

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024



**12700 SW 72nd Ave.
Tigard, OR 97223**

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

AGENCY BOARD MEMBERS AS OF JUNE 30, 2024

<u>NAME</u>	<u>TERM EXPIRES</u>
J. Gregory Solarz	April, 2025
Bill Richardson, Vice-Chair	April, 2027
Rob Kilmer, Secretary	December, 2026
Carmen Matthews, Chair	December, 2024

Board Members receive mail at the address listed below.

ADMINISTRATION
Ivan Thomas, General Manager

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

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

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October 14, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coos Bay – North Bend Water Board
Coos County, Oregon

Report on the Audit of the Financial Statements

Opinion

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, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Water Board, as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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

Management is responsible for the other information included in the annual report. The other information comprises the listing of board members containing their term expiration dates, located before the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 14, 2024 on our consideration of 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.



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

COOS BAY NORTH BEND WATER BOARD
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, 2024. 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 \$74,731,036 and \$73,177,867 as of June 30, 2024 and June 30, 2023 respectively, with noncurrent values of \$65,378,059 and \$63,773,907, net of accumulated depreciation. Current assets are \$9,352,977 and \$9,403,960 as of June 30, 2024 and June 30, 2023.
- The assets of the Water Board exceeded its liabilities at the close of June 30, 2024 and June 30, 2023 fiscal years by \$63,734,346 and \$61,390,601, respectively. Of these amounts, \$4,271,222 and \$5,269,130 may be used to meet the Water Board's ongoing obligations.
- The Water Board's net position increased by \$2,343,745 in the year ended June 30, 2024, and \$2,362,282 during year ended June 30, 2023.
- Total liabilities were \$10,535,512 and \$12,068,768 as of June 30, 2024 and June 30, 2023, respectively, with long-term liabilities of \$6,662,264 and \$8,862,955, and other liabilities (comprised of current liabilities and those payable from restricted assets) of \$3,873,248 and \$3,205,813 for fiscal years 2024 and 2023, respectively.
- Total operating revenues for the fiscal year 2023-2024 were \$9,936,141, which is an increase of 6.43% over the fiscal year 2022-2023 amount of \$9,335,821.
- Total operating expenses for the fiscal years 2023-2024 and 2022-2023 were \$7,942,339 and \$7,656,018 respectively. This is an increase of 3.74% 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 \$63.73 million at the close of the most recent fiscal year, an annual increase of \$2.34 million, or 3.82% .

By far the largest portion of the Water Board's net position 92.79% 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, 2024	June 30, 2023	Change	Percentage Change
Assets:				
Current assets	\$ 9,352,977	\$ 9,403,960	\$ (50,983)	(0.54)%
Noncurrent assets	65,378,059	63,773,907	1,604,152	2.52 %
Total assets	<u>74,731,036</u>	<u>73,177,867</u>	<u>1,553,169</u>	2.12 %
Deferred outflows of resources	<u>20,009</u>	<u>351,037</u>	<u>(331,028)</u>	(94.30)%
Liabilities:				
Current liabilities	3,873,248	3,205,813	667,435	20.82 %
Long-term liabilities	<u>6,662,264</u>	<u>8,862,955</u>	<u>(2,200,691)</u>	(24.83)%
Total liabilities	<u>10,535,512</u>	<u>12,068,768</u>	<u>(1,533,256)</u>	(12.70)%
Deferred inflow of resources	<u>481,187</u>	<u>69,535</u>	<u>411,652</u>	
Net position:				
Net investment in capital assets	59,140,178	56,121,471	3,018,707	5.38 %
Restricted net position	322,946	-	322,946	100.00 %
Unrestricted net position	<u>4,271,222</u>	<u>5,269,130</u>	<u>(997,908)</u>	(18.94)%
Total net position	<u>\$ 63,734,346</u>	<u>\$ 61,390,601</u>	<u>\$ 2,343,745</u>	3.82%

At June 30, 2024, capital assets net of debt totaled \$59.14 million, \$4.27 million of unrestricted net position may be used to meet the Water Board's ongoing obligations to ratepayers and creditors.

