

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of Washington County, Oregon
for the fiscal year ended June 30, 2020

CleanWater  Services



CLEAN WATER SERVICES

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Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2020

Prepared by CWS's Business Services Department

CLEAN WATER SERVICES

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INTRODUCTORY SECTION

December 30, 2020

To Board of Directors, Ratepayers and Interested Parties:

We are pleased to submit the Comprehensive Annual Financial Report of Clean Water Services (the District), a component unit of Washington County, Oregon, for the year ended June 30, 2020, together with the report thereon of the District's independent auditors.

This report was prepared by Clean Water Services' Business Services Department in accordance with the provisions of Oregon Revised Statutes Chapter 297. District management assumes full responsibility for the accuracy of the data and the reliability of the presentations and all disclosures contained in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with the accounting principles generally accepted in the United States of America. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data is accurate and complete in all material respects and that it presents fairly the financial position, results of operations and cash flows of the District for the year ended June 30, 2020. This report should be read in conjunction with Management's Discussion and Analysis which begins on page 4.

Independent Audit

The provisions of Oregon Revised Statutes Chapter 297, known as the "Municipal Audit Law", require that an independent audit of the District's records be made within six months following the close of the fiscal year, with approved extensions. The auditors are appointed by the Board of Directors following a public competitive request for proposal process. The firm of Moss Adams LLP has completed its seventh audit of the District's financial statements which is incorporated into the financial section of this report.

The firm of Moss Adams LLP has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

DISTRICT PROFILE

Clean Water Services is a county service district, which, in close cooperation with cities within its service area, provides sanitary sewer and surface water management utility services for the urbanized portion of Washington County (County) and small portions of the City of Portland, the City of Lake Oswego, and Multnomah and Clackamas counties. Clean Water Services' service area encompasses most of the developed part of the Tualatin River watershed, an area of approximately 123 square miles and more than 95 percent of Washington County's population. Cities located within and served by the District are as follows: Banks, Beaverton, Cornelius, Durham,

Forest Grove, Gaston, Hillsboro, King City, North Plains, Sherwood, Tigard, Tualatin, and small portions of Lake Oswego and Portland.

The District began operation as Unified Sewerage Agency of Washington County on February 4, 1970 after its formation was authorized by popular vote. On July 1, 1990 it assumed responsibility for surface water management. Effective June 5, 2001, Unified Sewerage Agency of Washington County changed its name to “Clean Water Services.” The name change was made to better reflect the roles and responsibilities for providing cost-effective, environmentally sensitive management of water resources in the Tualatin River Basin.

The Clean Water Services’ Board of Directors is comprised of the same individuals who are elected to the Board of County Commissioners of Washington County. Although Clean Water Services maintains a close working relationship with Washington County, the District is a separately managed and financed municipal corporation under Oregon Revised Statutes Chapter 451. Administration and management of the District is the responsibility of the Chief Executive Officer, who is appointed by the Board of Directors. Under the criteria of the Governmental Accounting Standards Board (GASB), the District is considered a component unit of Washington County for financial reporting purposes.

Operational and technical input to the Board is provided by Clean Water Services’ Advisory Commission (CWAC), a Board-appointed commission of 15 members.

Accounting Systems & Budgetary Control

Clean Water Services’ accounting records are maintained by fund on a modified accrual accounting basis for budgetary reporting purposes. For financial reporting purposes, the financial statements are presented on a full accrual basis.

The Board of Commissioners is required to adopt a final budget prior to the beginning of the fiscal year. This annual budget serves as the foundation of the District’s financial planning and control. The legal level of budgetary control is by fund and organizational unit or other specified category, in accordance with Oregon Revised Statutes Local Budget Law.

For budgetary and legal purposes, the activities are accounted for in the funds described below:

- Sanitary Sewer Fund - accounts for normal recurring sewerage operations.
- Storm and Surface Water Management Fund - accounts for normal storm and surface water management operations.
- Master Plan Update Debt Service Fund - accounts for the redemption of bond principal and interest.
- Liability Reserve Fund - accounts for the District’s self-insurance programs.
- Capital Replacement Reserve Funds – (one each for Sanitary and Surface Water Management) – account for the replacement and renewal of existing District assets.
- Capital Expenditure Reserve Funds - (one each for Sanitary and Surface Water Management) - account for the collection and tracking of revenues for System Development Charges expended in construction of capital projects and related debt service.

- Sanitary Sewer (LID) Construction Fund, Surface Water Management (LID) Construction Fund, and Sanitary Sewer and Surface Water Management Construction Funds - account for capital construction expenditures by the District or for capital construction expenditures made for the benefit of property owners in the case of the Sanitary Sewer and Surface Water Management LID Construction Funds.
- Revenue Pension Bond Debt Service Fund - accounts for the payment of the Series 2004 Revenue Pension Bonds used to finance the District's unfunded actuarial liability in Oregon's Public Employees Retirement System.

ECONOMIC CONDITION AND OUTLOOK

Washington County's economy was strong pre-COVID 19 pandemic. The economy of the District's service area reflects a diversity of industries including agriculture, high technology, sports apparel and services. Major employment industries in Washington County include professional and business services (19%), wholesale/retail trade (17%), healthcare and social services (11%), computer and electronic equipment manufacturing (9%), government services (8%) and leisure and hospitality (9%). The unemployment rate in Washington County continued a steady decline of about one percent per year with rates falling from 7.7 percent in 2011 to a rate of 3.2 percent in June 2019, with the second lowest unemployment rate in Oregon. Washington County has also experienced strong job growth, adding over 68,300 jobs between 2011 and 2020. Washington County's per capita personal income growth consistently outpaced the state average, and was the highest in the state in 2019.

The local economy was impacted by the COVID-19 pandemic with increased unemployment rates of 9.6% in June 2020, falling from a high of 12.2% in April and May 2020, and decreased job growth. However, similar to the pre-pandemic economy, Washington County continues to outpace state and national indicators. Recent economic indicators show continued recovery in the local area for unemployment and job growth. The major employment industries within Washington County were not as impacted as other regions during the pandemic. Production has increased in some industries and many jobs were transitioned to remote work.

Washington County, the second most populous county in Oregon, continues to be one of the fastest growing counties in the state, adding 82,340 more residents between 2011 and 2020. The region-wide population growth trend has remained steady. Although official population estimates for special districts are not available, Clean Water Services estimates the population of its service area at approximately 613,000. Population growth within the District's service area has consistently outpaced population growth within the region over the past decade or more and is expected to add an additional 63,700 people by 2025.

LONG RANGE FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

To ensure Clean Water Services is poised for the future to respond to continued economic growth at affordable customer rates, District rate increases are planned to be regular, predictable and relatively affordable, with capital plans that are phased so that revisions can be made to improve operational efficiencies and respond to changes in customer demand. In concert with the above, fund balances shall be kept at levels that provide appropriate working capital, funding for operating contingencies and planned capital improvements, while ensuring favorable credit ratings and maintaining strong coverage ratios. Moreover, financial forecasts are conservatively constructed so the District does not overestimate concomitant revenue growth.

The District's policies on rates and careful management of resources have allowed the District to limit estimated average annual combined residential sanitary sewer and surface water management fee increases for the last ten years to less than 4.11 percent.

MAJOR NEW AND ONGOING INITIATIVES

OPERS Employer Incentive Fund

The District made a one-time \$15.0 million payment to establish a new side account with Oregon Public Employees Retirement System (OPERS) during last fiscal year. The establishment of this side account qualified the District to participate in the OPERS Employer Incentive Fund program. This program was established by the legislature to incentivize employers to make unfunded actuarial liability (UAL) lump-sum payments to OPERS to reduce their contributions rates in the future by allowing for a 25 percent match of all qualifying UAL payments up to 5% of an employer's UAL. The District was awarded a match of \$2,252,438 to further reduce future contribution rates.

District Response to COVID-19 Pandemic

The District performs essential critical infrastructure work managing wastewater and storm functions for our customers to protect public health, safety and the environment. The District had to move quickly to establish a work environment that promoted physical distancing to mitigate the spread of COVID-19 among our work groups.

District management took quick action mobilizing an Emergency Operations Center (EOC) and Incident Command (IC). The EOC was very active with the IC group meeting daily and the EOC meeting weekly to coordinate actions and implement CDC recommendations in response to the pandemic. IC staff provided weekly updates to all District employees. The District quickly opened project numbers in our accounting system to track internal labor, supplies, and service costs incurred by the District in response to the pandemic. Project tasks were set up to track level of effort in areas including; support for remote work and physical distancing, production and purchase of PPE, contact tracing efforts, time associated with COVID-19 policies creation and administration, EOC/IC staff efforts, COVID-19 health and safety facilities upgrades, CWS and Oregon State University joint project tracking COVID-19 in the sewer system, and paid leave for District staff unable to work remote with underlying health conditions or dependent care.

The District's response to the pandemic included the Digital Solutions group providing remote/VPN access and web based meeting platforms to allow 70% of District staff to remote work; Development Services Inspectors, Capital Program Inspectors, Environmental Services Specialists, and other field crew used vehicles as their primary office; temporary facilities were established to separate work groups in the field; the District purchased and produced personal protective equipment (PPE); and provided a paid leave policy for staff that were vulnerable for infection and could not work remotely. The District incurred a majority of costs in response to the pandemic in the early months of April, May and June as efforts focused on remote work, work crew physical distancing, safety equipment installation at facilities, and paid leave for staff. The District applied for FEMA and County CARES Act grant funds to cover cost incurred in response to the pandemic from March 2020 through December 30, 2020.

Investing in Watershed Health

Clean Water Services has spent almost 50 years pursuing a cohesive strategy to advance the health of the Tualatin River Watershed for more than 613,000 residents in 12 cities and Washington County. Through innovation, scientific knowledge and creativity, we work to improve environmental health and value for our customers. These efforts have paid dividends for water quality, public health and our community. The Tualatin River is healthier than it has been in generations and has become a valued recreational asset.

Investing in Infrastructure, Public Health and the Environment

Over the past 10 years, Clean Water Services and our co-implementer cities have invested more than \$550 million to expand, replace and upgrade our community's four water resource recovery facilities, 43 pump stations, 859 miles of sewer lines and 549 miles of storm sewers.

Achievements in FY 2019-20

- Cleaned more than 24.3 billion gallons of wastewater.
- Recycled an average of 28.7 dry tons of biosolids per day onto agricultural fields in the Willamette Valley and eastern Oregon to improve soil condition and crop production.
- Monitored over 2,000 strict permit conditions at each water resource recovery facility, including monthly, weekly and daily limits established to protect the Tualatin River.
- Earned National Association of Clean Water Agency's highest awards at all four water resource recovery facilities for 100% permit compliance (Gold Award), including for more than five consecutive years at two of the facilities (Platinum Award).
- Completed the multiyear \$34 million upgrade of the Upper Tualatin Interceptor Project. The project included installation of 11,000 linear feet of 66-inch, 60-inch and 48-inch pipe, the construction of the two vertically curved siphons under the Tualatin River, the restoration of Cook Park and portions of Jurgens Park in Tigard and Tualatin and the restoration of over 6.5 acres of wetlands and sensitive areas.
- Replaced 125 sanitary sewer laterals and rehabilitated 15,100 linear feet of sewer mains associated with the infiltration and inflow reduction program.
- Participated as the financial partner in six city-managed projects totaling \$5,285,000.
- Swept more than 14,365 miles of streets collecting almost 387 dump truck loads of debris. Cleaned more than 10,819 catch basins collecting material equivalent to 149 dump truck loads to keep pollutants out of our river and streams.
- Worked with co-implementer cities to retrofit more than 573 catch basins over the last four years to provide additional water quality treatment, exceeding the 375 required by the District's NPDES permit.
- Performed 622 engineering plan reviews in support of site development permits for 19 residential subdivisions and 23 commercial development or redevelopment sites.
- Performed 1,246 environmental plan reviews and 211 engineering plan reviews in support of projects throughout the service area.
- Issued 619 connection permits.
- Audited over 80 compliance and tracking measures for stormwater management with Clean Water Services and its co-implementers.
- Managed pretreatment permits issued to industrial customers to monitor and control their discharges to the water resource recovery facilities. Permitted or inspected 125 facilities discharging to the stormwater conveyance system. Inspected 233 dentist offices to control mercury discharges to resource recovery facilities. Issued 59 Ecological Business certifications.
- Performed initial sampling for perfluorinated compounds at select industrial contributors, key collection system sampling points and implemented an ongoing monitoring plan throughout the District's sewersheds.
- Participated in three pilot studies to evaluate in-line wastewater monitoring in the sewage collection systems that could provide an additional layer of protection for the water resource recovery systems.

- Created an innovative tool to track compliance and monitoring activities at regulated industries. The tool helps with data review and prompts follow-up to help maintain compliance with permit requirements and improve regulatory efficiency and oversight.
- Developed site plans and worked with DEQ to expand the District's recycled water use program to include supporting native wetland plants. Evaluated the effectiveness of the District's stormwater program activities to reduce pollutants.

Investing in Public Involvement and Education

Clean Water Services encourages residents to join our efforts to protect public health, enhance the region's environmental quality of life and plan for the region's water future.

Achievements in FY 2019-20

- Nearly 7,000 students in the Tualatin River Watershed participated in at least one presentation, lab or field experience delivered or funded by Clean Water Services. Students from kindergarten through college participated in career-connected learning, tours, planting and field experiences and placed-based activities at Fernhill.
- More than 1,500 people from around the world toured Clean Water Services water resource recovery facilities to learn how wastewater is cleaned to a level 98% higher than the nation's facilities.
- We produce and sell four blends of Clean Water Grow® (GROW) retail fertilizer to meet public outreach goals, build credibility as a provider of choice and tell our resource recovery story. GROW is a powerful, tangible, personal way of telling the resource recovery story. Created in 2012, GROW is produced and sold by the Clean Water Institute in collaboration with Clean Water Services. The slow-release fertilizer contains Crystal Green® recovered from used water at the Durham and Rock Creek resource recovery facilities through Ostara's nutrient recovery system. The result is a high-performing retail product that benefits the environment, improves operation and maintenance of the resource recovery process and provides the community with a thriving plant food for their gardens. This past fiscal year, we sold GROW on Amazon.com and at over 170 local and regional stores, including Kroger's Fred Meyer stores (through 2019), ACE Hardware, True Value chains and a variety of locally-owned independent businesses. Portland Nursery continues to be our fertilizer's biggest fan. "I hope you are still going strong with GROW. We sold a lot last year," said Jimmy Mack, a buyer for the nursery. Most importantly, the Clean Water Grow messaging and retail program advance the mission of Clean Water Services and the Clean Water Institute to promote resource recovery and watershed health.
- Partnered with the Community Engagement Liaisons group on the Butternut Creek Enhancement Project to use community-based organizations for project outreach, translation and Spanish interpretation at meetings.
- Staff hosted four meetings and met with more than 180 neighbors living around Hagg Lake in fall 2019 for the Tualatin Joint Project. A newsletter was sent to 2,500 stakeholders in spring 2020.
- Staff and contractors hosted more than 12 meetings in FY 2019-20 with more than 40 nearby neighbors to discuss the Tualatin Interceptor and Siphon Replacement Project.

Investing in Resource Recovery

Wastewater treatment has transformed over the last decade, advancing from protecting public health and the environment to also becoming resource recovery facilities that produce clean water, recover valuable nutrients and produce clean, renewable energy. Clean Water Services is a leader in this transformation.

