2020</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2021</u>
Capital assets, not being depreciated:				
Land and right of way	\$ 1,423,148	\$ -	\$ -	\$ 1,423,148
Construction in progress	<u>1,607,974</u>	<u>1,954,314</u>	<u>(1,718,485)</u>	<u>1,843,803</u>
Total capital assets, not being depreciated	<u>3,031,122</u>	<u>1,954,314</u>	<u>(1,718,485)</u>	<u>3,266,951</u>
Capital assets, being depreciated:				
Equipment	23,718,282	175,686	-	23,893,968
Building and improvements	37,074,767	145	-	37,074,912
Infrastructure	<u>35,208,512</u>	<u>945,072</u>	<u>(72,554)</u>	<u>36,081,030</u>
Total capital assets being depreciated	<u>96,001,561</u>	<u>1,120,903</u>	<u>(72,554)</u>	<u>97,049,910</u>
Less accumulated depreciation for:				
Equipment	(9,813,050)	(153,549)	-	(9,966,599)
Building and improvements	(6,403,355)	(1,103,530)	38,969	(7,467,916)
Infrastructure	<u>(19,220,687)</u>	<u>(600,492)</u>	<u>-</u>	<u>(19,821,179)</u>
Total accumulated depreciation	<u>(35,437,092)</u>	<u>(1,857,571)</u>	<u>38,969</u>	<u>(37,255,694)</u>
Total capital assets, being depreciated, net	<u>60,564,469</u>	<u>(736,668)</u>	<u>(33,585)</u>	<u>59,794,216</u>
Total capital assets, net	<u>\$ 63,595,591</u>	<u>\$ 1,217,646</u>	<u>\$ (1,752,070)</u>	<u>\$ 63,061,167</u>

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 5 - Long-term debt

Bonds and loans payable

Pony Creek Treatment Plant - In November 2013 the cities of Coos Bay and North Bend each borrowed \$5,000,000 on the Water Board's behalf to finance the Pony Creek water treatment plant expansion. Debt repayment began on December 1, 2013. Contract terms include interest at 3.4% over a 24-year time period. The table below shows the annual debt service requirements to maturity for both loans:

Year Ending June 30	Principal	Interest and Fees	Total
2022	237,593	111,036	348,629
2023	245,672	102,958	348,630
2024	254,025	94,605	348,630
2025	262,661	85,968	348,629
2026	271,592	77,038	348,630
2027 -2031	1,502,912	240,237	1,743,149
2032-2035	491,319	22,124	513,443
	<u>\$ 3,265,774</u>	<u>\$ 733,966</u>	<u>\$ 3,999,740</u>

This is a direct placement issuance. In the event of default the lender shall have the right to take any action pursuant to the agreement or any other action at law or in equity. The amounts then due and thereafter to become due may be collected.

Water Supply Expansion Project, Dam Remodel - In November 2016, the City of Coos Bay, on behalf of the Water Board, issued \$3,200,000 of limited tax full faith and credit refunding obligation bonds at 1.75% to provide resources that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on refinanced Revenue Bonds issued in 2006. At June 30, 2020, there was \$35,985 of unamortized bond discount remaining to be amortized. Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest and Fees	Total
2022	405,000	25,506	430,506
2023	410,000	18,375	428,375
2024	420,000	11,113	431,113
2025	425,000	3,719	428,719
	<u>\$ 1,660,000</u>	<u>\$ 58,713</u>	<u>\$ 1,718,713</u>

This is a direct placement issuance. In the event of default the lender may exercise any remedy allowed at law or in equity. However the amounts shall not be subject to acceleration. Upon the occurrence of default the outstanding balance shall bear interest at the default rate.