Operating and non-operating activities increased the Water Board's net position by \$2,343,745 an increase of 3.82%.

Total operating revenues were up 6.43%. 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 for the years ended June 30, 2024 and 2023.

	2024	2023	Change	Percentage Change
Operating revenues:				
Water sales	\$ 9,494,512	\$ 8,972,923	\$ 521,589	5.81 %
Other revenues	<u>441,629</u>	<u>362,898</u>	<u>78,731</u>	21.70 %
Total operating revenues	9,936,141	9,335,821	600,320	6.43 %
Nonoperating revenues:				
Interest income	<u>268,160</u>	<u>175,685</u>	<u>92,475</u>	52.64 %
Total revenues	10,204,301	9,511,506	692,795	7.28 %
Operating expenses:				
Depreciation	1,877,690	1,877,577	113	0.01 %
Other operating expenses	<u>6,064,649</u>	<u>5,778,441</u>	<u>286,208</u>	4.95 %
Total operating expenses	<u>7,942,339</u>	<u>7,656,018</u>	<u>286,321</u>	3.74 %
Nonoperating expenses:				
Interest expense	(281,954)	(294,128)	12,174	(4.14)%
Other nonoperating expenses	<u>(75,309)</u>	<u>446,208</u>	<u>(521,517)</u>	(116.88)%
Total nonoperating expenses	<u>(357,263)</u>	<u>152,080</u>	<u>(509,343)</u>	(334.92)%
Increase (decrease) in net position before contributions	1,904,699	2,007,568	(105,869)	(5.12)%
Capital contributions	<u>439,046</u>	<u>354,714</u>	<u>84,332</u>	23.77 %
Change in net position	2,343,745	2,362,282	(18,537)	(0.78)%
Beginning net position	<u>61,390,601</u>	<u>59,028,319</u>	<u>2,362,282</u>	4.00 %
Ending net position	<u>\$ 63,734,346</u>	<u>\$ 61,390,601</u>	<u>\$ 2,343,745</u>	3.82 %

Total revenues increased in total by 7.28% or \$692,795 and operating expenses increased in total by 3.74% or \$286,321.

Capital Asset and Debt Administration

Capital Assets

The Water Board's investment in capital assets as of June 30, 2024 and 2023 is summarized below:

Amounts in thousands

	2024	2023
Land and right of way	\$ 1,423	\$ 1,423
Construction in progress	3,466	2,709
Equipment	9,014	9,468
Building and improvements	26,574	26,906
Infrastructure	<u>24,811</u>	<u>23,190</u>
Total	<u>\$ 65,288</u>	<u>\$ 63,696</u>

Long Term Debt

At the end of the 2024 fiscal year, the Water Board had total debt outstanding of \$6.15 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

	2024	2023
Pony Creek	\$ 5,057	\$ 5,565
Advance refunding	844	1,674
Revenue loans	87	100
Full faith and credit	171	254
Unamortized discount	(5)	(18)
Total	<u>\$ 6,154</u>	<u>\$ 7,575</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 footnotes 4 and 5.

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 2024 fiscal year, rates were increased by 5.90% 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.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

COOS BAY - NORTH BEND WATER BOARD
COOS COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2024

ASSETS:

Current Assets	
Cash and Cash Equivalents	\$ 6,780,969
Utility Billing Receivable	797,453
Accounts Receivable - Other	105,584
City Sewer Receivable	959,595
Prepaid Expenses	22,633
Inventory	686,743
Total Current Assets	<u>9,352,977</u>
Noncurrent Assets	
Lease Receivable	89,899
Capital Assets Not Being Depreciated	4,889,240
Capital Assets, Net of Accumulated Depreciation	60,398,920
Total Noncurrent Assets	<u>65,378,059</u>
Total Assets	<u>74,731,036</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred gain on refunding	5,816
Deferred amounts related to OPEB	14,193
Total Deferred Outflows	<u>20,009</u>

LIABILITIES:

Current Liabilities	
Trade Accounts Payable	132,207
Accrued Payroll	126,745
City Receivable Payable	1,871,334
Accrued Interest	105,054
Current Portion of Long Term Debt	1,466,540
Accrued Compensated Absences	171,368
Total Current Liabilities	<u>3,873,248</u>
Noncurrent Liabilities	
Customer Deposits	322,946
Long Term Debt, Due in More Than One Year	4,687,258
Pension Liability	1,516,570
OPEB Liability	135,490
Total Noncurrent Liabilities	<u>6,662,264</u>
Total Liabilities	<u>10,535,512</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred amounts related to OPEB	56,574
Deferred amounts related to Pension	424,613
Total Deferred Outflows of Resources	<u>481,187</u>

NET POSITION:

Net Investment in Capital Assets	59,140,178
Restricted	322,946
Unrestricted	<u>4,271,222</u>
Total Net Position	<u>\$ 63,734,346</u>

See accompanying notes to basic financial statements.

COOS BAY - NORTH BEND WATER BOARD
COOS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2024

OPERATING REVENUES:

Water Sales	\$ 9,494,512
Rent From Water Properties	251,158
Billing and Collection Revenues	190,471
Total Operating Revenues	<u>9,936,141</u>

OPERATING EXPENSES:

Source of Supply	162,020
Power and Pumping	442,557
Purification	1,381,664
Distribution	1,370,807
Customer Accounting	1,522,017
Admin and General	1,185,584
Depreciation	1,877,690
Total Operating Expenses	<u>7,942,339</u>

OPERATING INCOME (LOSS):	<u>1,993,802</u>
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NON-OPERATING REVENUES (EXPENSES):

Interest Income	268,160
Miscellaneous	(75,309)
Interest Expense	(281,954)
Total Nonoperating Revenues (Expenses)	<u>(89,103)</u>

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>1,904,699</u>
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CAPITAL CONTRIBUTIONS:

System Development Charges	<u>439,046</u>
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Change in Net Position	2,343,745
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Net Position - Beginning	<u>61,390,601</u>
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Net Position - Ending	<u><u>\$ 63,734,346</u></u>
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See accompanying notes to basic financial statements.

COOS BAY - NORTH BEND WATER BOARD
COOS COUNTY, OREGON

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Received From Customers	\$ 9,178,295
Paid to suppliers for Goods and Services	(1,624,570)
Paid for Employee Wages, Taxes and Benefits	(3,712,171)
Cash inflows for amounts collected for other governments	11,907,781
Cash outflows for amounts collected for other governments	(11,838,885)
Net Cash Provided by Operating Activities	<u>3,910,450</u>

CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:

Miscellaneous Non-Operating Expenses	<u>(75,309)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest Paid	(293,756)
Principal Payments on Long-Term Debt	(1,407,132)
Cash Paid to Acquire and Construct Capital Assets	(3,542,831)
System Development Fees Received	439,046
Net Cash Provided by Capital and Related Financing Activities	<u>(4,804,673)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Received	<u>268,160</u>
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Net Increase (Decrease) in Cash and Cash Equivalents (701,372)

Cash and Cash Equivalents at the Beginning of the Year 7,482,341

Cash and Cash Equivalents at the End of the Year \$ 6,780,969

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ 1,993,802
Adjustments to Reconcile to Net Cash Provided by Operating Activities:	
Depreciation	1,951,029
Change in Expenses Related to Pension	(803,833)
Change in Expenses Related to OPEB	670,973
Changes in:	
Accounts Receivable	(816,384)
Inventory	(9,703)
Prepaid Expenses	163,348
Accounts Payable	631,423
Payroll and Related Accounts	2,361
Customer Deposits	127,434
Net Cash Provided by Operating Activities	<u><u>\$ 3,910,450</u></u>

See accompanying notes to basic financial statements.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

A. THE FINANCIAL 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 utility provider with a four-member board of directors, two from each city as appointed by the Mayor, with 4-year terms each.

B. BASIS OF PRESENTATION

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.

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. Revenue and expenses related to financing and construction of systems development are reflected as nonoperating.

C. BUDGET

Generally, Oregon Local Budget Law requires an annual budget be adopted for the fund of the Water Board, however the Water Board is organized and operated as a municipal public utility authorized under ORS Chapter 225 and therefore, is not subject to Local Budget Law, (ORS 294.305 to 294.565). The Water Board does prepare a budget for control purposes.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. CASH AND INVESTMENTS

Cash and cash equivalents

The cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition and amounts in the State of Oregon Local Government Investment Pool (LGIP).