Achievements in FY 2019-20

- Provided 75 million gallons (including on-site use) of irrigation water to more than 218 acres of athletic fields, golf courses, and parks from the Durham facility.
- Generated approximately 21.5 million kWh of renewable energy by capturing digester gas from the Rock Creek and Durham facilities, as well as solar power at Durham to meet approximately 40% of the electrical demands for the Durham and Rock Creek facilities.
- Recycled phosphorus and ammonia at the Durham and Rock Creek facilities to produce more than 765 tons of Crystal Green® fertilizer for sale to the commercial nursery and agricultural industry.
- Continued the development of Clean Water Grow®, a slow-release fertilizer that helps reduce nutrient runoff to waterways by slowly releasing nutrients as plants use them. This product is made possible by the ratepayers' investment in building the nation's most advanced resource recovery facilities at the Durham and Rock Creek facilities.

Investing in Science

Together with the United States Geological Survey (USGS), DEQ and the Washington County Watermaster, Clean Water Services has conducted comprehensive water quality and flow monitoring of the Tualatin River and its tributaries for more than two decades. This integrated monitoring program has allowed water resource managers to be more responsive to the needs and potential of the watershed.

2019-20 Achievements

- Laboratory chemist anticipated the need for and procured supplies for producing surface disinfectants, hand disinfectant and disinfecting wipes for the District and other County programs during the period of reduced supply due to the coronavirus.
- The Water Quality Laboratory performed approximately 208,000 chemical, biological and physical analyses to help Clean Water Services assure the health and safety of the Tualatin River Watershed and its residents.
- The Laboratory:
 - Monitored 70 water quality parameters at 38 sites on the Tualatin River and its tributaries twice per month and operates a continuous water quality monitoring station on Beaverton Creek.
 - Monitored wastewater treatment facilities to demonstrate compliance with permit requirements.
 - Monitored wastewater treatment operations to ensure proper operation of the treatment facilities and provide critical data to operators.
 - Monitored stormwater runoff from different land uses to assess characteristics and inform program management decisions.
 - Monitored industrial discharges to verify they are meeting their permit obligations.

- The Laboratory supported critical compliance analysis including innovative phosphorous fractionation and emerging methods for evaluation of aluminum toxicity,
- The Laboratory supported research and projects that included frog embryo survival in Kingfisher Marsh, effects of tributary flow restoration on water quality, harmful algae blooms, fungal uptake and degradation of pollutants, and a number of studies on improving efficiencies and effectiveness at the water resource recovery facilities.
- The Laboratory developed an asset management system to maintain critical equipment and implement project planning and resource management and reduce the need for external laboratory analytical support. The system has already saved over \$100,000.
- Working with the USGS, Oregon Water Resources Department (District 18 Watermaster) and consultants, Clean Water Services co-funds and/or manages more than 20 stream flow gauging stations to continuously measure the flow in the Tualatin River; Dairy, Fanno, Rock, Beaverton, Gales and Chicken creeks; and many other Tualatin River tributaries. Many of these locations provide real-time data that informs water resource management activities in the basin.
- Working with the USGS, gathered continuous, real-time water quality data in the Tualatin River and major tributaries.
- Coordinated with Oregon Water Resources Department, Joint Water Commission and Tualatin Valley Irrigation District to manage stored water releases from Hagg Lake and Barney Reservoir to offset thermal loads from the water resource recovery facilities, maintain sustainable base flows in the Tualatin River and improve overall water quality.
- Drafted updated ordinance for source control regulation of industrial waste to improve transparency and be consistent with state and federal regulation.
- Regulatory Affairs staff supported and expanded to nearly 20 operational process, source control and research studies to increase efficiency including:
 - Conducting nitrogen reduction pilot plant studies that produced the design and operational basis for the vertical flow wetlands at the Fernhill Natural Treatment System.
 - Disinfection byproduct reduction and compliance.
 - Nutrient control and treatment process.
 - Natural Treatment System treatment optimization.
- Worked closely with Tualatin Valley Irrigation District, Joint Water Commission and District 18 Watermaster to coordinate stored water releases to meet permit requirements and enhance water quality in the Tualatin River basin.
- Conducted a phosphorus study to update the Tualatin River phosphorus Total Maximum Daily Load (TMDL). Study goals were to assess the capabilities of the water resource recovery facilities to remove phosphorus without adding tertiary alum and monitoring the river to evaluate the effects of the higher phosphorus loading to the river.
- Jointly funded and supported USGS studies at the Forest Grove Natural Treatment System to optimize operational conditions that promote the growth of beneficial algae and minimize formation of harmful algal blooms.
- Conducting nitrification inhibition testing at the Rock Creek, Durham and Forest Grove water resource recovery facilities to inform establishment of limits on industrial users that are protective of the District's biological treatment processes.

- Coordinated with Portland State University to develop a water quality model that will be used to update the phosphorus TMDL for the Tualatin River.
- Conducted water quality modeling to evaluate the effects of various options for the retrofit and/or expansion of Hagg Lake. Defined thermal load management strategies to ensure compliance with temperature requirements at the District's water resource recovery facilities over the next five to 10 years.
- Investigated and sampled industrial and other sources of PFAS to understand the impact on District infrastructure and biosolids. Initiated outreach and working with select industries to reduce presence of perfluorinated compounds.
- Continued to implement the proactive mercury minimization plan, which provided a smooth transition to the new federal requirements for mercury reporting from dentist offices.

Investing In Community and Building Partnerships

Clean Water Services and Tree for All partners continue to build and strengthen innovative and resilient partnerships to enhance the benefits that natural resources provide to the community.

Achievements in FY 2019-20

- The 35-plus partners of Tree for All surpassed 160 river miles of riparian habitat enhancement in the Tualatin River Watershed. Collectively these public and private partnerships are managing more than 30,000 acres for watershed health. Since its inception in 2005, more than 12 million native plants have been planted in the Tualatin River Watershed.
- Metro and Clean Water Services are working on over two dozen projects that protect water quality, restore native habitat, maintain flood plain access and provide recreational opportunities. These projects help provide the watershed resilience needed to address stressors such as climate change and rapid urbanization.
- The Tualatin River Watershed Council, Clean Water Services and Tree for All developed a Strategic Plan for the Watershed Council.
- Clean Water Services, US Fish and Wildlife Service and Tree for All partners completed the first phase of the 300-acre Chicken Creek Project on Tualatin National Wildlife Refuge. This visionary project reconnected Chicken Creek to its historic floodplain through a meandering path linking remnant and newly constructed channels. Crews created more than two miles of new high value stream habitat. A landscape-scale project with multiple funding partners enables all 300 acres to receive intensive native planting of riparian and wetland habitats, as well as incorporate access trails for humans. These investments provide important water quality benefits and critical connectivity of essential wetlands, streams and bottomland forest that provide habitat for over 200 species of migrating birds, winter steelhead and other native fish and wildlife in a rapidly growing urban area.
- In partnership with the Portland Audubon and Bienestar, the Paseos Verdes (Watershed Health Walks) expanded this year and included training for bilingual walk leaders and new participation from Virginia Garcia and Tualatin Hills Park & Recreation District. The program was featured in an article published on the Nature of Cities, an international platform for transdisciplinary dialogue and urban solutions.
- More than 90 farms joined the agricultural incentive program, which includes riparian restoration and many more Farm Bill incentives programs that target watershed-friendly farming practices. The

Tualatin Soil and Water Conservation District, National Resources Conservation Service and Farm Service Agency are partners in the program.

- Major milestones were reached on various projects to build the nation's newest refuge at Wapato National Wildlife Refuge near Gaston. Multiple new bridges, water management infrastructure and public access facilities are in progress and on track to be completed this summer. Multiple partners including Intel, US Fish and Wildlife Service, Tualatin Soil and Water Conservation District, Joint Water Commission, USGS, Metro and Bonneville Environmental Foundation contributed funds.
- The United States Bureau of Reclamation and Clean Water Services worked together to complete 30% feasibility designs for three major options to improve the safety of Scoggins Dam and increase water supply for the region. In the coming year Reclamation and the District will continue to gather information to better understand short- and long-term water supply options. Nearly 100 people attended the second annual fall barbeque at Hagg Lake; 2,500 people were invited. For FY 2020-21, the project team will focus on elements that increase public safety and reduce public risks over the short and long term. Staff will also conduct public outreach and coordinate with partners and community groups including the Governor's Regional Solutions Team, Oregon federal delegation, Oregon Department of Fish and Wildlife, Oregon Water Resources Department, National Marine Fisheries Service, US Fish and Wildlife Service and landowners including Stimson Lumber.
- Our Natural Systems technology group innovated new ways to assess the landscape, evaluate opportunities and integrate information from many sources to make better decisions and save money. This year the team developed integrated planning web map tools to incorporate regional planning data and support subbasin planning. The team created tools for managing unmanned aircraft systems flights, managing risks and meeting regulatory requirements while collecting remote map-based data about the health of our projects. We're incorporating regional models of habitat connectivity and field-testing new habitat quality assessment tools for long-term tracking of biodiversity trends in the Tualatin Basin. In FY 2019-20 we have been collaborating to upgrade TerraTrak, a web application for tracking vegetation management activities developed with Metro. The new platform will better support mobile device integration for paperless data collection and contracting from the field.
- Our dedicated, hard-working vegetation management contractors quickly adapted to incorporate new requirements for physical distancing and sanitization for the coronavirus. These adaptations enabled work to continue for our major ecological enhancement efforts around the basin, which will provide the native plants installed this winter to have the best chance to establish and thrive in the years to come.
- Clean Water Services was one of 29 organizations to receive a 2020 National Environmental Achievement Award at the National Association of Clean Water Agencies' Winter Conference in Atlanta, Georgia. The NEAA program recognizes individuals and NACWA member agencies that have outstanding contributions to environmental protection and the clean water community. Clean Water Services was recognized in the Watershed Collaboration category for our work with Tree for All. Clean Water Services partnered with US Fish and Wildlife Service, the Tualatin Soil and Water Conservation District, Tualatin Watershed Council, Tualatin Riverkeepers, Friends of Trees, PSU's Institute for Sustainable Solutions, and The Intertwine Alliance to hold a workshop called Leveraging Partnerships to Maximize Impacts: The Power of Transformational Partnerships. The workshop focused on skill development and assessment tools for developing transformational partnerships.

Regulatory Climate

In February 2004, the DEQ issued Clean Water Services the nation's first integrated, municipal, watershed-based permit under the Clean Water Act. This innovative permit integrates the organization's four municipal water resource recovery facilities and the municipal stormwater system permits, which provided opportunity for Clean Water Services to take advantage of creative approaches and new solutions, such as:

- Implementing a water quality credit trading program under which stored water is released from Hagg Lake and Barney Reservoir and streamside shading is conducted outside and inside the organization's service boundary to offset thermal loads discharged from water resource recovery facilities.
- Establishing performance benchmarks for the sanitary and stormwater management activities of Clean Water Services, its co-implementer cities and Washington County as a whole.

On April 22, 2016, Clean Water Services was issued a new permit, which became effective on June 1, 2016. The new permit expands on the previous permit to respond to new growth, maintain current infrastructure investments, provide new discharges and achieve water quality standards. The new permit achieves these goals by innovative conditions such as:

- Allowing operational flexibility to optimize performance between the water resource recovery facilities while still achieving water quality for various parameters.
- Providing for a new and innovative natural treatment system discharge.
- Optimizing treatment strategies for the Natural Treatment System.
- Optimizing discharge limits and compliance measurements by integrating bubble loads, which allow for sharing permit limits between water resource recovery facilities and thereby providing greater opportunity for operational optimization and compliance assurance.
- Enhancing water quality trading between facilities, streamside shading and flow management.
- Planning for growth and development in the basin.
- Consolidating regulatory reporting requirements including electronic reporting for state and federal reporting requirements.
- Developing and applying state-of-the-art dynamic water quality models to assess long-term strategies for compliance and to evaluate alternatives for changes to Scoggins Dam.
- Providing research and data supporting the DEQ development and application of a biotic ligand model criteria for copper and accurate methods for *Reasonable Potential Analysis* to ensure achievable compliance at the water resource recovery facilities.

DEQ accepted a petition for reconsideration of certain aspects of the Clean Water Services permit. DEQ has not yet taken action on the reconsideration and plans to wrap the reconsideration issues into the new permit, which the District must apply for in December 2020.

Clean Water Services has undertaken an extensive sampling and modeling effort of the Tualatin Basin. This effort is designed to support a request to modify the current regulatory requirements for the Tualatin River. One substantive proposal would be changes to the phosphorus limits that would allow the District to reduce chemical addition while achieving the new aluminum standard and still improve water quality in the Tualatin River. Clean Water Services continues to work with DEQ on the implementation of several other water quality standards including copper, mercury and pH. The District has implemented innovative monitoring and outreach for a class of toxic perfluorinated compounds (PFAS) to obtain information in advance of regulatory requirements.

Clean Water Services has also worked with regulatory agencies to develop strategies for increasing water reuse for irrigation, restoration and growing wetland plants to support wetland restoration. Clean Water Services has developed and implemented innovative strategies that link stream enhancement, runoff control, and urban stormwater treatment to meet regulatory requirements, achieve substantive ecological health improvement and provide resiliency to urban streams.

There has been significant improvement in the water quality in the Tualatin River due to effective pollution control efforts and innovative strategies for nutrient control, effluent reuse and water management. The Regulatory Affairs group has initiated extensive analytical and modeling efforts and will use this information to work with DEQ and guide future regulatory approaches.

While water quality has improved in the Tualatin River and its tributaries in the last decade, new and more complex challenges have arisen that cannot be solved through pollution control alone. These challenges to the health of the Tualatin River basin require a cohesive, watershed-based strategy that reaches beyond the existing regulatory framework. The watershed-based permit allows regulators, permit holders and community stakeholders to consider the entire watershed, not just individual point sources, when managing the water resources in the basin.

Clean Water Services is developing goals for a new permit, including:

- Incorporating integrated planning for longer-term strategic planning with a focus on effective pollution control and ecological outcomes.
- Expanding reuse programs to provide opportunity for greater restoration efforts including wetland restoration.
- Enhancing trading opportunities, improved and more modern cost-effective compliance monitoring.
- Enhancing stormwater approaches to build on current subbasin plans and efforts to integrate stream

Clean Water Services' successful record of implementing complex water quality regulations through partnerships and collaboration is widely recognized as a national model. Investments by Clean Water Services' customers in a highly restoration, flow, treatment and upland stormwater controls. advanced wastewater treatment program and a comprehensive surface water management program have paid off in a watershed that is healthier than it has been in generations – and at an affordable cost, in comparison, to peer agencies.

User Charges

Clean Water Services' Board of Directors is authorized by state law to set fees and charges for connection to, and use of, the public sewer system and connection to, and/or use of, the public facilities and public services related to surface water management, including storm water drainage. The District is 100 percent fee and charge supported. The District bills for all residential and non-industrial commercial customers in the unincorporated areas and in the smaller "franchise" cities of North Plains, Banks, Gaston, Durham, and King City. The cities of Beaverton, Tigard, Hillsboro, Tualatin, Forest Grove, Cornelius and Sherwood bill for services to residential and non-industrial commercial customers within their respective corporate limits and remit a portion of fees collected to the District by agreement. The cities of Portland and Lake Oswego bill residential and non-industrial customers within the District's service area and remit a portion of fees collected to the District by agreement. The District directly bills all industrial permit holders.