This refunding reduced the total debt service payments over the years by \$296,673. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$57,716. At June 30, 2021 there was \$24,650 of unamortized bond discount reported as a deferred outflow of resources.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 5 - Long-term debt (continued)

Water Supply Expansion Project, Dam Remodel - In November 2016, the City of North Bend, on behalf of the Water Board, issued \$3,189,220 of limited tax full faith and credit refunding obligation bonds at 1.68% to provide resources that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on refinanced Revenue Bonds issued in 2006. At June 30, 2021, there was \$19,710 of unamortized bond discount remaining to be amortized. Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2022	394,666	24,039	418,705
2023	405,111	17,321	422,432
2024	409,697	10,476	420,173
2025	418,730	-	418,730
	<u>\$ 1,628,204</u>	<u>\$ 51,836</u>	<u>\$ 1,680,040</u>

This is a direct placement issuance. In the event of default the lender may exercise any remedy allowed at law or in equity. However the amounts shall not be subject to acceleration. Upon the occurrence of default the outstanding balance shall bear interest at the default rate.

This refunding reduced the total debt service payments over the years by \$314,086. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$53,941. At June 30, 2021 there was \$23,037 of unamortized bond discount reported as a deferred outflow of resources.

Revenue loans Bay Crossing Project - 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 table below shows the annual debt service requirements to maturity for both loans:

Year Ending June 30	Principal	Interest and Fees	Total
2022	5,571	3,048	8,619
2023	5,848	2,771	8,619
2024	6,140	2,482	8,622
2025	6,443	2,177	8,620
2026	6,764	1,856	8,620
2027-2031	30,558	3,893	34,451
	<u>\$ 61,324</u>	<u>\$ 16,227</u>	<u>\$ 77,551</u>

This is a direct placement issuance. In the event of default the outstanding balance of the note, interest, and other charges shall be due and payable at the option of the lender.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 5 - Long-term debt (continued)

Full faith and credit ODOT Main loans - On March 31, 2016, the Water Board secured loans with the State of Oregon, Transportation Infrastructure Fund, in the amount of \$808,000, \$404,000 each city, to finance the South Empire Blvd. Project. This is a primary obligation of the Cities of Coos Bay and North Bend over 10 years at 1.34% annual interest. The table below shows the annual debt service requirements to maturity for both loans:

Year Ending June 30	Principal	Interest and Fees	Total
2022	40,638	2,664	43,302
2023	41,185	2,118	43,303
2024	41,739	1,564	43,303
2025	42,299	1,003	43,302
2026	43,073	434	43,507
	<u>\$ 208,934</u>	<u>\$ 7,783</u>	<u>\$ 216,717</u>

This is a direct placement issuance. In the event of default the outstanding balance of the note, interest, and other charges shall be due and payable at the option of the lender.

A summary of the changes in notes payable for the year ended June 30, 2021 follows:

	2020	Payments	2021	Due Within One Year
City of Coos Bay				
Pony Creek Treatment Plant	\$ 3,495,554	\$ (229,781)	\$ 3,265,773	\$ 237,593
Water Supply Expansion Project	2,055,000	(395,000)	1,660,000	405,000
Revenue loans Bay Crossing Project	66,658	(5,334)	61,324	5,571
Full faith and credit ODOT Main	249,033	(40,099)	208,934	40,638
City of North Bend				
Pony Creek Treatment Plant	3,495,554	(229,781)	3,265,773	237,593
Water Supply Expansion Project	2,017,271	(389,067)	1,628,204	394,666
Revenue loans Bay Crossing Project	66,658	(5,334)	61,324	5,571
Full faith and credit ODOT Main	249,033	(40,099)	208,934	40,638
Total	11,694,761	(1,334,495)	10,360,266	1,367,270
Less unamortized discount	<u>(54,820)</u>	<u>12,412</u>	<u>(42,408)</u>	<u>(12,412)</u>
Total long-term debt	<u>\$ 11,639,941</u>	<u>\$ (1,322,083)</u>	<u>\$ 10,317,858</u>	<u>\$ 1,354,858</u>

Note 6 - Accrued vacation

Accrued vacation balances was \$137,800 and \$114,001 for the years ended June 30, 2021 and 2020 respectively. The change in accrued vacation consists of decreases of \$133,989 and increases of \$157,788.