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

E. 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 certain reported amounts and disclosures. These can include the amounts of assets, liabilities, deferred outflows of resources, deferred inflow of resources, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expense/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

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

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

notices. The allowance for uncollectible accounts is based on an analysis of historical bad debt experience and current receivables aging.

Lease Receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the Water Board, reduced by principal payments received.

G. CAPITAL ASSETS

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. 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 \$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:

Building and Improvements	5 – 50 years
Land Improvements	10 – 100 years
Furniture and Fixtures	3 – 15 years
Machinery and Equipment	3 – 15 years
Vehicles	6 – 20 years
Water Utility Systems	10 – 75 years

H. 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.

I. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The deferred outflows are clearly presented on the Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The deferred inflows are clearly presented on the Statement of Net Position.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. LONG-TERM OBLIGATIONS

Long-term obligations are reported in the financial statements as liabilities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed in the current period.

K. NET POSITION

Net position comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position are classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of remaining that are not included in the other categories previously mentioned.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

L. SUPPLY INVENTORY

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

M. RETIREMENT PLAN

The Water Board manages a retirement income plan for its employees. The plan's fund 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.

For employees hired on or after January 2011, the Water Board has established a 401(a) defined contribution retirement plan in lieu of the plan above.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash at June 30, 2024 consisted of:

Petty Cash	\$ 2,403
Checking and Money Market	1,111,805
Deposit with LGIP	<u>5,666,761</u>
Total	<u>\$ 6,780,969</u>

DEPOSITS

Deposits with financial institutions consist of bank demand deposits. The total bank balance per the bank statements for all cash is \$1,143,493. Of these deposits \$500,000 was covered by Federal Depository Insurance, and the remaining was deposited at an approved depository as prescribed by the Oregon State Treasurer.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may now be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2024, none of the bank balances were exposed to custodial credit risk because it was unsecured or collateralized.

INVESTMENTS

As of June 30, 2024, the Water Board had the following investment and maturities

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-19
State Treasurer's Investment Pool	<u>\$ 5,666,761</u>	<u>\$ 5,666,761</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 5,666,761</u>	<u>\$ 5,666,761</u>	<u>\$ -</u>	<u>\$ -</u>

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. At year end the pool's value was 100.39% per share. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond 18 months.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2024, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. CITY SEWER COLLECTIONS

All sewer service charges and other City fees 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 2024 are:

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGONNOTES TO BASIC FINANCIAL STATEMENTS3. CITY SEWER COLLECTIONS (CONTINUED)

	<u>City of Coos Bay</u>	<u>City of North Bend</u>
Sewer	\$ 7,588,214	\$ 2,083,732
Storm	-	351,672
Public Safety fee	-	797,292
Transportation fee	<u>1,017,976</u>	<u>-</u>
Total	<u>\$ 8,606,190</u>	<u>\$ 3,232,696</u>

4. LEASES RECEIVABLES

The Water Board leases land to various companies for communication equipment. During the year ended June 30, 2024 the Water Board lease payments during the year were \$29,851 and \$1,576 in principal and interest respectively. These leases have 5 year extension options; the earliest expires in 2032 and the latest expires in 2046.

	Balance as of July 1, 2023	Adjustments	Additions	Reductions	Balance as of June 30, 2024
Lease Receivable					
Land	<u>\$ 77,549</u>	<u>\$ 42,201</u>	<u>\$ -</u>	<u>\$ 29,851</u>	<u>\$ 89,899</u>
Total Lease Receivable	<u>\$ 77,549</u>	<u>\$ 42,201</u>	<u>\$ -</u>	<u>\$ 29,851</u>	<u>\$ 89,899</u>

Future maturities for the receivable are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2025	\$ 31,071	\$ 1,642	\$ 32,713
2026	32,332	1,711	34,043
2027	<u>26,496</u>	<u>1,542</u>	<u>28,038</u>
Total	<u>\$ 89,899</u>	<u>\$ 4,895</u>	<u>\$ 94,794</u>