Clean Water Services establishes a basic schedule of rates and charges annually, and the Cities of Beaverton, Tigard, Hillsboro, Tualatin, Forest Grove, Cornelius and Sherwood bill according to District developed schedules. These seven largest cities may also approve additional supplemental charges. The Cities of Portland and Lake

Oswego may bill at different rates but remit funds for District customers based on District rates. The monthly billing rate for residential and commercial sewer customers is calculated by adding a consumption component to a base rate component.

The District's average residential, commercial and industrial sewer rates for fiscal year 2020 increased by approximately 3 percent from fiscal year 2019.

Industrial customers are billed for domestic wastewater flows in a manner that is essentially identical to the process outlined above for residential and other non-industrial customers. Industrial and commercial customers with high-waste flows and high-strength wastes are monitored for permit compliance (including onsite pretreatment) and billed based on four components: volume, biochemical oxygen demand, suspended solids, and customer service.

Surface Water Management (SWM) fees are based on measured impervious surface areas, including roofs, paved areas such as parking lots and roads, and charged against an average residential measurement (2,640 square feet) or equivalent service unit (ESU). The rate charged for SWM services is \$9.25 per month per ESU, an increase of 5.7% or \$.50 per month to the average residential customer's bill from fiscal year 2019. Residences are typically charged a flat 1.0 ESU rate.

AWARDS

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clean Water Services for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the 33rd consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the District's Adopted Budget Document for the Fiscal Year 2019-20 received the Distinguished Budget Presentation Award from GFOA. This was the 32nd consecutive year that the District has achieved this prestigious award. In order to qualify, the budget document must be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

ACKNOWLEDGMENTS

Clean Water Services would like to thank the entire Finance Team whose professionalism, dedication and efficiency are responsible for the preparation of this report.

The District closes with a word of thanks for the continuing support of the Board of Directors in providing District staff with the tools necessary to assist in the careful stewardship of public resources.

Respectfully submitted,



Diane Taniguchi-Dennis
Chief Executive Officer



Kathleen Leader
Chief Financial Officer

Clean Water Services

Governing Body in accordance with ORS 451.485
Board of Directors

Washington County, Oregon
155 North First Avenue
Hillsboro, OR 97124

Directors as of June 30, 2020

ELECTED:

Term Expires

Kathryn Harrington, Chair	December 31, 2022
Dick Schouten, District 1 Director	December 31, 2020
Pam Treece, District 2 Director	December 31, 2022
Roy Rogers, District 3 Director	December 31, 2020
Jerry Willey, District 4 Director	December 31, 2022

APPOINTED:

Diane Taniguchi-Dennis, CEO

REGISTERED AGENT:

Diane Taniguchi-Dennis, CEO

REGISTERED OFFICE:

2550 SW Hillsboro Highway
Hillsboro, OR 97123



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Clean Water Services
Oregon**

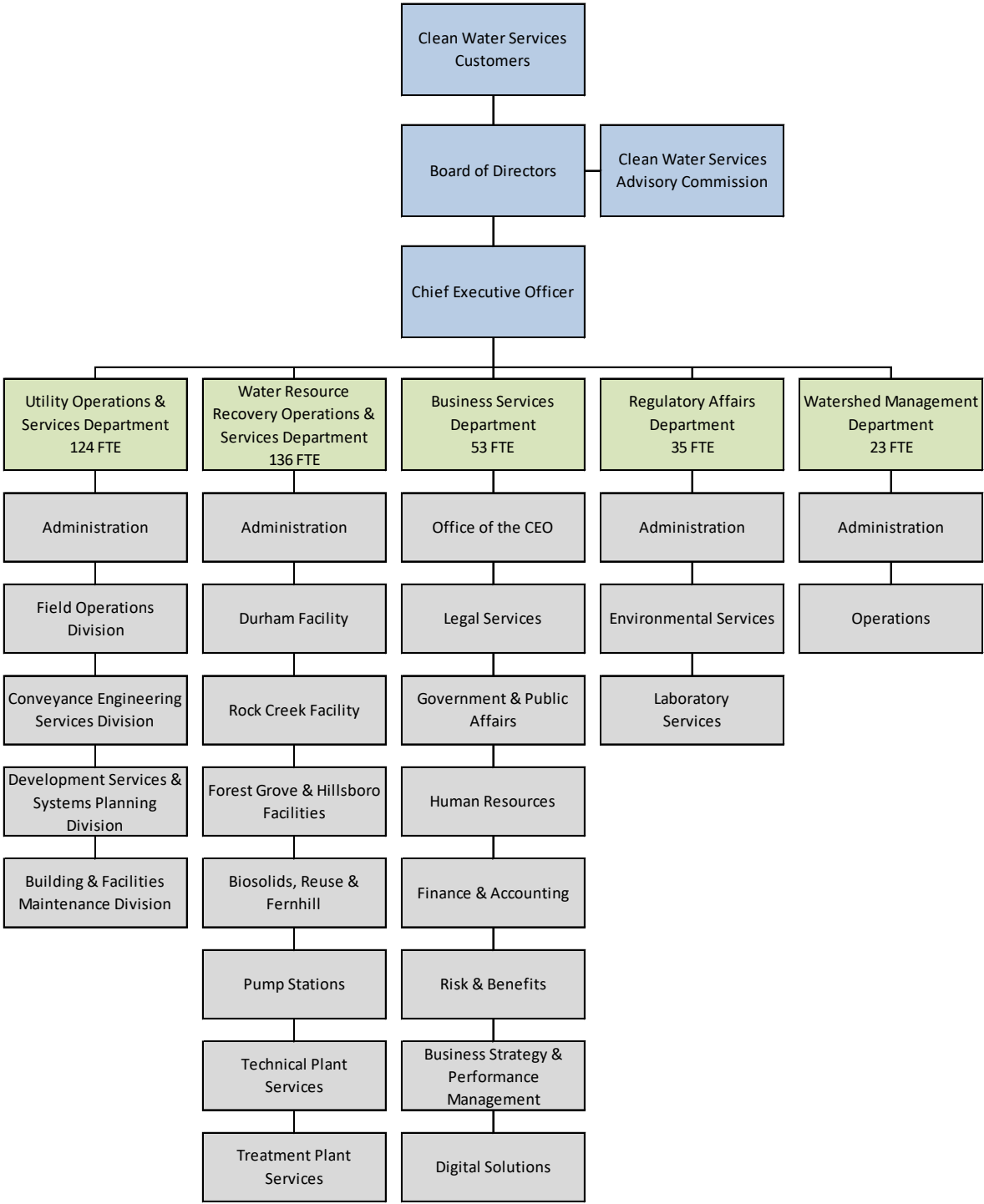
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

District Organization Chart



FINANCIAL SECTION

**REPORT OF
INDEPENDENT
AUDITOR**

Report of Independent Auditors

The Board of Directors
Clean Water Services
(A component unit of Washington County, Oregon)
Hillsboro, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Clean Water Services (the District), a component unit of Washington County, Oregon, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District and do not purport to, and do not present fairly the financial position of Washington County, Oregon, as of June 30, 2020 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the changes in the total OPEB liability and related ratios, contributions RHIA OPEB plan, proportionate share of the net RHIA OPEB liability (asset), statutorily required employer contributions pension plan, and the schedule of proportionate share of the collective net pension liability (asset) 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, then 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining schedules and schedule of revenues and expenditures— budget and actual and related notes (the budgetary schedules) on pages 64 through 82, collectively represent supplementary information as provided in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information as described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020 on our consideration of Clean Water Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clean Water Service's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clean Water Service's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 30, 2020, on our consideration of the District'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.



Julie Desimone, Partner, for
Moss Adams, LLP
December 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

As management of Clean Water Services (the District), a component unit of Washington County, Oregon, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (which can be found on pages I-XIV of this report), and in the financial statements and notes to the basic financial statements (which immediately follow this discussion).

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$953.1 million (net position). Of this amount, \$177.2 million represents unrestricted net position, which may be used to meet the District's ongoing obligations to ratepayers and creditors.
- The District's total net position increased by \$72.3 million mainly due to net proceeds from current year operations, capital contributions from developers, and a one-time \$2.2 million dollar OPERS Employer Incentive Fund award received by the District in the current year.
- The District's total net capital assets increased \$45.3 million primarily due to capital assets constructed and purchased in the current year totaling \$82.4 million, and contributions of infrastructure systems and easements by developers totaling \$6.1 million less District contributions of capital assets and loss on disposals totaling \$3.5 million and current year depreciation and amortization of \$39.7 million.
- Debt service coverage for senior debt was 4.84, which exceeded the 1.2 required by the bond covenants. The District had no subordinate debt outstanding during the year.
- Operating revenues total \$157.1 million, an increase of \$5.6 million. This is primarily attributed to a rate increase for sanitary and storm service charges during the year.
- Operating expenses total \$116.9 million, an increase of \$3.0 million. The primary contributing factors are an increase in labor costs in the current year.
- Long-term debt decreased by \$14.9 million due to payment of outstanding bonds. The District had \$171.2 million in net debt outstanding at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Clean Water Services' basic financial statements. The basic financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and Notes to Basic Financial Statements. The notes explain in more detail some of the information in the financial statements.

CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Financial Statements

The *Statement of Net Position* includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and its profitability and credit worthiness.

The last financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to 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.

Clean Water Services maintains two operations, Sanitary Sewer and Surface Water Management (SWM) and a captive insurance component unit Clean Water Insurance Company (CWIC), which the District accounts for and discloses separately in the Combining and Individual Schedules on pages 64-66 of this report. These statements offer short and long-term financial information about the activities of the two operations.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide statements. The Notes to Basic Financial Statements can be found on pages 19-58 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's other post-employment health benefits, pension plan, and budgetary comparisons. Required supplementary information can be found on pages 59-63 of this report.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Financial Analysis

Financial Position

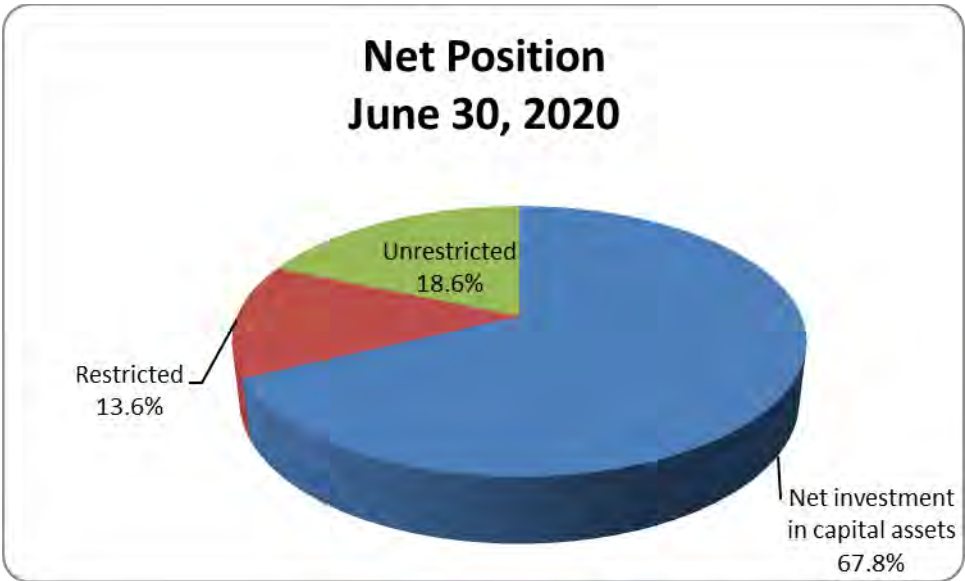
As noted earlier, net position over time may serve as a useful indicator of financial position. In the case of Clean Water Services, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$953.1 million at the close of the most recent fiscal year, an increase of \$72.3 million. The table below provides a summary of net position at fiscal year-end.

	Net Position		Change	
	(in Thousands)			
	2020	2019	Amount	%
ASSETS				
Current assets	\$ 209,951	\$ 205,107	\$ 4,844	2.4%
Noncurrent assets				
Cash and investments - restricted	136,689	132,193	4,496	3.4%
Capital assets, net	812,039	766,712	45,327	5.9%
Investment in joint venture	2,213	2,264	(51)	-2.3%
Other noncurrent assets	1,381	1,009	372	36.9%
Total assets	<u>1,162,273</u>	<u>1,107,285</u>	<u>54,988</u>	<u>5.0%</u>
Deferred outflows of resources	<u>30,028</u>	<u>34,759</u>	<u>(4,731)</u>	<u>-13.6%</u>
LIABILITIES				
Current liabilities	35,689	43,429	(7,740)	-17.8%
Noncurrent liabilities	<u>196,700</u>	<u>215,048</u>	<u>(18,348)</u>	<u>-8.5%</u>
Total liabilities	<u>232,389</u>	<u>258,477</u>	<u>(26,088)</u>	<u>-10.1%</u>
Deferred inflows of resources	<u>6,850</u>	<u>2,796</u>	<u>4,054</u>	<u>145.0%</u>
NET POSITION				
Net investment in capital assets	646,467	580,499	65,968	11.4%
Restricted	129,430	118,104	11,326	9.6%
Unrestricted	<u>177,165</u>	<u>182,168</u>	<u>(5,003)</u>	<u>-2.7%</u>
Total net position, end of year	<u>\$ 953,062</u>	<u>\$ 880,771</u>	<u>\$ 72,291</u>	<u>8.2%</u>

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Net Position

By far the largest portion of Clean Water Services' net position (\$646.5 million or 67.8%) reflects its investment in capital assets (e.g., treatment facilities, collection and conveyance systems, land, sewer lines, stormwater management improvements, buildings, plant and office equipment and automotive equipment), less any related outstanding debt used to acquire or construct those assets. Clean Water Services uses these capital assets to provide services to ratepayers; consequently, these assets are not available for future spending. Although Clean



Water Services' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from services to customers (ratepayers) or other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Clean Water Services' net position (\$129.4 million or 13.6%) represents resources that are subject to external restrictions on how they may

be used. These restricted net assets include System Development Charges (SDC's) collected from District customers when they connect to the sanitary sewer system to pay the cost of infrastructure expansion as needed to meet demands of population growth and to share cost burdens with existing customers for collection and treatment systems already built, funds restricted for debt service, and funds restricted for capital asset construction.