Note 7 - Risk management

The Water Board is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Water Board carries commercial insurance. The Water Board does not engage in risk financing activities where the risk is retained (self-insurance). There was no significant reduction in the Water Board's major categories of risk insurance coverage, and for the past three years, insurance coverage has been sufficient to cover any losses.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 8 - Pension plan - defined benefit

Plan Description

The Water Board manages a Retirement Income Plan (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. Effective January 1, 2011, the Plan was frozen to new entrants. Eligible employees are those hired before December 31, 2010, who had completed six months of continuous employment.

The Retirement Income Plan for employees of the Water Board's most recent Actuarial Valuation was prepared as of June 30, 2021 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.

Benefits Provided

Pension Benefits - Normal retirement amount is based on a formula upon attainment of age 65. Benefits are normally in the form of Modified Cash Refund Life Annuity payable from the Normal Retirement.

Early Retirement Benefits - Available based on a formula which may be less than full retirement, depending on age at retirement and the number of years of service.

Disability Benefit - Available upon completion of ten years of service and total and permanent disability.

Severance Benefit - Employees who have completed five years of service may elect a return of employee contributions with interest, or a monthly retirement based on the formula. Employees who have not completed five years of service, or attained the age of 55 as of termination of employment, will receive their employee contributions with interest in a lump sum payment.

Preretirement death benefit - If a person who is eligible for early retirement dies while employed, his spouse will receive monthly payments equal to 50% of the benefit which would have been payable had the participant retired on the date of death.

Cost of living adjustment - Member's benefits will be recalculated annually after retirement by use of a factor based on the annual increase or decrease in the Portland, Oregon Consumer Price Index, subject to a maximum annual increase of 2%. In no event will the monthly benefit be decreased below the benefit determined at retirement.

Contributions

The rate of employer contribution is based upon the actuarial valuations. The required employer contribution rate for the year ended June 30, 2021 was 30.08%. The actual employer contribution rate for the year ended June 30, 2021 was 33.14%. No employee contributions have been made since 1975. Total contributions were \$387,078 for the year ended June 30, 2021.

Net pension liability

The Coos Bay North Bend Water Board's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2020, using an actuarial valuation as of July 1, 2021. The total pension liability is determined using the entry age normal actuarial cost allocation method. GASB 67 and 68 require that the allocation of costs for accounting purposes be made as a level percentage of employees' projected pay, including future anticipated pay increases. The fiduciary net position as of June 30, 2020 is equal to the market value of assets at that date.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 8 - Pension plan - defined benefit (continued)

Actuarial Methods and Assumptions

Discount rate

The discount rate is a single rate that reflects the long-term expected rate of return on the market value of assets to the extent those assets plus future contributions in excess of the normal costs are sufficient to pay projected benefits, and a 20 year tax-exempt, high quality general obligation municipal bond yield or index rate to the extent that assets and future contributions are not sufficient. Because the Plan is projected to be solvent, the discount rate for purposes of calculating liabilities is equal to the expected long-term expected rate of return on plan assets at the measurement dates. At June 30, 2021, the discount rate was 5.5%, the same as the prior year. Contributions are assumed to be at the actuarially determined amounts.

Actuarial Assumptions

Economic assumptions were based on a review of plan experience, the forecasts of investment consultants, and professional judgment.

Demographic assumptions were based upon review of plan experience and published tables/data, and the actuary's professional judgment regarding future outlook. Certain assumptions (such as pre-retirement mortality) were deemed insignificant to the measurement and therefore not applied.

Changes in actuarial methods and assumptions - The mortality assumption was changed to determine life expectancy to the PERS 2015 tables. the retirement assumption was updated from 35% of active member will retire at 85 points or age 65 to 35% of active members will retire after attaining 85 points and each year thereafter.