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Description	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and right of way	\$ 1,423,148	\$ -	\$ -	\$ 1,423,149
Construction in progress	2,709,410	3,692,637	(2,935,955)	3,466,091
Total Capital assets not depreciated	4,132,558	3,692,637	(2,935,955)	4,889,240
Other capital assets at historical cost				
Equipment	20,174,745	138,872	(132,206)	20,181,411
Buildings and improvements	41,752,961	346,536	-	42,099,497
Infrastructure	38,487,672	2,373,041	(266,277)	40,594,436
Total other capital assets at historical cost	100,415,378	2,858,449	(398,483)	102,875,344
Less Accumulated Depreciation				
Equipment	(10,706,391)	(593,723)	132,206	(11,167,908)
Buildings and improvements	(14,847,751)	(677,811)	-	(15,525,562)
Infrastructure	(15,297,436)	(679,495)	193,977	(15,782,954)
Total accumulated depreciation	(40,851,578)	(1,951,029)	326,183	(42,476,424)
Other capital assets, net	59,563,800	907,420	(72,300)	60,398,920
Capital assets, net	<u>\$ 63,696,358</u>	<u>\$ 4,600,057</u>	<u>\$ (3,008,255)</u>	<u>\$ 65,288,160</u>

Depreciation expense of \$73,337 has been charged to other operating costs. The remainder of \$1,877,690 is reported as depreciation in the statement of revenues, expenses and changes in net position.

5. DEBT

All of the long term obligations are considered direct placements. All debt is owned jointly by the City of Coos Bay and the City of North Bend. The Water Board makes payments to the Cities for the debt service.

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.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEBT (CONTINUED)

The future requirements for amortization of the debt service payments are as follows:

Fiscal Year	City of Coos Bay			City of North Bend		
	Issue of November 2013			Issue of November 2013		
	Principal	Interest	Total	Principal	Interest	Total
2024-2025	\$ 262,661	\$ 85,968	\$ 348,629	\$ 262,661	\$ 85,968	\$ 348,629
2025-2026	271,592	77,038	348,630	271,592	77,038	348,630
2026-2027	280,826	67,804	348,630	280,826	67,804	348,630
2027-2028	290,374	58,256	348,630	290,374	58,256	348,630
2028-2029	300,247	48,383	348,630	300,247	48,383	348,630
2030-2033	1,122,784	87,918	1,210,702	1,122,784	87,918	1,210,702
Total	<u>\$ 2,528,484</u>	<u>\$ 425,367</u>	<u>\$ 2,953,851</u>	<u>\$ 2,528,484</u>	<u>\$ 425,367</u>	<u>\$ 2,953,851</u>

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.

The future requirements for amortization of the debt service payments are as follows:

Fiscal Year	City of Coos Bay			City of North Bend		
	Issue of November 2016			Issue of November 2016		
	Principal	Interest	Total	Principal	Interest	Total
2024-2025	\$425,000	\$3,719	\$428,719	\$418,730	\$ 3,517	\$422,247
Total	<u>\$425,000</u>	<u>\$3,719</u>	<u>\$428,719</u>	<u>\$418,730</u>	<u>\$ 3,517</u>	<u>\$422,247</u>

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.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEBT (CONTINUED)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 future requirements for amortization of the debt service payments are as follows:

Fiscal Year	City of Coos Bay			City of North Bend		
	Issue of June 2005			Issue of June 2005		
	Principal	Interest	Total	Principal	Interest	Total
2024-2025	\$ 6,445	\$ 2,175	\$ 8,620	\$ 6,445	\$ 2,175	\$ 8,620
2025-2026	6,765	1,855	8,620	6,765	1,855	8,620
2026-2027	7,102	1,518	8,620	7,102	1,518	8,620
2027-2028	7,454	1,166	8,620	7,454	1,166	8,620
2028-2029	7,825	795	8,620	7,825	795	8,620
2029-2030	8,172	406	8,578	8,172	406	8,578
Total	<u>\$43,763</u>	<u>\$7,915</u>	<u>\$51,678</u>	<u>\$43,763</u>	<u>\$7,915</u>	<u>\$51,678</u>

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.