The remaining balance of unrestricted net position (\$177.2 million or 18.6%) may be used to meet the District's ongoing obligations to ratepayers and creditors.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Results of Operations

In addition to the analysis of net position, it is useful to analyze the financial operations that took place during the year. The following table provides a summary of the changes in net position:

Changes in Net Position				
(in Thousands)				
			Change	
	2020	2019	Amount	%
REVENUES				
Operating revenues:				
Service fees	\$ 148,414	\$ 143,643	\$ 4,771	3.3%
Other revenues	8,726	7,842	884	11.3%
Total operating revenues	157,140	151,485	5,655	3.7%
Nonoperating revenues:				
Interest income	11,743	12,584	(841)	-6.7%
PERS employer incentive payment	2,252	-	2,252	100.0%
Total revenues	171,135	164,069	7,066	4.3%
EXPENSES				
Operating expenses	116,911	113,910	3,001	2.6%
Nonoperating expenses:				
Interest	7,402	7,905	(503)	-6.4%
Loss on disposal of capital assets	76	341	(265)	-77.7%
Loss on equity in joint venture	51	76	(25)	-32.9%
Capital Donations	3,314	2,696	618	22.9%
Total expenses	127,754	124,928	2,826	2.3%
Income before contributions	43,381	39,141	4,240	10.8%
Capital contributions	28,910	37,606	(8,696)	-23.1%
Change in net position	72,291	76,747	(4,456)	-5.8%
Net position, beginning of year	880,771	804,024	76,747	9.5%
Net position, end of year	\$ 953,062	\$ 880,771	\$ 72,291	8.2%

CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Revenues

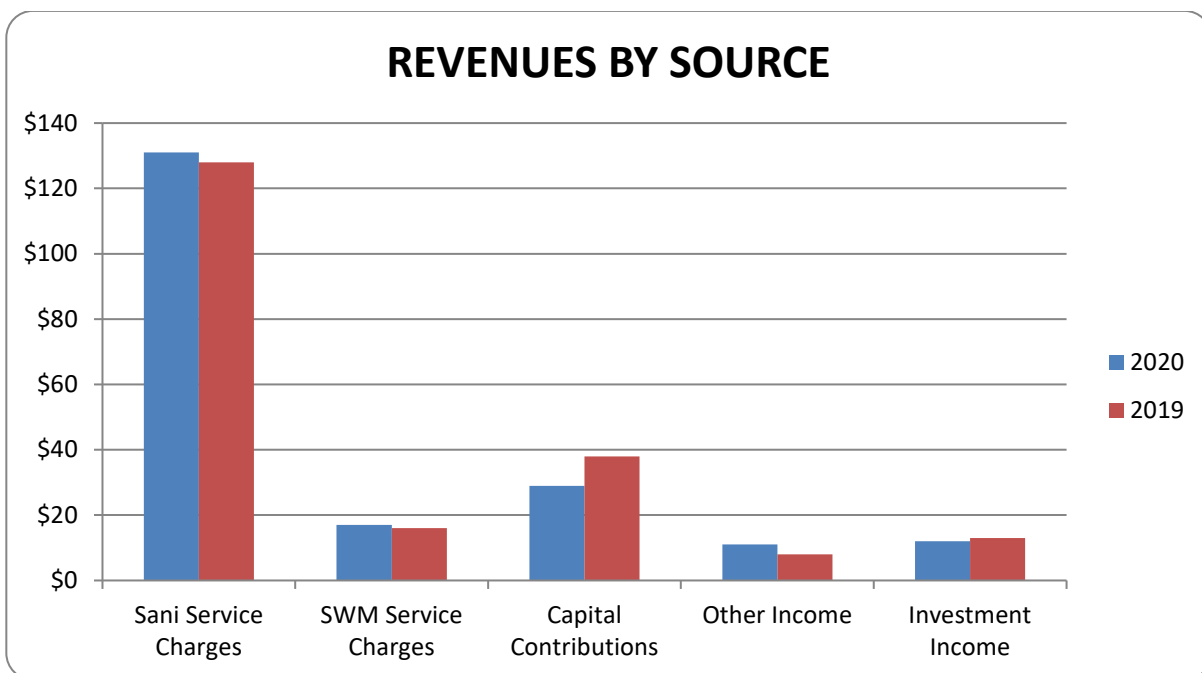
Total revenues for FY 2020, including operating revenues, non-operating revenues and contributed capital, totaled \$200 million, a reduction of approximately .8% from FY 2019. The decrease in total revenues was primarily due to reduced interest income and less contributed capital.

Sanitary & SWM Service Charges: Operating revenue consists mainly of user charges for sewage and storm services. Monthly service charge revenues increased by 3.3%, totaling \$148.4 million. This increase was primarily related to the sanitary sewer rate increase of 3% and a corresponding rate increase for the SWM service charge of 5.7% along with customer growth.

Capital Contributions: This revenue source includes System Development Charges (SDC's), developer donated infrastructure, donated easements and third party contributions for District projects. Capital contributions totaled \$28.9 million, a decrease of \$8.7 million, or 23.1% compared to the prior year. The decrease is due to a decrease in connections to the system (customer base growth) of \$4.1 million in the current year. Developer donated infrastructure and donated easements decreased by \$4.6 million, as compared to the prior year.

Other Income: This revenue source includes all other fees, grant revenues, subsidy payments and refunds. Other income totaled \$11.0 million, an increase of \$3.2 million, or 41% compared to the prior year. The \$11.0 million is comprised of \$8.7 million in other operating revenues, including \$0.8 million for Federal grant revenues under the CARES Act for the COVID-19 pandemic, and \$2.3 million in non-operating revenue for the OPERS Employer Incentive Fund award. A majority of these revenues relate to a one-time revenue source for the District.

Investment Income: Investment income totaled \$11.7 million in 2020, a decrease of \$1 million compared to 2019, attributed to investment valuation at year-end.



CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

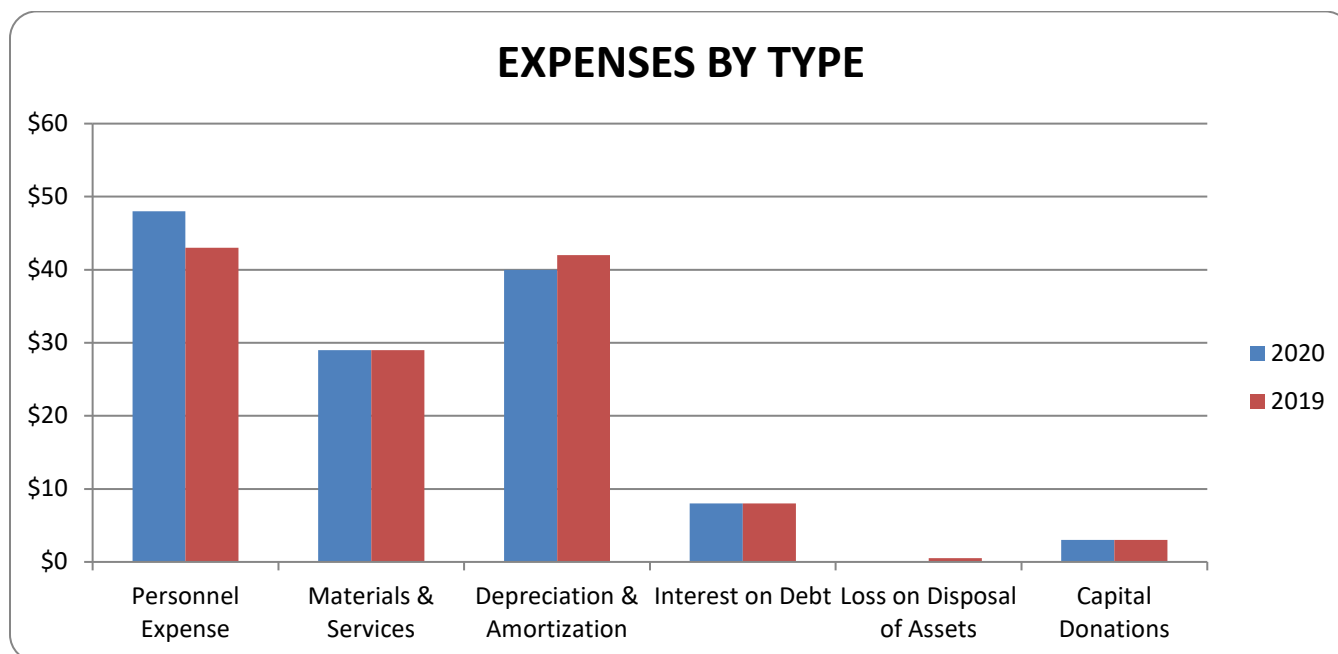
Expenses

Total expenses for FY 2020, including operating expenses, non-operating expenses and donated capital, totaled \$127.8 million, an increase of approximately 2.3% over FY 2019. The increase in total expenses was primarily due to an increase in labor costs.

Operating costs increased by \$3.0 million or 2.6%. This increase was primarily due to an increase in labor related costs of \$5.9 million with the addition of 14 full-time-equivalent (FTE) positions during the year and a mid-year request for an additional 11 FTE. All other operating costs including utilities, professional services, and supplies were relatively flat or decreased during the year.

Non-operating costs decreased by \$0.2 million or 1.6%. Bond debt service interest expense decreased by \$0.5 million as outstanding debt is paid off. Loss on disposal of capital assets decreased by \$0.3 million as compared to the prior year. The District also had capital donations to others in FY 2020 totaling \$3.3 million, an increase of \$0.6 million. Capital donations include project costs incurred by the District on joint construction projects with other local jurisdictions. Once the project is complete, the asset is donated to the jurisdiction that owns the asset and will continue to maintain it.

The District's financial condition remains strong, with adequate liquid assets for ongoing operations, treatment plants and collection systems functioning at a level necessary to meet demand and a reasonable level of unrestricted net position. The current financial condition, support staff capabilities and Operating and Capital Improvement Plans (CIP) needed to meet anticipated growth within the service area are well balanced and under control. The strong liquidity also allows the District to better withstand any economic slowdown and avoid immediate distress due to financial effects of the pandemic.



CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Capital assets

As of year-end, the District has \$812.0 million (net of accumulated depreciation and amortization) invested in capital assets, as reflected in the table below. Capital assets include treatment facilities, collection and conveyance systems, land, sewer lines, stormwater management improvements, buildings, plant and office equipment, automotive equipment and intangible assets including easements and patents. Total additions to capital assets from current year activity, before depreciation and amortization, were \$82.4 million. The net change in capital assets from current year activity was an increase of \$45.3 million over FY 2019.

Capital Assets
(Net of Depreciation and Amortization)
(in Thousands)

	2020	2019	Change	
			Amount	%
Land	\$ 17,347	\$ 17,347	\$ -	0.0%
Easements	23,608	21,175	2,433	11.5%
Construction in progress	204,280	169,145	35,135	20.8%
Buildings and improvements	51,459	42,165	9,294	22.0%
Land improvements	79,035	76,632	2,403	3.1%
Treatment plants	227,392	239,551	(12,159)	-5.1%
Sewer lines	177,185	166,628	10,557	6.3%
Plant equipment	24,115	27,162	(3,047)	-11.2%
Automotive equipment	3,424	2,895	529	18.3%
Plans and studies	2,885	2,869	16	0.6%
Office equipment	1,199	1,020	179	17.5%
Temporary Easements	40	44	(4)	-9.1%
Patents	70	79	(9)	-11.4%
Total capital assets	\$ 812,039	\$ 766,712	\$ 45,327	5.9%

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Capital additions by category during FY 2020 included the following:

Treatment plant facilities	\$ 39,180,707
Sanitary conveyance systems	20,514,627
Stormwater conveyance systems	2,838,009
Pump stations	4,174,615
Watershed	11,834,148
Other (facilities, fleet, IT)	<u>3,870,820</u>
	\$ <u>82,412,926</u>

Additional information on Clean Water Services' capital assets can be found in note 5 on page 28 of this report.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Long-term debt

Debt outstanding at year-end is summarized in the table below. Revenue bonds, which are the District's principal source of debt financing, are paid from sanitary sewer system operating revenues.

Long-term Debt
(Net of Premiums and Discounts)
(in Thousands)

	2020	2019	Change	
			Amount	%
Sewer revenue bonds	\$ 160,063	\$ 174,049	\$ (13,986)	-8.0%
Revenue pension bonds	11,145	12,015	(870)	-7.2%
Total	<u>\$ 171,208</u>	<u>\$ 186,064</u>	<u>\$ (14,856)</u>	<u>-8.0%</u>

As of year-end, the District had total net bonded debt outstanding of \$171.2 million versus \$186.1 million at the end of fiscal year 2019, and of that amount \$15 million is due within one year. All of this debt (i.e., revenue bonds) is secured solely by specified revenue sources of the sanitary sewer operations.

Sewer revenue bonds are expected to be the preferred debt instrument for the District. The District's strong financial position is reflected in the ratings from Standard & Poor's of AAA and Moody's of Aa1.

Historically, District bond credit ratings have been enhanced by funding required debt service reserves with bond surety insurance policies. District bond surety providers experienced significant credit rating downgrades in 2008, which created the need to fund debt service reserve requirements on the District's recent issues with cash from bond proceeds. This change in practice will also enhance the District's capacity to market future bond issues.

Additional information on Clean Water Services long-term debt can be found in note 7 on pages 30-33 of this report.

CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Economic Factors and Next Year's Budgets and Rates

The District recognized the financial stress many families and businesses were experiencing and decided to defer the planned July 1, 2020 4% increase in sewer service fees and \$.50 increase in storm service fees and System Development Charges. CWS joint bills with Tualatin Valley Water District and a decision was made to place a moratorium on water shut-offs to our joint billed accounts and referring accounts to collections. District Management are planning for increased delinquency of accounts.

To allow for the reduction in revenue collections District management took direct action to reduce costs in the proposed budget including; a 50% reduction in District travel and training costs, prioritization and sequencing hiring for vacant positions and the planned addition of 18 new FTE, and strategic sequencing of capital investments. The District also received a grant award of \$1.5 million under the CARES Act thru Washington County Cities & Special Districts Assistance Grant for expenditures incurred by the District from March 1, 2020 through December 30, 2020 in response to the COVID-19 public health emergency. The District has also applied for an additional grant award of \$97,000 from FEMA.

To mitigate the impact of delinquencies, Washington County awarded a \$3 million utility assistance program to be administered by Community Action, a local non-profit. The grant will provide water, sewer, and storm utility assistance to residential customers residing in Washington County impacted by COVID-19. The District and member Cities have been actively promoting this program through public outlets and direct communication with residential customers with delinquent accounts.

- The adopted budget for 2021 reflects a 3.2% increase in operating expenses. This increase is primarily due to increased labor costs of \$3.2 million or 6.6%, which reflects a mid-year request for an additional 11 FTE's in fiscal year 2020. Materials and services are expected to decrease by approximately \$0.6 million, or 2.0% due to a reduction in travel and training to align with the COVID-19 Interim Travel Policy, which limits employee travel.
- No new FTE are included in the FY 2021 departmental budgets, but \$1.5 million is included in other fund outlays for new staff positions should actual cash flow allow for the added expenditures.
- The District's rates and charges were extended at the FY 2019-20 rates through December 31, 2020. In the second quarter of FY 2020-21 the District will review economic indicators and work with the Board to determine if the planned rate increases should go into effect January 1, 2021 or if the existing rates should be extended to June 30, 2021.
- The District has budgeted for an estimated \$81.3 million in new sanitary sewer system improvements and \$6.5 million in new surface water management system improvements in FY 2020. These projects will be funded using a combination of cash reserves from system development charges and service fees and contributions from developers or partnering agencies. These investments are planned to increase system capacity, meet regulatory requirements for water quality, and enhance overall watershed health.
- The adopted budget for FY 2021 reflects no change in debt service as compared to the prior year.
- Other fund level outlays include utility bad debt expense, franchise fees, pass-through revenues to cities, self-insurance claims costs, capital outlay and other miscellaneous non-departmental outlays. This category is budgeted to decrease by \$13.1 million due to what was anticipated to be a \$15 million payment in FY 2020 to a side account with OPERS to reduce the unfunded pension liability. The District instead funded \$15 million in FY 2018-19 and opted not to make an additional payment in FY 2019-20.

All of these factors were considered in preparing Clean Water Services' budget for the 2020 fiscal year.