Actuarial methods and assumptions used in developing total pension liability are as follows:

Investment earnings	5.5% (net of expenses)	
Salary Increases	3.25%	
Inflation	2.25%	
Termination from Employment:	Years of Service	Rate of Termination
	Less than 5	4.5%
	5-9	3%
	10-14	1.5%
	More than 15	0%
Retirement	65% at Normal Retirement Age, and 35% at First age at which the Rule of 85 applies and each year there after until the age of 65.	
Unused Vacation Pay:	Each member was assumed to accrue unused vacation pay of 220 hours at retirement	
Target Amortization Period	15 years closed	
Post-retirement Mortality	RP 2000 Combined Healthy Mortality Table Projected to 2030 by Projections Scale AA	

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>Target</u>
Short-Term Liquidity	1.0%
Strategic Bond	43.1%
Growth and Income	16.9%
Equitrak-Equity Index	11.1%
US Growth	16.7%
US MidCap Growth	11.2%
Total	<u>100.0%</u>

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 8 - Pension plan - defined benefit (continued)

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 is applied to produce a recommended contribution equal to the Normal Cost expressed as a level percentage of covered payroll, 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 investment accounts with Alliance Capital and AXA Equitable.

The following table presents the changes in Net Pension liability from June 30, 2020 to June 30, 2021:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2020	\$ 10,757,522	\$ 9,437,451	\$ 1,320,071
Changes for the year			
Service cost	179,687	-	179,687
Interest on total pension liability	613,789	-	613,789
Effect of assumption changes or inputs	787,698	-	787,698
Effect of economic/demographic (gains) or losses	304,282	-	304,282
Benefit payments	(525,232)	(525,232)	-
Net investment income	-	2,085,815	(2,085,815)
Employer contributions	-	387,078	(387,078)
Balances as of June 30, 2021	<u>\$ 12,117,746</u>	<u>\$ 11,385,112</u>	<u>\$ 732,634</u>

The following presents the net pension liability of the Plan, calculated using the discount rate of 5.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (4.5%) or one percent higher (6.5%) than the current rate:

	1% Decrease (4.5%)	Discount Rate (5.5%)	1% Increase (6.5%)
Total pension liability	\$ 13,667,778	\$ 12,117,746	\$ 10,825,331
Fiduciary net position	(11,385,112)	(11,385,112)	(11,385,112)
Net pension liability	<u>\$ 2,282,666</u>	<u>\$ 732,634</u>	<u>\$ (559,781)</u>

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 8 - Pension plan - defined benefit (continued)

For the year ended June 30, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 1,574	\$ (177,498)
Change in assumptions or inputs	-	(513,962)
Differences between expected and actual experience	1,529,383	-
Net difference between projected and actual earnings on investments	-	-
Total	<u>\$ 1,530,957</u>	<u>\$ (691,460)</u>

The net deferred inflow of resources of \$839,497 will be recognized in pension expense as follows:

Year end
June 30:

2022	\$ 56,765
2023	(227,794)
2024	(359,043)
2025	(309,425)
Total	<u>\$ (839,497)</u>

Note 9 - Defined contribution plan

For employees hired or rehired on or after January 2011, the Water Board has established a 401(a) defined contribution retirement plan in lieu of the existing retirement plan described above. The plan is administered by Nationwide Insurance Company. The Water Board has the authority to amend the plan and has negotiated the current contribution rate with the employee union. In conjunction with the 401(a) plan, the Water Board has established a 457(b) retirement plan. Employees may contribute any amount they choose to the 457(b) plan, not to exceed the annual limit under the Federal Law. The current contract requires the Water Board to contribute to the 401(a) plan at the same rate per annum as the employee contributes to the 457(b) plan for that year, but no less than 9% and no more than 13% of the employee's annual regular salary for payroll periods ending in that year. For this purpose, annual regular salary does not include lump sum payments for unused leave. Employees become eligible to enter the 401(a) plan on or after the employee's seventh month of employment with the Water Board. Employees are required to be employed for 48 continuous months after the date of the employee's hire or rehire before the employee is fully vested in the 401(a) plan. Employees who terminate before 48 months forfeit their 401(a) plan balance. For the fiscal year ended June 30, 2021 the Water Board contributed \$96,895 to the 401(a) plan, and the employees contributed \$58,275 to the 457(b) plan.