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 to 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 future requirements for amortization of the debt service payments are as follows:

Fiscal Year	City of Coos Bay			City of North Bend		
	March 31, 2016			March 31, 2016		
	Principal	Interest	Total	Principal	Interest	Total
2024-2025	\$42,299	\$ 1,003	\$43,302	\$42,299	\$ 1,003	\$43,302
2025-2026	43,074	434	43,508	43,074	434	43,508
Total	<u>\$85,373</u>	<u>\$1,437</u>	<u>\$86,810</u>	<u>\$85,373</u>	<u>\$1,437</u>	<u>\$86,810</u>

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

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEBT (CONTINUED)

Changes in long-term obligations during the year are as follows:

Direct Placements	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024	Due within one year
<u>City of Coos Bay</u>					
Pony Creek Treatment Plant	\$ 2,782,507	\$ -	\$ (254,023)	\$ 2,528,484	\$ 262,661
Water Supply Expansion Project	845,000	-	(420,000)	425,000	425,000
Revenue loans Bay Crossing Project	49,904	-	(6,141)	43,763	6,445
Full faith and credit	127,111	-	(41,738)	85,373	42,299
Total	<u>\$ 3,804,522</u>	<u>\$ -</u>	<u>\$ (721,902)</u>	<u>\$ 3,082,620</u>	<u>\$ 736,405</u>
<u>City of North Bend</u>					
Pony Creek Treatment Plant	\$ 2,782,507	\$ -	\$ (254,023)	\$ 2,528,484	\$ 262,661
Water Supply Expansion Project	828,427	-	(409,697)	418,730	418,730
Revenue loans Bay Crossing Project	49,904	-	(6,141)	43,763	6,445
Full faith and credit	127,111	-	(41,738)	85,373	42,299
Total	<u>\$ 3,787,949</u>	<u>\$ -</u>	<u>\$ (711,599)</u>	<u>\$ 3,076,350</u>	<u>\$ 730,135</u>
Less unamortized discount	<u>\$ (17,584)</u>	<u>\$ -</u>	<u>\$ 12,412</u>	<u>\$ (5,172)</u>	<u>\$ -</u>
Total debt	<u>\$ 7,574,887</u>	<u>\$ -</u>	<u>\$ (1,421,089)</u>	<u>\$ 6,153,798</u>	<u>\$ 1,466,540</u>

6. ACCRUED VACATION

Accrued vacation balances were \$171,368 and \$147,895 for the years ended June 30 2024 and 2023 respectively. The change in accrued vacation consist of decreases of \$173,008 and increases of \$196,481.

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.

8. PENSION PLAN – DEFINED BENEFIT

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

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. PENSION PLAN – DEFINED BENEFIT (CONTINUED)

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, 2024 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 the 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 services.

Disability Benefits – 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.

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, 2024 was 36.35%. The actual employer contribution rate for the year ended June 30, 2024 was 36.35%. No employee contributions have been made since 1975. Total contributions were \$362,848 for the year ended June 30, 2024.

Net Pension Liability

The 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, 2024 using an actuarial valuation as of July 1, 2023. The total pension liability is determined using the entry age normal actuarial

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. PENSION PLAN – DEFINED BENEFIT (CONTINUED)

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, 2024 is equal to the market value of the assets at that date.

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, 2024, 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 the plan experience, the forecasts of investment consultants, and professional judgment.

Demographic assumptions were based upon review of the plan experience and published tables/data, and the actuary's professional judgement 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:

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. PENSION PLAN – DEFINED BENEFIT (CONTINUED)

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	3.0%
	10-14	1.5%
	More than 15	0.0%
Retirement	5% annually from first eligibility for early unreduced retirement (age 55, with age plus service greater than or equal to 85). 100% with normal retirement	
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	Pub2010 General Service Below Median Tables for Males and Females with generational projection with Unisex Social	