CLEAN WATER SERVICES MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

The District annually prepares a 10-year financial outlook that incorporates capital improvement planning (CIP) with operational planning. The 10-year CIP plans are developed using new project requests and updates to the status of existing projects. The CIP plans are developed by division and program managers and reviewed with recommendations as to projects needing funding incorporated into the financial forecast. Project spending is then matched with either cash reserves or debt financing. Depending upon the reserves needed, the financial plan then becomes a model of integrating productivity improvements, growth projections, rate increases, debt restructuring and debt financing of capital. The first year of the CIP becomes the basis for the next year's budget with respect to investments in capital improvements.

The current 10-year forecast projects that estimated future sanitary operating revenues will safely cover operating expenses and all current and future debt service requirements. The current 10-year forecast for SWM operations indicates ending reserves will continue to grow if the District manages SWM capital expenditures with modest annual increases going forward and continues to increase the SWM rates annually consistent with the recent trending at \$0.50 per ESU. The District will continue to evaluate the need for capital expenditures and options for funding costs in the future.

Requests for Information

The financial report is designed to provide a general overview of Clean Water Services' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Clean Water Services, 2550 SW Hillsboro Highway, Hillsboro, Oregon 97123.

BASIC FINANCIAL STATEMENTS

CLEAN WATER SERVICES

Statement of Net Position

June 30, 2020

Assets and Deferred Outflows of Resources	
Current assets (unrestricted):	
Cash and investments	\$ 184,038,089
Accounts receivable (net of allowance for uncollectibles)	19,947,381
Materials and supplies inventory	1,735,288
Prepaid expenses	597,031
Current assets (restricted):	
Connection fees receivable	1,413,750
Contributions receivable from local governments	403,944
Federal grant receivable	755,864
Build America Bonds (BABs) subsidy receivable	1,059,395
Total current assets	<u>209,950,742</u>
Noncurrent assets (unrestricted):	
Contracts receivable	247,628
Capital assets, not being depreciated or amortized:	
Land	17,347,235
Permanent easements	23,608,370
Construction in progress	204,279,586
Capital assets, net of accumulated depreciation	566,693,362
Intangible assets, net of accumulated amortization	110,488
Investment in joint venture	2,212,941
Prepaid expenses	440,217
Net OPEB asset	657,949
Noncurrent assets (restricted)	
Cash and investments	136,688,546
Contracts receivable	35,742
Total noncurrent assets	<u>952,322,064</u>
Total assets	<u>1,162,272,806</u>
Deferred outflows of resources:	
Deferred loss on refunding	2,820,689
Pension related	26,998,543
OPEB related	208,697
Total assets and deferred outflows of resources	<u>\$ 1,192,300,735</u>
Liabilities, Deferred Inflows of Resources, and Net Position	
Current liabilities (unrestricted):	
Accounts payable	\$ 3,652,302
Accrued payroll	6,651,262
Accrued self-insurance	346,969
Accrued interest payable	1,931,984
Current portion of bonds payable, net	14,961,125
Current liabilities (restricted):	
Accounts payable	8,084,215
Accrued interest payable	61,508
Total current liabilities	<u>35,689,365</u>
Noncurrent liabilities (unrestricted):	
Bonds payable, net	156,247,058
Net pension liability	39,018,120
Postemployment benefits other than pensions	1,306,598
Accrued self-insurance	127,837
Total noncurrent liabilities	<u>196,699,613</u>
Total liabilities	<u>232,388,978</u>
Deferred inflows of resources:	
Pension related	6,699,012
OPEB related	151,139
Total liabilities and deferred inflows of resources	<u>239,239,129</u>
Net position:	
Net investment in capital assets	646,467,060
Restricted for:	
Capital construction	108,402,697
Debt service	20,776,743
Captive Insurance	250,000
Unrestricted	177,165,106
Total net position	<u>953,061,606</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,192,300,735</u>

See notes to basic financial statements

CLEAN WATER SERVICES

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2020

Operating revenues:	
Service fees	\$ 148,413,805
Other	8,726,066
Total operating revenues	<u>157,139,871</u>
Operating expenses:	
Labor and fringe benefits	48,550,004
Utilities	3,862,140
Professional services	9,922,970
Supplies	4,473,354
Administrative costs	3,543,159
Repairs and maintenance	423,127
Insurance	2,649,596
Chemicals	3,797,501
Depreciation and amortization expense	39,689,707
Total operating expenses	<u>116,911,558</u>
Operating income	<u>40,228,313</u>
Nonoperating revenues (expenses):	
Investment income	11,677,297
Interest on assessments and contracts	65,121
Net loss on disposal of capital assets	(76,039)
Loss on equity in joint venture	(51,142)
Interest expense	(7,402,484)
PERS employer incentive payment	2,252,438
Capital donations - intergovernmental agreements	(3,313,546)
Total nonoperating expense	<u>3,151,645</u>
Income before contributions	43,379,958
Capital contributions:	
System development charges	21,580,886
Infrastructure donated by developers	7,329,496
Total capital contributions	<u>28,910,382</u>
Change in net position	<u>72,290,340</u>
Net position, beginning of year	<u>880,771,266</u>
Net position, end of year	<u><u>\$ 953,061,606</u></u>

CLEAN WATER SERVICES

Statement of Cash Flows

For the year ended June 30, 2020

Cash flows from operating activities:	
Received from customers	\$ 152,205,846
Payments to suppliers	(30,688,880)
Payments to employees for services	(40,595,456)
Other operating revenue	6,956,457
Net cash from operating activities	<u>87,877,967</u>
Cash flows from noncapital financing activities:	
Principal paid on pension bonds	(870,000)
Interest paid on pension bonds	(724,157)
Net cash from noncapital financing activities	<u>(1,594,157)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(85,981,341)
Capital donations to others	(3,313,546)
Principal paid on bonds	(12,300,000)
Interest paid on bonds	(8,117,622)
Principal received on assessments and contracts	160,812
Interest received on assessments and contracts	8,114
Capital contributed by customers and cities	22,897,255
Proceeds from sale of capital assets	106,747
Net cash from capital and related financing activities	<u>(86,539,581)</u>
Cash flows from investing activities:	
Interest on investments	<u>11,675,236</u>
Net increase in cash and cash equivalents	11,419,465
Cash and cash equivalents, beginning of year	<u>309,307,170</u>
Cash and cash equivalents, end of year	<u><u>320,726,635</u></u>
Unrestricted cash and investments	184,038,089
Restricted cash and investments	136,688,546
Total cash and investments	<u><u>\$ 320,726,635</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 40,228,313
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	39,689,707
Amortization of prepaid electric	27,522
BABs subsidy	12,048
Changes in assets and liabilities:	
Accounts receivable	2,766,248
Federal grant receivable	(755,864)
Net pension liability	7,192,154
Net OPEB asset	(45,347)
Materials and supplies inventory	(269,894)
Prepaid expenses	147,885
Accrued expenses	249,212
Accounts payable	(1,364,017)
Total adjustments	<u>47,649,654</u>
Net cash from operating activities	<u><u>\$ 87,877,967</u></u>
Schedule of non-cash capital and related financing activities:	
Contributions of capital assets by developers	<u>\$ 6,100,131</u>
Loss on equity in joint venture	<u>\$ 51,142</u>
Proceeds from PERS employer incentive program	<u><u>\$ 2,252,438</u></u>

See notes to basic financial statements

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Clean Water Services (the District) (formerly known as the Unified Sewerage Agency of Washington County), a Component Unit of Washington County, Oregon was formed February 4, 1970 under the provisions of Oregon Revised Statutes (ORS) Chapter 451 to operate a sanitary sewer system in the Tualatin River Drainage Basin. Sixteen individual sanitary districts were consolidated to form the District. Subsequently, thirteen municipalities selected the District to perform sewage collection and treatment of waste. On July 1, 1990, the District assumed responsibility for surface water management in the Basin. As required by ORS 451.485, the Washington County Board of Commissioners is the governing body of the District. Principal funding sources are charges to users and system development charges (SDCs).

The District is considered a component unit of Washington County, Oregon (County) because the elected officials of the County also serve as the Board for the District. The District is presented in the Comprehensive Annual Financial Report of the County as a discretely presented component unit.

Clean Water Institute

On March 2, 2010, the Clean Water Services Board of Directors instructed the District to form Clean Water Institute (CWI). One of the District's Board Members currently serves on CWI's Board.

CWI is a nonprofit 501(c)(3) formed to advance watershed restoration and resource recovery through innovative strategies and to promote scientific research, education, and environmental protection activities that benefit watersheds throughout the country and around the world. For the fiscal year ended June 30, 2020, the transactions between the District and CWI are deemed to be immaterial, and therefore, CWI is not reported as a component unit of the District.

Clean Water Insurance Company

On February 16, 2016, the Clean Water Services Board of Directors instructed the District to form Clean Water Insurance Company (CWIC or "the Captive"), a wholly owned subsidiary of the District, domiciled in the state of Hawaii. The District is the sole member of this captive insurance company.

The Captive is a registered Limited Liability Company (LLC) formed to advance long term risk management program savings through the use of a formalized self-insurance program that can access the reinsurance markets for additional seismic coverages as well as provide a potential for funding of loss prevention and mitigation projects to further protect District assets or recover from a seismic event.

The Captive is considered a component unit of the District and is presented in the Comprehensive Annual Financial Report of the District as a blended component unit because it provides services exclusively to the District. CWIC issues separate financial statements and they can be obtained upon request from the District.

(b) Basis of Presentation and Accounting

The District's financial statements are maintained on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

The District's financial statements are presented on 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 District reports the following operating segment:

- The sanitary sewer operations segment accounts for the activities of the District which manage the public sanitary system. The District operates four sewage treatment plants, 43 pump stations, and maintains responsibility for 780 miles of sanitary gravity mains, 64 miles of force mains, and 15 miles of reuse mains.

(c) Operating vs. Non-operating Revenues and Expenses

The District has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing either sanitary or surface water management services, plan check, product sales or other related activity.

Operating expenses are defined as those expenses directly related to providing services including administrative expenses and depreciation and amortization, and excludes personnel services utilized directly for capital projects which are charged to capital assets.

Non-operating revenues and expenses are not directly attributable to the services provided. This includes investment interest, capital donations and contributions, gain (loss) on disposal of capital assets, gain (loss) on equity in joint ventures and non-operating grant revenue. Capital donations relate to infrastructure constructed by the District which is donated to another jurisdiction upon completion. Capital contributions include sewer and storm connections fees collected from customers newly connecting to the system and developer constructed infrastructure donated to the District.

(d) Cash and Investments

The District's cash and investments are comprised of pooled funds held and invested by 1) the Washington County Department of Support Services, Finance Division, 2) the State of Oregon Treasurer's Local Government Investment Pool, 3) Tualatin Valley Water District as a fiscal agent, and 4) Bank of Hawaii for the Captive. Cash and investments are presented at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, and GASB Statement No 72, Fair Value Measurement and Application. Interest earned on investments is allocated monthly by the County based upon the District's average monthly cash balance.

(e) Cash Equivalents/Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash and investments held on behalf of the District, since they have the general characteristics of a demand deposit (i.e. deposits of additional cash may be made at any time and cash may be withdrawn at any time without prior notice or penalty).

(f) Accounts Receivable

Accounts receivable represent user charges which are recognized as earned. An allowance for doubtful accounts is established for amounts deemed to be uncollectible, based on historical collection percentages. At June 30, 2020, the allowance was \$470,000.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(g) Materials and Supplies Inventory

Inventories of operating supplies and repair parts are valued at the lower of cost (average cost) or market and are charged against operations as used.

(h) Contracts Receivable

Assessments receivable represent amounts assessed against property owners for local sewer improvements. An allowance for doubtful accounts is not deemed necessary as the assessments represent liens against the property. Outstanding assessments are payable over ten to twenty years at interest rates ranging from 3.75% to 6.22%.

(i) Restricted Assets and Liabilities

Assets, the use of which is restricted to specific purposes by state statute, bond indenture, or other outside party, and related liabilities, are segregated on the Statement of Net Position.

(j) Capital Assets

Capital asset items purchased are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value at the time received.

Major additions, improvements and replacements including related plans and studies are capitalized. Normal maintenance and repairs are charged to operations as incurred. Gains or losses realized from disposal of capital assets are reflected in the Statement of Revenues, Expenses and Changes in Net Position. Assets costing more than \$5,000 with a life of five years or more are capitalized and depreciated over their useful lives. One-half year's depreciation is taken in the year of acquisition and disposal of asset. Depreciation is computed on capital assets placed in service using the straight-line method over their estimated useful lives as follows:

Sewer lines	50 years
Treatment plants	20-50 years
Land improvements	25 years
Plans and studies	5-25 years
Buildings	20-50 years
Plant and office equipment	5-10 years
Automotive equipment	5 years

(k) Intangible Capital Assets

Intangible assets, including easements, water rights, patents and internally generated computer software, are reported in the financial statements. Intangible assets purchased are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed intangible assets are reported at acquisition value at the time received.

Intangible capital assets with an individual cost of \$5,000 and a useful life of more than five years are capitalized and amortized over their useful lives. Intangible assets with indefinite lives are not amortized. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Normal maintenance and repairs are charged to operations as incurred.

Amortization on exhaustible intangible capital assets is reported on the straight-line basis over the estimated useful life of the asset. One-half year's amortization is taken in the year of acquisition and disposal of the asset.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

Gains or losses realized from disposal of intangible capital assets are reflected in the Statement of Revenues, Expenses and Changes in Net Position.

(l) Investments in Joint Venture

Investments in joint venture with other governments are reported at cost plus or minus the District's share of operating income or loss (equity method).

(m) Premium on Bonds Payable

Premiums are amortized by the effective interest method over the life of the respective debt instruments. Bonds payable are reported net of the applicable bond premium.

(n) Contributions Other Than Capital Assets

Contributions which represent non-exchange transactions are comprised of the following:

Customers – Sewer line and storm and surface water management connection fees from sewer patrons and sewer pipe installation fees from developers.

Capital Grants – Funds received from federal and state agencies restricted for acquisition and construction of sewage facilities.

Contributions from Local Governments – Funds received from cities and Washington County for shared construction costs of collection systems owned and maintained by the District, and for other projects with regional benefit undertaken by the District.

(o) Insurance

The District is insured under a guaranteed cost plan for workers' compensation and for costs in excess of insurance policy retention (deductible) limits on fire loss, property damage, general liability, auto liability, and all risk coverage (theft, vandalism, etc.). The District currently provides for estimated losses from pending claims on all self-insured retention risks which are reported as a current expense and liability.

Incurred but not reported (IBNR) claims for general and employment liability are claims that are incurred through the end of the fiscal year but not reported until after that date and are reported as noncurrent liabilities.

(p) Accrued Compensated Absences

The District allows employees to accumulate earned but unused vacation and sick leave benefits and compensatory time balances. Unused sick pay is not recognized as a liability because it does not vest. Accumulated compensation for overtime and vacation pay accrued at the end of each year is used within one year and is reported as a current expense and liability.

(q) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Loss on Refunding. The item that qualifies in this category is the deferred loss on refunding reported in the Statement of Net Position. Deferred charges, resulting from the carrying value of refunded debt and its reacquisition price, are deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

(r) Pension

Oregon Public Employees Retirement System (OPERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(s) Postemployment Benefits Other than Pensions (OPEB)

OPERS – Retirement Health Insurance Account (RHIA)

For purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS RHIA and additions to/deductions from OPERS's RHIA fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

District Health Insurance

For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OEPB, and OPEB expense, the District has relied on actuarial reports. The District allows retired employees to purchase health insurance at the same rates as active employees. The related expense is recognized as the District pays premiums to the insurance carrier.