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 10 - Post employment benefits other than pensions

The Water Board provides an implicit rate subsidy for retiree health insurance premiums. The Water Board's single-employer defined benefit postemployment healthcare plan is administered by City County Insurance Services. Benefit provisions are established through negotiations between the Water Board and representatives of collective bargaining units or through resolutions passed by the Water Board. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement 75 paragraph 4.

Financial Statement Presentation

The amounts on the financial statements relate to the plans as follows:

Net OPEB assets	\$	-
Deferred outflow of resources		
Differences between expected and actual experience		17,101
Changes of assumptions or inputs		4,021
Contributions subsequent to the measurement date		<u>15,117</u>
Total deferred outflow of resources	\$	<u>36,239</u>
Net OPEB liability	\$	<u>157,311</u>
Deferred inflow of resources		
Differences between expected and actual experience	\$	10,833
Change in assumptions or inputs		<u>28,926</u>
Total deferred inflow of resources	\$	<u>39,759</u>

Deferred outflows of resources related to OPEB of \$15,117 resulting from the Water Board's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2021	\$	3,619
2021		3,619
2022		3,619
2023		3,495
2024		2,385
2025		<u>1,900</u>
Total	\$	<u>18,637</u>

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2020 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	2
Active employees	<u>37</u>
Total	<u>39</u>

Coos Bay - North Bend Water Board

Notes to Financial Statements

June 30, 2021

Note 10 - Post employment benefits other than pensions (continued)

Total OPEB Liability and OPEB Expense

The Water Board's total OPEB liability of \$157,311 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

For the fiscal year ended June 30, 2021, the Water Board recognized OPEB expense from this plan of \$15,117.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to the July 1, 2020 measurement date. :

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Annual pay increases	3.5 percent
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees
Discount rate	2.21 percent (change from 3.87 percent in previous measurement period)
Health Care Cost Trend	3.75 percent per year increasing to 4 percent

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of July 1, 2020	\$ 189,750
Changes for the year	
Service cost	-
Interest on total OPEB liability	6,395
Effect of economic/demographic gains or losses	(12,734)
Effect of assumptions changes or inputs	(11,917)
Benefit payments	(14,183)
Balance as of June 30, 2021	<u>\$ 157,311</u>

Coos Bay - North Bend Water Board
Notes to Financial Statements
June 30, 2021

Note 10 - Post employment benefits other than pensions (continued)

Sensitivity of the Total OPEB Liability

The following presents the Water Board's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rates:	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 169,404	\$ 157,311	\$ 145,849
Health Cost Trends:			
Total OPEB Liability	\$ 138,407	\$ 157,311	\$ 180,189

Note 11 - Contingencies

From time to time, the Water Board is subject to legal proceedings and claims which arise in the ordinary course of its operations. In the opinion of management, the total amount of liability, if any, which may arise from such legal proceedings or claims beyond which is recovered by insurance would not materially affect the Water Board's financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