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 the 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 Position liability from June 30, 2023 to June 30, 2024.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGONNOTES TO BASIC FINANCIAL STATEMENTS8. PENSION PLAN – DEFINED BENEFIT (CONTINUED)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2023	\$ 12,993,281	\$ 10,601,209	\$ 2,392,072
Changes for the year			
Service cost	187,043	-	187,043
Interest on total pension liability	708,655	-	708,655
Effect of assumption changes or inputs	-	-	-
Effect of economic/demographic (gains) or losses	-	-	-
Benefit payments	(599,400)	(599,400)	-
Net investment income	-	1,408,352	(1,408,352)
Employer contributions	-	362,848	(362,848)
Balances as of June 30, 2024	<u>\$ 13,289,579</u>	<u>\$ 11,773,009</u>	<u>\$ 1,516,570</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	Discount Rate	1% Increase
Total pension liability	\$ 14,908,762	\$ 13,289,579	\$ 11,933,339
Fiduciary net position	11,773,009	11,773,009	11,773,009
Net Pension liability	<u>\$ 3,135,753</u>	<u>\$ 1,516,570</u>	<u>\$ 160,330</u>

For the year ended June 30, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on investments	424,613	-
Total	<u>\$ 424,613</u>	<u>\$ -</u>

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. 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 chose 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 the 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, 2024 the Water Board contribute \$153,809 to the 401(a) plan, and the employees contributed \$84,613 to the 457(b) plan.

9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description: The Water Board operates a single-employer retiree benefit plan that provides postemployment health, dental and vision insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage. Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

Benefits and eligibility for members are established through the collective bargaining agreements. The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the Water Board's implicit employer contribution. The Water Board did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy: The benefits from this program are paid by the Water Board on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is not obligation on the part of the City to fund these benefits in advance.

Actuarial Methods and Assumptions: The Water Board engaged an actuary to perform an evaluation as of July 1, 2022 using entry age normal, level percent of salary Actuarial Cost Method. The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate per year	3.65%
General Inflation Rate per year	2.40%
Salary Scale per year	3.40%

Health Care Cost Trend for Medical and Vision:

<u>Year</u>	<u>Trend</u>
2022	4.25%
2023	6.75%
2024	6.50%
2025	6.00%
2026	5.25%
2027	5.00%
2028-29	4.75%
2030	4.50%
2031-2065	4.25%
2066-71	4.00%
2072+	3.75

Dental Care Cost Trend: 1.75% for 2022, 4.00% per year until 2072, then 3.75% thereafter.

Mortality rates were based on the 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.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability was not used.

Retirement rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

The projection of benefits for financial reporting purpose does not explicitly incorporate the potential effects of legal or contractual funding limitations.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Changes in Medical Benefit OPEB Liability:

	<u>2024</u>
Total OPEB Liability - Beginning	\$121,571
Changes for the Year:	
Service Cost	12,112
Interest	4,702
Changes of Benefit Terms	-
Economic Gains or Losses	-
Changes of Assumptions or Other Input	(1,169)
Benefit Payments	<u>(1,726)</u>
Net Changes for the Year	13,919
Total OPEB Liability - Ending	<u><u>\$135,490</u></u>

Sensitivity of the Net Other Post-Employment Benefit Liability to Changes in Discount and Trend Rates: The following presents the other post-employment benefit liability (NOL), calculated using the discount rate of 3.65 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ 146,768	\$ 135,490	\$ 124,907

The following a sensitivity analysis for changes in healthcare cost trend assumptions.

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ 118,594	\$ 135,490	\$ 155,599

Amounts reported as deferred out inflows or inflow of resources related to pension will be recognized in pension expense as follows:

	<u>Deferred (Inflows)</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ (23,950)	\$ 6,838
Changes of assumptions or inputs	(32,624)	2,349
Benefit Payments	-	5,006
Total as of June 30, 2024	<u><u>\$ (56,574)</u></u>	<u><u>\$ 14,193</u></u>

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. 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.