(t) Net Position

Net position comprises various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets consists of all capital assets less accumulated depreciation, and debt less unspent debt proceeds that is attributable to the acquisition, construction and improvement of those assets.

Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation.

Unrestricted net position consists of all other net assets not included in the above categories.

The District has not established a formal policy regarding the use of its restricted and unrestricted fund balance amounts.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(u) Use of Estimates

The preparation of the 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 and disclosure of contingent assets and liabilities on 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.

(v) Adoption of new GASB pronouncements

During the fiscal year ended June 30, 2020, the District implemented the following GASB pronouncements:

GASB Statement No. 84, Fiduciary Activities

This Statement was issued to establish criteria for identifying fiduciary activities of all state and local governments. The District implemented this statement for the fiscal year ended June 30, 2020. The District does not have any fiduciary activities that meet the criteria of this Statement to report.

GASB Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance

This Statement was issued in May 2020 to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective date of certain provision in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The District implemented this statement for the fiscal year ended June 30, 2020.

(2) Stewardship, Compliance, and Accountability

Oregon Local Budget Law requires the District to prepare and adopt a budget by individual funds prior to July 1 of the budget year. The resolution authorizing appropriations, adopted in the categories of operating expenses, debt service, capital outlay, contingency and operating transfers for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations lapse at the end of the fiscal year. The District's budget is prepared on the modified accrual basis of accounting.

Unexpected additional resources may be added to the original budget through the use of a supplemental budget and appropriation resolution. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publications in newspapers and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. During the fiscal year ended June 30, 2020, the Board approved one appropriation transfers and one supplemental budget.

There were no funds that exceeded budget at the legal level of appropriation.

(3) Cash and Investments

Washington County, Oregon maintains a common cash and investment pool for all County funds including those of the District, except the Captive. The types of investments in which the County and District may invest are restricted by State of Oregon Statutes and a Board adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, banker's acceptances, certain high-grade commercial paper, repurchase agreements, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP), among others. The District also maintains restricted cash in reserves with the Tualatin Valley Water District as a fiscal agent for the District. The Captive cash is held in bank demand deposits with the Bank of Hawaii.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

Cash and investments for the District at June 30, 2020 are as follows:

Petty cash	\$	3,850
Cash with fiscal agents		518,469
Bank of Hawaii – Captive Insurance/CWIC		1,588,159
Investments		318,616,157
	\$	<u>320,726,635</u>

Cash and investments are reflected on the statement of net position as follows:

Cash and investments	\$	184,038,089
Restricted cash and investments		136,688,546
	\$	<u>320,726,635</u>

Investments at June 30, 2020 were as follows:

State of Oregon Treasurer's Local Government Investment Pool	\$	38,286,935
Washington County investment pool		280,329,222
Total investments	\$	<u>318,616,157</u>

(a) Investment in the Oregon State Treasurer's Local Government Investment Pool

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. 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. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency and is unrated. The State Treasurer is the investment officer for the LGIP and is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the LGIP are stated at fair value. Separate financial statements for the Oregon Short Term Fund are available from the Oregon Audits Division, 255 Capital Street NE, Suite 500, Salem, OR 97301.

The table below outlines the LGIP's investment maturity limitations and the actual maturities at June 30, 2020:

	<u>Allowable per Policy</u>	<u>Actual</u>
LGIP Maturity:		
Up to 93 days	Minimum of 50%	59%
94 days to 1 year	Maximum of 25%	18%
1 to 3 years	Maximum of 25%	23%

(b) Cash and investments include pooled cash and investments held by Washington County, Oregon, on behalf of the District and demand deposits with Bank of Hawaii for the Captive

Disclosures relating to Custodial Credit Risk:

This is the risk that in the event of bank failure, the District deposits may not be returned to them.

Washington County Investment Pool: As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District's remaining deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance are considered to be fully collateralized.

Bank of Hawaii – Captive: Deposits with Bank of Hawaii for the Captive are comprised of bank demand deposits. The combined total bank balance is \$1,588,159. Of these deposits, \$250,000 is covered by federal depository

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insurance. Amounts in excess of available insured depository limits are at risk, however, the District's cash is deposited with a major financial institution in the state of Hawaii, and the District does not believe that this concentration of credit risk represents a material risk of loss.

Disclosures relating to Interest Rate Risk:

Interest rate risk is the risk that would adversely affect the fair value of an investment should interest rates change. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The County Treasurer has a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. District management believes the liquidity in the portfolio is sufficient to meet cash flow requirements and preclude the District from having to sell investments below original cost for that purpose. The District relies upon their treasurer, Washington County, to monitor the interest rate risk inherent in its portfolio by comparing the maturity dates of its investments to the minimum maturity dates outlined in the investment policy.

The table below outlines the investment maturity limitations and the actual maturities of the Washington County investment pool at June 30, 2020:

	Minimum Allowed	Actual
Maturity:		
Less than 90 days	10%	28%
Less than 1 year	25%	45%
5 years or less	100%	100%
	Maximum Allowed	Actual
Weighted Average Maturity	2.5 years	1.3 years
Callable Agency Securities	25%	1%

Disclosures relating to Credit Risk:

This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized rating organization and is minimized by purchasing only those securities which are rated by two of the nationally recognized credit rating agencies at the time of purchase. The District's investment policy specifies ratings – Standard & Poor's = minimum AA-, and Moody's Investors Services = minimum Aa3.

(Dollars in thousands)

Rating by Standard & Poor's Investment Service	AAA	AA+	AA	AA-	A-1	Not Rated	Total Invested Value	Percent Allocation	Weighted Average Maturity (Years)
Commercial paper discounts - amortizing	\$ -	-	-	-	3,798	-	3,798	1%	-
Federal agency coupon securities	3,839	124,385	22,088	-	-	-	150,312	48%	0.9
Treasury coupon securities	-	72,375	42,130	-	-	-	114,505	36%	0.4
Treasury discounts - amortizing	-	-	-	3,804	-	-	3,804	1%	-
Corporate notes	-	5,897	2,013	-	-	-	7,910	2%	-
State of Oregon Local Government Investment Pool (LGIP)	-	-	-	-	-	38,287	38,287	12%	-
Total Investments	\$ 3,839	202,657	66,231	3,804	3,798	38,287	318,616	100%	1.3

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The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the invested value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2020:

- Commercial paper discounts – amortizing of \$3,798 are valued using significant other observable inputs (Level 2 inputs)
- Federal agency coupon securities of \$150,312 are valued using significant other observable inputs (Level 2 inputs)
- Treasury coupon securities of \$114,505 are valued using significant other observable inputs (Level 2 inputs)
- Treasury discounts – amortizing \$3,804 are valued using significant other observable inputs (Level 2 inputs)
- Corporate notes of \$7,910 are valued using significant other observable inputs (Level 2 inputs)

For more detailed information, reference should be made to the Washington County Comprehensive Annual Financial Report for June 30, 2020.

(4) Receivables

ACCOUNTS RECEIVABLE - CURRENT

	SANI	SWM	CWIC	TOTAL
Service receivable	\$ 18,004,081	\$ 2,319,685	\$ -	\$ 20,323,766
Interest receivable	85,771	-	360	86,131
Other	7,484	-	-	7,484
Unrestricted Accounts Receivable	18,097,336	2,319,685	360	20,417,381
Allowance for doubtful accounts	(390,000)	(80,000)	-	(470,000)
<i>Net Unrestricted Accounts Receivable</i>	<u>17,707,336</u>	<u>2,239,685</u>	<u>360</u>	<u>19,947,381</u>
Connection fees receivable	1,413,750	-	-	1,413,750
Contributions receivable from local governments	337,688	66,256	-	403,944
Federal grants receivable	755,864	-	-	755,864
Build America Bonds subsidy receivable	1,059,395	-	-	1,059,395
Restricted Accounts Receivable	3,566,697	66,256	-	3,632,954
<i>Total Net Accounts Receivable</i>	<u>\$ 21,274,034</u>	<u>\$ 2,305,941</u>	<u>\$ 360</u>	<u>\$ 23,580,335</u>

CONTRACTS RECEIVABLE

	NON-CURRENT	TOTAL
Local Improvement District Assessments	\$ 247,628	\$ 247,628
<i>Unrestricted Contracts Receivable</i>	<u>247,628</u>	<u>247,628</u>
System Development Charges	35,742	35,742
<i>Restricted Contracts Receivable</i>	<u>35,742</u>	<u>35,742</u>
<i>Total Contracts Receivable</i>	<u>\$ 283,370</u>	<u>\$ 283,370</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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(5) Capital Assets

Activity in capital assets for the year ended June 30, 2020 is as follows:

	Balance 06/30/19	Additions	Transfers	Retirements	Ending Balance 06/30/20
Non-depreciable capital assets:					
Land	\$ 17,347,235	\$			\$ 17,347,235
Easements	21,174,670	2,322,954	116,033	(5,287)	23,608,370
Construction in progress	169,145,304	82,412,926	(43,791,638)	(3,487,006)	204,279,586
Total non-depreciable capital assets	207,667,209	84,735,880	(43,675,604)	(3,492,293)	245,235,191
Depreciable capital assets:					
Buildings and improvements	88,997,564		13,233,356		102,230,920
Land improvements	198,159,848	3,247,178	4,339,329		205,746,356
Treatment plants	687,612,065		5,663,545		693,275,610
Sewer lines	266,255,766	529,999	15,502,922		282,288,687
Plant equipment	107,955,825		2,547,171	(25,119)	110,477,877
Automotive equipment	13,934,844		1,637,199	(626,446)	14,945,597
Plans and studies	16,258,441		186,999		16,445,440
Office equipment	14,188,340		565,082	(46,101)	14,707,321
Total depreciable capital assets	1,393,362,693	3,777,177	43,675,604	(697,666)	1,440,117,808
Less accumulated depreciation for:					
Buildings and improvements	(46,831,996)	(3,940,092)			(50,772,088)
Land improvements	(121,527,704)	(5,183,448)			(126,711,152)
Treatment plants	(448,060,900)	(17,822,691)			(465,883,591)
Sewer lines	(99,627,976)	(5,476,167)			(105,104,143)
Plant equipment	(80,794,003)	(5,594,386)		25,119	(86,363,270)
Automotive equipment	(11,040,203)	(1,103,898)		622,408	(11,521,694)
Plans and studies	(13,390,429)	(169,928)			(13,560,357)
Office equipment	(13,167,724)	(386,528)		46,101	(13,508,152)
Total accumulated depreciation	(834,440,935)	(39,677,139)	-	693,627	(873,424,447)
Total depreciable assets, net	558,921,758	(35,899,962)	43,675,604	(4,039)	566,693,362
Amortizable capital assets:					
Temporary easements	64,905	-	-	-	64,905
Patents	155,252	-	-	-	155,252
Total amortizable capital assets	220,157	-	-	-	220,157
Less accumulated amortization for:					
Temporary easements	(21,094)	(3,245)	-	-	(24,339)
Patents	(76,007)	(9,323)	-	-	(85,330)
Total accumulated amortization	(97,101)	(12,568)	-	-	(109,669)
Total amortizable assets, net	123,056	(12,568)	-	-	110,488
Total capital assets, net	\$ 766,712,023	\$ 48,823,350	\$ -	\$ (3,496,332)	\$ 812,039,041

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(6) Joint Venture

INVESTMENT IN JOINT VENTURE

Investment in joint venture at June 30, 2019	\$ 2,264,083
Investment	26,091
Income (loss) for the year	<u>(77,233)</u>
Investment in joint venture at June 30, 2020	<u>\$ 2,212,941</u>

The Barney Reservoir Joint Ownership Commission (the Commission) was formed to own, operate, and expand the J.W. Barney Reservoir. Ownership of the joint venture is comprised of the District (10%), Tualatin Valley Water District (35%), and the cities of Hillsboro (31%), Forest Grove (2.5%), and Beaverton (21.5%). The Commission is governed by one member from each entity. The operating costs of the joint venture are shared by the participating agencies and are reported as an operating expense in the District's Sanitary Sewer Fund. The net position of the Commission continues to decline due to depreciation expense, which is not funded by the joint venture partners. There are no significant projects identified in the 10 year capital plan for the Commission. If future projects are identified by the Commission, the District will include its proportionate share of costs in the annual Capital Improvement Plan. The District's year-end equity investment in the Commission was \$2,212,941.

Financial statements for the Commission may be obtained from the City of Hillsboro, Finance Department at 150 East Main Street, Hillsboro, Oregon, 97123.

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(7) Bonds Payable

The details of the individual bond issues are as follows:

Bonds	Issue Date	Original Issue	Installment Payments	Pledged for Repayment	Purpose	Interest Rates
Sewer Revenue Bonds:						
2009 Series A Senior Lien	03/25/09	\$ 58,755,000	Annually through 2028	Net sewer revenue	Sewer capital improvement	3.0-5.25%
2010 Series B Senior Lien	04/28/10	90,260,000	Annually through 2036	Net sewer revenue	Sewer capital improvement	3.97-5.801%
2011 Series A Senior Lien	08/24/11	30,255,000	Annually through 2022	Net sewer revenue	Refunding	2.0-5.0%
2011 Series B Senior Lien	08/24/11	50,000,000	Annually through 2033	Net sewer revenue	Sewer capital improvement	2.5-5.0%
2016 Series A Senior Lien	10/13/16	33,225,000	Annually through 2028	Net sewer revenue	Refunding	5.00%
Revenue Pension Bonds:						
2004 Series	05/27/04	15,990,000	Annually through 2028	Gross sewer revenue	Pension liability	4.596-6.095%
		<u>\$ 278,485,000</u>				

Net bond principal transactions for the year ended June 30, 2020 are as follows:

Bonds	Outstanding June 30, 2019	Issued	Matured and Paid	Outstanding June 30, 2020	Due within one year	Long-term portion
Sewer Revenue:						
2009 Series A	\$ 3,290,000	\$ -	\$ 3,290,000	\$ -	\$ -	\$ -
2010 Series B	80,100,000	-	3,575,000	76,525,000	3,680,000	72,845,000
2011 Series A	10,635,000	-	3,375,000	7,260,000	3,540,000	3,720,000
2011 Series B	39,220,000	-	2,060,000	37,160,000	2,165,000	34,995,000
2016 Series A	33,225,000	-	-	33,225,000	3,180,000	30,045,000
Revenue Pension:						
2004 Series	12,015,000	-	870,000	11,145,000	990,000	10,155,000
Unamortized premiums	7,578,949	-	1,685,766	5,893,183	1,406,125	4,487,058
	<u>\$ 186,063,949</u>	<u>\$ -</u>	<u>\$ 14,855,766</u>	<u>\$ 171,208,183</u>	<u>\$ 14,961,125</u>	<u>\$ 156,247,058</u>

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Future maturities of bond principal and interest at June 30, 2020 are as follows:

Fiscal Year	2010B	2011A	2011B	2016	Total Sewer Revenue Bonds	2004 Revenue Pension Bonds	Total Principal
Principal							
2021	\$ 3,680,000	\$ 3,540,000	\$ 2,165,000	\$ 3,180,000	\$ 12,565,000	\$ 990,000	\$ 13,555,000
2022	3,790,000	3,720,000	2,275,000	3,340,000	13,125,000	1,125,000	14,250,000
2023	3,905,000	-	2,380,000	3,515,000	9,800,000	1,265,000	11,065,000
2024	4,030,000	-	2,475,000	3,690,000	10,195,000	1,415,000	11,610,000
2025	4,160,000	-	2,590,000	3,880,000	10,630,000	1,585,000	12,215,000
2026-2030	23,085,000	-	14,835,000	15,620,000	53,540,000	4,765,000	58,305,000
2031-2035	27,695,000	-	10,440,000	-	38,135,000	-	38,135,000
2036-2040	6,180,000	-	-	-	6,180,000	-	6,180,000
	<u>76,525,000</u>	<u>7,260,000</u>	<u>37,160,000</u>	<u>33,225,000</u>	<u>154,170,000</u>	<u>11,145,000</u>	<u>165,315,000</u>
Bond premium	-	167,863	1,587,696	4,137,624	5,893,183	-	5,893,183
Bonds payable, net	<u>\$ 76,525,000</u>	<u>\$ 7,427,863</u>	<u>\$ 38,747,696</u>	<u>\$ 37,362,624</u>	<u>\$ 160,063,183</u>	<u>\$ 11,145,000</u>	<u>\$ 171,208,183</u>

Fiscal Year	2010B	2011A	2011B	2016A	Total Sewer Revenue Bonds	2004 Revenue Pension Bonds	Total Interest
Interest							
2021	\$ 4,120,447	\$ 274,500	\$ 1,529,825	\$ 1,581,750	\$ 7,506,522	\$ 676,584	\$ 8,183,106
2022	3,945,696	93,000	1,418,825	1,418,750	6,876,271	617,035	7,493,306
2023	3,761,834	-	1,314,350	1,247,375	6,323,559	549,367	6,872,926
2024	3,567,261	-	1,217,250	1,067,250	5,851,761	473,277	6,325,038
2025	3,361,332	-	1,103,000	878,000	5,342,332	387,033	5,729,365
2026-2030	13,174,127	-	3,633,325	1,467,000	18,274,452	536,663	18,811,115
2031-2035	5,924,747	-	637,600	-	6,562,347	-	6,562,347
2036-2040	179,251	-	-	-	179,251	-	179,251
	<u>38,034,695</u>	<u>367,500</u>	<u>10,854,175</u>	<u>7,660,125</u>	<u>56,916,495</u>	<u>3,239,959</u>	<u>60,156,454</u>
Total Principal and Interest	<u>\$ 114,559,695</u>	<u>\$ 7,627,500</u>	<u>\$ 48,014,175</u>	<u>\$ 40,885,125</u>	<u>\$ 211,086,495</u>	<u>\$ 14,384,959</u>	<u>\$ 225,471,454</u>

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Legal Debt Margin

The District's legal debt limitation, as defined by Oregon Revised Statutes 451.545, shall not exceed 13 percent of the true cash value of all property assessed within the District's boundaries. The limitation applies to the aggregate of all outstanding General Obligation Bonds. The legal debt limit and debt margin for the District are both \$14.5 billion at June 30, 2020, because the District had no outstanding general obligation debt.

Revenue bonds

The District issued revenue bonds in accordance with ORS 451.545. The District's revenue bonds are payable exclusively from the District's net sewer revenue as define in the bond indenture agreement. The bond indenture agreements requires the District to maintain net operating revenues, as defined in the indenture agreements, in each fiscal year at least equal to 1.2 times annual debt service on the Senior Lien Bonds and 1.1 times annual debt service on the Subordinate Lien Bonds and to maintain adequate insurance on the facilities. Additionally, the bond indenture agreements establish that bonds are secured by a pledge from the District to maintain separate Senior Lien and Subordinate Lien reserve accounts in an amount equal to annual debt service for each class of bonds. The District has fulfilled the reserve requirements by funding reserves with debt proceeds for the Series 2009A issued in fiscal year 2009, the Series 2010A and 2010B issued in fiscal year 2010, and the Series 2011B issued in fiscal year 2011, of \$5.3 million, \$0.6 million, \$5.8 million, and \$1.8 million, respectively. No reserves were required for the Series 2016A refunding bonds issued in October 2016 and reserves for the Series 2009A of \$1.97 million were released to advance refund the debt. The District is in compliance with its bond covenants as of and for the fiscal year ended June 30, 2020.

Future pledged revenues for outstanding revenues bonds are as follows:

Issue	Purpose	Revenue Stream	For the Year Ending June 30, of Final Payments	Future Pledged Revenue Debt Outstanding	Revenue, Net of Related Expenses for the Year Ended June 30, 2020	For the Year Ended June 30, 2020 Debt (P&I) Payments
2009 Series A	Sewer capital improvement	Net sewer revenue	2029	\$ -	\$ 98,808,402	\$ 3,372,250
2010 Series B	Sewer capital improvement	Net sewer revenue	2036	76,525,000	*	7,861,540
2011 Series A	Refunding	Net sewer revenue	2022	7,260,000	*	3,822,375
2011 Series B	Sewer capital improvement	Net sewer revenue	2033	37,160,000	*	3,695,450
2016 Series A	Refunding	Net sewer revenue	2029	33,225,000	*	1,661,250
				<u>\$ 154,170,000</u>	<u>\$ 98,808,402</u>	<u>\$ 20,412,865</u>

* same revenue source pledged for all six bond series outstanding

Build America Bonds

The District issued \$99,155,000 in Senior Lien Sewer Revenue Bonds in fiscal year 2010 including \$8,895,000 in tax exempt Series 2010A and \$90,260,000 in federally taxable Series 2010B. The Series 2010B Bonds are issued as "Build America Bonds" (BABs) and are eligible under current federal law for a 35% interest subsidy. The District is not able to reduce the annual debt service or maximum annual debt service by the amount of the interest subsidies received for purposes of determining compliance with the District's rate covenant and the tests for issuing additional Senior Lien Parity Obligations.

The federal interest subsidy was reduced by 6.2% and 5.9% for the October 1, 2019 and April 1, 2020 bond interest payments, respectively, which reduced the subsidy by approximately \$90,810. The total reduction in subsidy payments to-date has been \$785,385. This was in response to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985. The District will receive Federal subsidy payments totaling approximately \$13.3 million over the remaining life of the issue. This subsidy may be reduced in the future based on federal balanced budget constraints.

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Pension related debt

The revenue pension bond agreement issued in May 2004 requires debt service to be paid from gross sewer revenues. Accordingly, debt service for these bonds will be treated as operating expenses in determining debt service coverage in future periods.

Defeased debt

In prior years, the District defeased certain bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the related liability for those defeased bonds are not included in the District's financial statements. As of June 30, 2020, \$35,160,000 of bonds outstanding are considered defeased.

(8) Deferred compensation plan

During 1977 the District adopted, and has made subsequent amendments to, the Clean Water Services Deferred Compensation Plan. This plan is created in accordance with IRS code section 457(b), and was most recently amended and restated effective June 26, 2012. The Chief Executive Officer and the Risk and Benefits Manager of the District are the Trustee and Administrators of the plan. Plan contributions and assets are set aside in trust, with the custodial trustee and administrator, Empower Retirement, for the exclusive benefit of participants and beneficiaries.

The plan generally covers any full-time employee working 37.5 or more hours per week, and any regular part-time employee working fewer than 40 hours per week. The plan permits participating employees to contribute up to 100% of gross pay or the statutorily prescribed annual dollar limit whichever is smaller. The District may, at its discretion, make employer contributions. The District's plan as currently adopted does not provide for employer contributions. Plan contributions and earnings thereon are available to participating employees upon termination of employment, retirement, death, or unforeseen emergency.

Contributions from plan members during fiscal year 2020 were \$1,822,808.

(9) Pension Plan

Plan Description

Substantially all District employees are members in the Oregon Public Employees Retirement System (OPERS); a cost-sharing, multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A).

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses.

OPERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

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Benefits Provided

Tier One/Tier Two Retirement Benefit

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

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

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

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

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

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

OPSRP Pension Program

Pension Benefits. The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by formula for members who attain normal retirement age. For general service members, 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire

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member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

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

Benefit Changes after Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The District's contribution rates for the fiscal year ended June 30, 2020 were 20.34% for Tier One/Tier Two member and 13.67% for OPSRP General Service members. The District's total contributions were \$7,182,145. Covered employees are required to contribute 6% of their annual covered salary to the Plan.

OPSRP Individual Account Program (IAP)

Pension Benefits. Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

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

Contributions. District employees pay the 6% contribution to the plan.

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Recordkeeping. OPERS contract with VOYA Financial to maintain IAP participant records.

Pension Assets, Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$39,018,120 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.22556949%, which decreased by .05464% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$11,352,816. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow/(Inflows) of Resources
Differences between expected and actual experience	\$ 2,151,734	\$ -	\$ 2,151,734
Changes of assumptions	5,293,253	-	5,293,253
Net difference between projected and actual earnings on investments	-	1,106,124	(1,106,124)
Change in proportionate share	1,071,443	5,255,002	(4,183,559)
Differences between District contributions and proportionate share of	12,042,957	337,886	11,705,071
Total (prior to post-measurement date contributions)	20,559,387	6,699,012	13,860,375
District contributions made subsequent to the measurement date	7,182,145	-	7,182,145
Side account funded during the period	2,252,438		2,252,438
Amortization of side account during period	(2,995,427)		(2,995,427)
Total deferred outflows/(inflows) of resources	\$ 26,998,543	\$ 6,699,012	\$ 20,299,531

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Deferred outflows of resources related to pensions of \$7,182,145 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Deferred outflow related to pensions of \$2,252,438 resulting from the award of matching Employer Incentive Fund (EIF) Program funds subsequent to measurement date were added to the existing side account and will be amortized over the remaining period, which is set to fully amortize as of December 31, 2037. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$	5,558,170
2022		2,316,532
2023		2,988,618
2024		2,601,468
2025		395,587
Total	\$	<u>13,860,375</u>

Actuarial Methods and Assumptions

The employer contribution rates effective July 1, 2019, through June 20, 2021, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

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

Valuation date	December 31, 2017
Measurement date	June 30, 2019
Experience study	2016, published July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.5%
Long-term expected rate of return	7.2%
Discount rate	7.2%
Projected salary increases	3.5%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.

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Mortality

Healthy retirees and beneficiaries:

RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Active members:

RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Disabled retirees:

RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion Date Projections

GASB 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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The following circumstances justify an alternative evaluation of sufficiency for the Plan:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	32.5	42.5	37.5
Real Estate	9.5	15.5	12.5
Private Equity	14.0	21.0	17.5
Alternative Equity	-	12.5	12.5
Opportunity Portfolio	-	3.0	-
Total			<u>100.0 %</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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Long-Term Expected Rate of Return

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

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.0%	3.5%
Short-Term Bonds	8.0%	3.4%
Bank/Leveraged Loans	3.0%	5.1%
High Yield Bonds	1.0%	6.5%
Large/Mid Cap US Equities	15.8%	6.3%
Small Cap US Equities	1.3%	6.7%
Micro Cap US Equities	1.3%	6.8%
Developed Foreign Equities	13.1%	6.7%
Emerging Market Equities	4.1%	7.5%
Non-US Small Cap Equities	1.9%	7.0%
Private Equity	17.5%	7.8%
Real Estate (Property)	10.0%	5.5%
Real Estate (REITS)	2.5%	6.4%
Hedge Funds of Funds - Diversified	2.5%	4.1%
Hedge Fund - Event-driven	0.6%	5.9%
Timber	1.9%	5.6%
Farmland	1.9%	6.2%
Infrastructure	3.8%	6.6%
Commodities	1.9%	3.8%
Total	100.0%	
Assumed Inflation - Mean		2.5%

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Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.2%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
District's proportionate share of the net pension liability	\$ 62,484,057	\$ 39,018,120	\$ 19,380,363

Pension Plan Fiduciary Net Position

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Legislature and Governor approved Senate Bill 1049 during the 2019 Legislative Session. The elements of the bill included a variety of policy and program changes which will affect the District's pension plan. Most prominent are a one-time 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. The effect of SB 1049 could reduce the District's pension liability. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The Oregon Supreme Court upheld the legislation on August 6, 2020.

Changes in Actuarial Methods and Assumptions

A summary of key changes implemented since the December 31, 2017 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published in July 2019, and can be found at: https://www.oregon.gov/PERS/Documents/Exp_Study_2018.pdf.

Allocation of Liability for Service Segments

For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2016 and December 31, 2017 valuations, the Money Match was weighted 15% for General Service members. For the December 31, 2018 and December 31, 2019 valuations, this weighting has been adjusted to 10% for General Service members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

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Changes in Economic Assumptions

Administrative Expenses. The administrative expense assumptions were updated to \$32.5 million per year for Tier 1/Tier 2 and \$8.0 million for OPSRP. Previously these were assumed to be \$37.5 million per year and \$6.5 million per year, respectively.

Healthcare Cost Inflation. The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2022 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Annuitant Mortality Base Tables. The healthy annuitant mortality base tables were updated to Pub-2010 generational Healthy Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP2014 generational Healthy Annuitant mortality tables with group-specific class and setback adjustments.

Disabled Mortality Base Tables. The disabled mortality base tables were updated to Pub-2010 generational Disabled Retiree mortality tables with group-specific job categories and setback adjustments. Previously they were based on RP2014 generational Disabled Retiree mortality tables.

Non-Annuitant Mortality Base Tables. Non-annuitant mortality base tables were updated to Pub-2010 generational mortality tables with the same group-specific job categories and setback adjustments as for healthy annuitants and with an additional scaling factor adjustment for certain subgroups. Previously they were based on RP2014 generational Employee mortality tables with the same group-specific collar and setback adjustments as for healthy annuitants.

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(10) Postemployment Benefits Other than Pensions (OPEB)

The other postemployment benefits (OPEB) for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums and a contribution to the Oregon Public Employees Retirement System (OPERS) Retiree Health Insurance Account (RHIA).

Financial Statement Presentation

The District's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Healthcare Implicit Rate Subsidy Plan	OPERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 657,949	\$ 657,949
Deferred Outflows of Resources			
Contributions After the Measurement Date	\$ -	\$ 7,090	\$ 7,090
Difference between expected and actual experience	134,900		134,900
Change in assumptions	66,707		66,707
Total Deferred Outflows of Resources	\$ 201,607	\$ 7,090	\$ 208,697
Net OPEB Liability	\$ (1,306,598)		\$ (1,306,598)
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ (86,764)	\$ (86,764)
Change in assumptions	-	(682)	(682)
Net difference between projected and actual earnings on investments	-	(40,612)	(40,612)
Changes in proportionate share	-	(23,081)	(23,081)
Total Deferred Inflows of Resources	\$ -	\$ (151,139)	\$ (151,139)

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(a) Postemployment Healthcare Implicit Subsidy Plan

Plan Description

The District offers health benefits to retirees under age 65 as well as their qualified dependents at the same rate provided to current employees, as required by Oregon Revised Statutes 243.303. Retirees electing to remain on the District sponsored health plans pay the entire premium for that coverage in order to maintain coverage. Even though the District does not pay any portion of the retiree premium, there is an implicit rate subsidy with respect to retired employees because the medical premium rates charged are less than they would be if the retirees were in a separately rated health plan. Actual medical premium rates are determined by blending both active employee and retiree experience. This “plan” is a single-employer plan and is not a stand-alone plan, and therefore, does not issue its own financial statements. No formal/legal trust has been established for the handling of resources used to fund this benefit.