Coos Bay - North Bend Water Board
Schedule of Changes in Total Pension Liability, Fiduciary Net Position and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	<u>\$ 12,117,746</u>	<u>\$ 10,757,522</u>	<u>\$ 10,474,292</u>	<u>\$ 9,337,359</u>	<u>\$ 9,068,840</u>
Fiduciary net position	<u>11,385,112</u>	<u>9,437,451</u>	<u>8,806,621</u>	<u>8,132,106</u>	<u>7,567,726</u>
Net pension liability	<u>\$ 732,634</u>	<u>\$ 1,320,071</u>	<u>\$ 1,667,671</u>	<u>\$ 1,205,253</u>	<u>\$ 1,501,114</u>
Fiduciary net position as a percentage of total pension liability	93.95 %	87.73 %	84.08 %	87.09 %	83.45 %
Covered payroll	\$ 1,168,146	\$ 1,209,864	\$ 1,194,975	\$ 1,207,390	\$ 1,089,245
Net pension liability as a percentage of covered payroll	62.72 %	109.11 %	139.56 %	99.82 %	137.81 %
	2016	2015	2014		
Total pension liability	<u>\$ 8,656,303</u>	<u>\$ 8,293,490</u>	<u>\$ 7,295,864</u>		
Fiduciary net position	<u>7,034,803</u>	<u>6,915,514</u>	<u>6,560,236</u>		
Net pension liability	<u>\$ 1,621,500</u>	<u>\$ 1,377,976</u>	<u>\$ 735,628</u>		
Fiduciary net position as a percentage of total pension liability	81.27 %	83.38 %	89.92 %		
Covered payroll	\$ 1,311,857	\$ 1,449,465	\$ 1,491,215		
Net pension liability as a percentage of covered payroll	123.60 %	95.07 %	49.33 %		
10-year trend information required by GASB Statement 68 will be presented prospectively					

Coos Bay - North Bend Water Board
Schedule of Employer Contributions
Year Ended June 30, 2021

	Actuarially determined contribution	Actual employer contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll	Valuation Date	Investment rate of return Assumption
June 30, 2021	\$ 387,457	\$ 387,078	\$ 379	\$ 1,168,146	33.14 %	7/1/2020	5.50%
June 30, 2020	360,149	363,985	(3,836)	1,209,864	30.08 %	7/1/2019	5.75%
June 30, 2019	358,203	361,429	(3,226)	1,194,975	30.25 %	7/1/2017	6.50%
June 30, 2018	331,946	334,214	(2,268)	1,207,390	27.68 %	7/1/2015	6.50%
June 30, 2017	316,185	318,392	(2,207)	1,089,245	29.23 %	7/1/2015	7.00%
June 30, 2016	299,141	328,857	(29,716)	1,311,857	25.07 %	7/1/2013	7.00%
June 30, 2015	315,282	339,371	(24,089)	1,449,465	23.41 %	7/1/2013	7.00%
June 30, 2014	344,489	343,999	490	1,491,215	23.07 %	7/1/2011	7.00%
June 30, 2013	351,329	351,206	123	1,550,750	22.65 %	7/1/2011	7.50%
June 30, 2012	357,389	357,233	156	1,567,498	22.79 %	7/1/2009	7.50%
June 30, 2011	372,104	370,383	1,721	1,632,034	22.69 %	7/1/2009	7.50%
June 30, 2010	216,900	244,513	(27,613)	1,506,248	16.23 %	7/1/2007	7.50%

Coos Bay - North Bend Water Board
Notes to Pension Required Supplementary Information
Year Ended June 30, 2021

Valuation date	Actuarially determined contribution calculated as of July 1 2021
Methods and assumptions used to determine contribution rates	
Actuarial Cost Method	Individual Entry Age Normal with Normal Cost Expressed as a Level Percentage of Payroll
Amortization Method	<p>Effective 7/1/2019: Closed 10-year amortization with “fresh start” for all prior bases. Future gains and losses amortized over a period of the minimum of 10 years or the remaining average expected future working lifetime of all active plan members as of each valuation date, but not less than 5 years.</p> <p>Effective 7/1/2011: Closed 15-year amortization, level dollar</p> <p>Effective 7/1/2011: Closed 15-year amortization, level dollar</p> <p>Effective 7/1/2005: Open 15-year amortization, level percentage of payroll</p>
Asset Valuation Method	Market value
Healthy Mortality	<p>Effective 7/1/2019: Pub2010 General Service Below Median Tables with Unisex Social Security Data Mortality Projection Scale.I</p> <p>Effective 7/1/2015: RP-2000 Combined Healthy Mortality projected to 2030 using Scale AA</p> <p>Effective 7/1/2011: RP-2000 Combined Healthy Mortality projected to 2020 using Scale AA</p> <p>Prior to 7/1/2011: UP-1994 projected to 2012 using Scale AA</p>
Inflation	<p>Effective 7/1/2019: 2.25%</p> <p>Effective 7/1/2015: 2.75%</p> <p>Effective 7/1/2005: 3.00%</p>
Future Salary Increases	<p>Effective 7/1/2019: 3.25%</p> <p>Effective 7/1/2005: 4.00%</p>