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2024**

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning	\$ 121,571	\$ 159,796	\$ 157,311	\$ 189,750	\$ 186,970	\$ 187,615	\$ 199,792
Changes for the year:							
Service Cost	12,112	13,764	13,385	-	10,107	11,230	11,938
Interest	4,702	3,704	3,606	6,395	7,245	6,700	5,750
Changes of Benefit Terms		-	-	-	-	-	-
Effect of economic/demographic change		(24,890)	-	(12,734)	-	27,364	-
Changes of Assumptions or Other Input	(1,169)	(26,583)	611	(11,917)	5,361	(22,336)	(9,780)
Benefit Payments	(1,726)	(4,220)	(15,117)	(14,183)	(19,933)	(23,603)	(20,085)
Net changes for the year	13,919	(38,225)	2,485	(32,439)	2,780	(645)	(12,177)
Total OPEB Liability - Ending	\$ 135,490	\$ 121,571	\$ 159,796	\$ 157,311	\$ 189,750	\$ 186,970	\$ 187,615
Covered Payroll	\$998,123	\$1,231,592	\$1,219,280	\$1,168,146	\$1,209,864	\$1,194,975	1,194,975
Total OPEB Liability as a Percentage of Covered Payroll	13.57%	9.87%	13.11%	13.47%	15.68%	15.65%	15.70%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The City implemented GASB Statement No. 75 in the fiscal year ended June 30, 2018.

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

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION DISCLOSURES
For the Year Ended June 30, 2024**

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY, FIDUCIARY NET POSITION, AND RELATED RATIOS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Pension Liability	\$ 13,289,579	\$ 12,993,281	\$ 12,426,145	\$ 12,117,746	\$ 10,757,522
Fiduciary Net Position	11,773,009	10,601,209	9,762,516	11,385,112	9,437,451
Net Position Liability	<u><u>\$ 1,516,570</u></u>	<u><u>\$ 2,392,072</u></u>	<u><u>\$ 2,663,629</u></u>	<u><u>\$ 732,634</u></u>	<u><u>\$ 1,320,071</u></u>

Fiduciary Net Position as a Percentage of Total Pension Liability	88.59%	81.59%	78.56%	93.95%	87.73%
Covered Payroll	998,123	1,231,592	1,219,280	1,168,146	1,209,864
Net Pension Liability as a Percentage of Covered Payroll	151.94%	194.23%	218.46%	62.72%	109.11%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 10,474,292	\$ 9,337,359	\$ 9,068,840	\$ 8,656,303	\$ 8,293,490
Fiduciary Net Position	8,806,621	8,132,106	7,567,726	7,034,803	6,915,514
Net Position Liability	<u><u>\$ 1,667,671</u></u>	<u><u>\$ 1,205,253</u></u>	<u><u>\$ 1,501,114</u></u>	<u><u>\$ 1,621,500</u></u>	<u><u>\$ 1,377,976</u></u>

Fiduciary Net Position as a Percentage of Total Pension Liability	84.08%	87.09%	83.45%	81.27%	83.38%
Covered Payroll	1,194,975	1,207,390	1,089,245	1,311,857	1,449,465
Net Pension Liability as a Percentage of Covered Payroll	139.56%	99.82%	137.81%	123.60%	95.07%

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2024	\$ 362,848	\$ 362,848	\$ -	\$ 998,123	36.35%
2023	396,726	396,726	-	1,231,592	32.21%
2022	394,894	394,859	35	1,219,280	32.38%
2021	387,457	387,078	379	1,168,146	33.14%
2020	360,149	363,985	(3,836)	1,209,864	30.08%
2019	358,203	361,429	(3,226)	1,194,975	30.25%
2018	331,946	334,214	(2,268)	1,207,390	27.68%
2017	316,185	318,392	(2,207)	1,089,245	29.23%
2016	299,141	328,857	(29,716)	1,311,857	25.07%
2015	315,282	339,371	(24,089)	1,449,465	23.41%

COOS BAY – NORTH BEND WATER BOARD

COOS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS



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October 14, 2024

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Coos Bay – North Bend Water Board as of and for the year ended June 30, 2024, and have issued our report thereon dated October 14, 2024. 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 Coos Bay – North Bend Water Board financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 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 statements 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)**
- **Indebtedness limitations, restrictions and repayment.**
- **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 Coos Bay – North Bend 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 162-10-0000 through 162-10-0320 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 internal controls 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which was issued in a separate management letter.

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

A handwritten signature in cursive script that reads "Tara M. Kamp, CPA".

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.