Coos Bay - North Bend Water Board
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Balance at beginning of year	\$ 189,750	\$ 186,970	\$ 187,615	\$ 199,792
Services cost	-	10,107	11,230	11,938
Interest on total OPEB liability	6,395	7,245	6,700	5,750
Effect of economic/demographic gains or losses	(12,734)	-	27,364	-
Effect of assumptions changes or inputs	(11,917)	5,361	(22,336)	(9,780)
Benefit payments	(14,183)	(19,933)	(23,603)	(20,085)
Balance at end of year	<u>\$ 157,311</u>	<u>\$ 189,750</u>	<u>\$ 186,970</u>	<u>\$ 187,615</u>
Covered payroll	\$ 1,168,146	\$ 1,209,864	\$ 1,194,975	\$ 1,207,390
Total OPEB liability as a percentage of covered payroll	13.47 %	15.68 %	15.65 %	15.54 %

10-year trend information required by GASB Statement 75 will be presented prospectively

SUPPLEMENTAL INFORMATION

Coos Bay - North Bend Water Board
Schedule of Operating Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2021

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:			
Water sales	\$ 7,825,500	\$ 8,280,663	\$ 455,163
Billing and collection revenues	155,600	158,295	2,695
Rent from water properties	33,000	110,697	77,697
Total operating revenues	<u>8,014,100</u>	<u>8,549,655</u>	<u>535,555</u>
Operating expenses:			
Source of supply	301,600	173,034	128,566
Power and pumping	608,300	410,745	197,555
Purification	1,082,000	1,057,211	24,789
Transmission	11,500	-	11,500
Distribution	1,205,200	963,376	241,824
Customer and accounting	1,210,900	1,233,479	(22,579)
Administrative and general	1,071,100	1,079,862	(8,762)
Depreciation	1,904,500	1,818,875	85,625
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>7,395,100</u>	<u>6,736,582</u>	<u>658,518</u>
Operating income	<u>619,000</u>	<u>1,813,073</u>	<u>1,194,073</u>
Non-operating revenues (expenses):			
Interest income	89,100	36,617	(52,483)
Misc non-operating expenditures	-	(37,772)	(37,772)
Interest expense	<u>(370,900)</u>	<u>(336,533)</u>	<u>34,367</u>
Total non-operating revenues (expenses)	<u>(281,800)</u>	<u>(337,688)</u>	<u>(55,888)</u>
Net income	<u>\$ 337,200</u>	1,475,385	<u>\$ 1,138,185</u>

Reconciliation to change in net position, items not budgeted for :

System development and similar charges	624,244
Change in expenses due to GASB 68	(88,940)
Change in expenses due to GASB 75	<u>12,341</u>

Change in net position, June 30, 2021 \$ 2,023,030

COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE STATUTE



1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Coos Bay-North Bend Water Board
Coos Bay, Oregon

We have audited the basic financial statements of the Coos Bay-North Bend Water Board (Water Board), as of and for the year ended June 30, 2021, and have issued our report thereon dated November 8, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Water Board's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we 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)
- 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)

In connection with our testing nothing came to our attention that caused us to believe the Water Board 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 a 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.

This report is intended for the information of management and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a long, sweeping underline.

By Paul R. Nielson, member of the firm
Isler CPA
Eugene, Oregon

November 8, 2021