Benefits Provided

The District collects insurance premiums from all retirees each month. The District then pays the health insurance premiums for all retirees at the blended rate for each family classification. The required contributions to the plan include the entity’s pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary.

For fiscal year 2020, the District contributed \$118,744 consisting of retiree payments. The District has elected to not prefund the actuarially determined future cost amount of \$1,306,598.

As of the valuation date of July 1, 2019, the following employees were covered by the benefit terms:

Participant Counts

Number of active participants	150
Number of inactive participants	11
	<u>161</u>

Participant Statistics

Active Participants	
Average age	49.9
Average service	12.3
Inactive Participants	
Average age	62.5

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District’s total OPEB liability of \$1,306,598 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. For the fiscal year ended June 30, 2020, the District recognized OPEB expense from this plan of \$66,898.

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Changes in the Total OPEB Liability

Balance at 6/30/19	\$ 1,046,005
Changes for the year:	
Service cost	52,349
Interest	39,934
Differences between expected and actual experience	157,383
Changes in assumptions or other inputs	77,825
Benefit payments	(66,898)
Net changes	260,593
Balance at 06/30/20	<u>\$ 1,306,598</u>

For the fiscal year ended June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 134,900
Changes of assumptions or other inputs	66,707
Total	<u>\$ 201,607</u>

Deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2021	\$	33,601
2022	\$	33,601
2023	\$	33,601
2024	\$	33,601
2025	\$	33,601
Thereafter		33,602
Total	\$	<u>201,607</u>

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Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB Liability	\$ 1,396,714	\$ 1,306,598	\$ 1,220,238

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease (5.30% Graded Down to 3.50%)	Current Trend Rate (6.30 Graded Down to 4.50%)	1% Increase (7.30% Graded Down to 5.50%)
Total OPEB Liability	\$ 1,163,836	\$ 1,306,598	\$ 1,472,321

Actuarial Assumptions and Other Input

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal, level percent of salary
Interest Rate for Discounting Future Liabilities	2.25% per year, based on all years discounted at municipal bond rate.
General Inflation	2.5% per year.
Payroll Growth	3.5% per year.
Annual Premium Rate Increase	Declining rate starting at 6.30% in 2020 and ending at 4.5% in 2038 and beyond.
Mortality Rates	General Service and Beneficiary table: Pub-2010 General Employees table, separate Employee/Healthy Annuitant, sex distinct, generational, setback 12 months for males, no setback for females.

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	Mortality rates for active male participants are 115% of the above rates, and for active female participants are 125% of the above rates
	Improvement Scale: Unisex Social Security Data Scale (60 year average)
Turnover Rates	As developed for the valuation of benefits under Oregon PERS.
Disability Rates	As developed for the valuation of benefits under Oregon PERS.
Retirement Rates	As developed for the valuation of benefits under Oregon PERS.
Participation	80% of future Non-Represented retirees and dependents are assumed to participate.
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled, if any.
Marital Status	70% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees.
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit subsidy.
Health Care Claims Costs	2019-20 claims costs for an age 64 retiree or spouse are assumed to be \$12,396 for Kaiser and \$11,742 for Providence.
Aging Factors	Aging factors are used to adjust the age 64 per capita claims cost.
Dental and Vision Costs	We have assumed no implicit subsidy due to dental or vision costs.

Changes since the prior actuarial valuation include:

- The interest rate for discounting future liabilities was changed to reflect current municipal bond rates.
- Premium increase rates were modified to better reflect anticipated experience
- Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for OPERS.

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(b) OPERS Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other post-employment benefit plan administered by OPERS. Oregon Revised Statute (ORS) 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. The plan is closed to new entrants hired on or after August 29, 2003. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling 1-888-320-7377, or by accessing the OPERS web site at <https://oregon.gov/PERS/>.

Benefits Provided

RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan is closed to new entrants after January 1, 2004. To be eligible to receive this monthly payment towards the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Part A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The District's contractually required contribution rate, expressed as a percentage of covered payroll, for the year ended June 30, 2020, were 0.06% for Tier One/Tier Two members, and 0.0% for OPSRP members. These contributions are actuarially determined and are intended to accumulate sufficient assets to pay benefits when due. The District's total contributions for the year ended June 30, 2020 was \$7,090. Employees are not required to contribute to the OPEB plan.

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OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported an asset of \$657,949 for its proportionate share of the OPRS RHIA net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2019, the District's proportionate share was .3405%, which is an increase from its proportion of .3014% as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB income from this plan of \$97,061. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows(Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 86,764	\$ (86,764)
Changes of assumptions	-	682	(682)
Net difference between projected and actual earnings on	-	40,612	(40,612)
Changes in proportionate share	-	23,081	(23,081)
Total (prior to post-measurement date contributions)	-	151,139	(151,139)
District contributions made subsequent to the measurement date	7,090	-	7,090
Net deferred outflow/(inflows) of resources	\$ 7,090	\$ 151,139	\$ (144,049)

Deferred outflows of resources related to OPEB of \$7,090 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ (77,309)
2022	(69,477)
2023	(8,535)
2024	4,182
Total	<u>\$ (151,139)</u>

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Actuarial Methods and Assumptions

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

Valuation date	December 31, 2017
Measurement date	June 30, 2019
Experience study	2016, published July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.5%
Long-term expected rate of return	7.2%
Discount rate	7.2%
Projected salary increases	3.5%
Retiree healthcare participation	Healthy retirees 35%; Disabled retirees 20%
Healthcare cost trend rate	Not applicable
Mortality	<p>Healthy retirees and beneficiaries:</p> <p>RP-2014 Healthy annuitant, Sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments, and set-backs as described in the valuation.</p> <p>Active members:</p> <p>RP-2014 Employees, Sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments, and set-backs as described in the valuation.</p> <p>Disabled retirees:</p> <p>RP-2014 Disabled retirees, Sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual

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revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study, which reviewed experience for the four-year period ending on December 31, 2016.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 7.20% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those contributing employers are made at contractually required rates, actuarially determined. Based on this assumption, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Depletion Date Projections

GASB Statement No. 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	32.5	42.5	37.5
Real Estate	9.5	15.5	12.5
Private Equity	14.0	21.0	17.5
Alternative Equity	-	12.5	12.5
Opportunity Portfolio	-	3.0	-
Total			<u>100.0 %</u>

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption was based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.0%	3.5%
Short-Term Bonds	8.0%	3.4%
Bank/Leveraged Loans	3.0%	5.1%
High Yield Bonds	1.0%	6.5%
Large/Mid Cap US Equities	15.8%	6.3%
Small Cap US Equities	1.3%	6.7%
Micro Cap US Equities	1.3%	6.8%
Developed Foreign Equities	13.1%	6.7%
Emerging Market Equities	4.1%	7.5%
Non-US Small Cap Equities	1.9%	7.0%
Private Equity	17.5%	7.8%
Real Estate (Property)	10.0%	5.5%
Real Estate (REITS)	2.5%	6.4%
Hedge Funds of Funds - Diversified	2.5%	4.1%
Hedge Fund - Event-driven	0.6%	5.9%
Timber	1.9%	5.6%
Farmland	1.9%	6.2%
Infrastructure	3.8%	6.6%
Commodities	1.9%	3.8%
Total	100.0%	
Assumed Inflation - Mean		2.5%

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability/(asset), as well what the District's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net OPEB Liability(Asset)	\$ (510,080)	\$ (657,949)	\$ (783,943)

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premium. Consequently, disclosure of a healthcare cost trend analysis is not applicable.

OPEB Plan Fiduciary Net Position

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

(11) Risk Management/Insured Risks and Captive Insurance

It is the policy of the District to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The District currently utilizes two government entity self-insured risk pools through Special Districts Association of Oregon (SDAO) for its workers' compensation and liability insurance. The District purchases a commercial insurance policy for all-risk property coverage. The District has earmarked approximately \$5.4 million of its unrestricted net assets for future uninsured risks at June 30, 2019. The District funds self-insurance retention reserves through the Captive.

The Captive was formed under the laws of the State of Hawaii as single member Limited Liability Company (LLC) captive insurance company pursuant to Chapter 428 and Article 19 of Chapter 431 of the Hawaii Revised Statutes. The Captive received its Certificate of Authority from the Hawaii Insurance Division on June 30, 2016, and operations commenced on July 1, 2016. The Certificate of Authority enables the Captive to operate as a captive insurance company in the State of Hawaii. The District is the sole member of the Captive. Insurance exposures covered by the Captive will include the non-represented employee self-insurance dental and vision plans, general liability self-insured retention of \$50,000, automobile liability self-insured retention of \$50,000, property damage self-insured retention of \$5 million, and uninsured risk within these categories up to policy limits.

The District's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. Management believes the reserve for losses and loss adjustment expenses is adequate. The estimates are continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; such adjustments are included in current operations. During the past three years, there were no settlements which exceeded insurance coverage and no significant reduction in coverage in the last year.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

Changes in the balances of the District's accrued self-insurance during fiscal years 2019 and 2020 are as follows:

	2019	2020
Balance as of July 1	\$ 568,614	\$ 1,033,335
Incurring related to		
Current period	958,778	532,789
Total incurred	<u>958,778</u>	<u>532,789</u>
Paid related to		
Current period	(494,057)	(1,091,318)
Total paid	<u>(494,057)</u>	<u>(1,091,318)</u>
Balance at June 30	<u>\$ 1,033,335</u>	<u>\$ 474,806</u>

(12) Net Position

Net position represents the difference between assets and liabilities. The components of net position at June 30, 2020 were as follows:

Net Investment in Capital Assets:	
Net capital assets in service	\$ 812,039,341
Less:	
Revenues bonds payable, net	(157,242,494)
Accounts payable for capital assets	<u>(8,329,788)</u>
	<u>\$ 646,467,060</u>
Restricted for Capital Acquisition and Debt Service:	
Total Restricted Net Position-due to enabling legislation	\$ 29,992,934
Total Restricted Net Position-other	109,264,213
Total Restricted Net Position-CWIC captive insurance	250,000
Total Restricted Net Position	<u>139,507,147</u>
Deductions	
Liabilities payable from restricted net position proceeds-enabling legislation	(9,940)
Liabilities payable from restricted net position proceeds-other	<u>(10,067,767)</u>
Liabilities payable from restricted net position proceeds	<u>(10,077,707)</u>
Restricted Net Position-due to enabling legislation	29,982,994
Restricted Net Position-other	99,196,446
Total Restricted Net Position-CWIC captive insurance	250,000
Restricted Net Position	<u>\$ 129,429,440</u>

The Hawaii Insurance Division established certain minimum capital and surplus requirements for the Captive which are required to be maintained at all times. The minimum was set at \$250,000 at formation. As of June 30, 2020, the Captive was in compliance with the minimum capital and surplus requirements of the State of Hawaii.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(13) Related Party Transactions

Washington County performs certain fiscal and accounting services, partnering in capital projects and provides certain facility related services, for which the District was charged approximately \$1,723,090 during fiscal 2020.

On April 16, 2013, the District entered into an Operating Agreement with the Clean Water Institute (CWI). Under the Operating Agreement, the District may provide resources to conduct work for CWI. Upon mutual agreement, the District and CWI may enter into agreements which shall describe the particular scope of services to be performed by the District for CWI. The District may also provide staff and resources to provide administrative support to CWI and charge CWI for such support. The District has billed CWI \$45,131 and CWI has billed District \$4,747 for such services under the Operating Agreement for fiscal year ended June 30, 2019.

On October 26, 2010, the District entered into a loan agreement with CWI. The agreement allows for loans and/or advances from the District to CWI of up to \$400,000 over the following four fiscal years. The agreement was subsequently amended to extend the agreement term and repayment of principal and interest to July 1, 2020. Interest on outstanding loan balances due from CWI to the District are calculated monthly and based on 1.1 times the average monthly Oregon Local Government Investment Pool (LGIP) rates. During fiscal year 2020, CWI was charged \$2,306 in interest and made payments totaling \$97,195 to pay the loan in full.

On September 21, 2010, the District entered into an Assignment Agreement with CWI, which assigned certain intellectual property rights to CWI. The agreement requires CWI to share future revenues generated from the licensing of these intellectual property rights with the District. Per this agreement, all revenues associated with the agreement received by CWI shall first be applied to repay the loan amounts to the District and any revenues in excess of the loan amount will be shared equally between CWI and the District. The Assignment Agreement was amended on June 19, 2018, changing the allocation of revenues associated with the intellectual property. Revenues received by CWI shall be shared equally (50% CWS and 50% CWI). CWS will apply their 50% share of revenue toward outstanding CWI loan balance until fully paid. CWI will retain their 50% share for operating capital or apply to the loan balance outstanding. In accordance with the agreement, CWI has remitted proceeds of \$13,254 to the District in fiscal year 2020 which were applied against the loan balance referenced above.

Clean Water Insurance Company began operations July 1, 2016. The District paid dental premiums of \$264,030, vision premiums of \$31,738 and auto, general liability and property insurance premiums totaling \$729,960 during fiscal year 2020. CWIC reimbursed the District for claims filed totaling \$213,869 during fiscal year 2020.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(14) Commitments and Contingencies

The District is committed for approximately \$65.5 million for various construction projects and other significant commitments at June 30, 2020. The District plans to finance these projects using existing resources.

(15) Operating Leases

The District leases various equipment, buildings and land under cancelable and non-cancelable operating leases. Total costs for such leases were approximately \$57,915 for the year ended June 30, 2020. The future approximate minimum lease payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 56,078
2022	57,915
2023	57,915
2024	<u>57,915</u>
Total	\$ <u>229,823</u>

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(16) Segment Information

The Sanitary Sewer Segment accounts for the provision of sanitary sewer services within the Tualatin River Drainage Basin.

Segment information as of and for the year ended June 30, 2020 is as follows:

<u>Condensed Statements of Net Position</u>	
	<u>Sanitary Sewer</u>
Assets:	
Current assets	\$ 184,143,804
Noncurrent assets	834,803,549
Total assets	1,018,947,353
Deferred outflow of resources	30,027,929
Total assets and deferred outflow of resources	1,048,975,282
Liabilities:	
Current liabilities	35,018,449
Noncurrent liabilities	196,571,776
Total liabilities	231,590,225
Deferred inflow of resources	6,850,151
Total liabilities and deferred inflow of resources	238,440,376
Net position:	
Net investment in capital assets	541,113,131
Restricted net assets	108,402,697
Unrestricted	161,019,078
Total net position	\$ 810,534,906

<u>Condensed Statements of Revenues, Expenses and Changes in Net Position</u>	
Operating revenues	\$ 138,357,610
Depreciation and amortization	(34,210,901)
Other operating expenses	(66,481,634)
Operating income (loss)	37,665,075
Nonoperating revenues (expenses):	
Investment income	10,498,566
Interest on assessment and contracts	65,121
Net loss on disposal of capital assets	(70,770)
Loss on equity in joint venture	(51,142)
Interest expense	(7,402,484)
PERS employer incentive payment	2,252,438
Capital donations - intergovernmental agreements	(3,313,546)
Total nonoperating revenues (expenses)	1,978,183
Capital contributions	22,852,926
Change in net position	62,496,184
Net position, beginning of year	748,038,722
Net position, end of year	\$ 810,534,906

<u>Condensed Statements of Cash Flows</u>	
Cash flows from:	
Operating activities	\$ 80,036,214
Non-capital financing activities	(1,594,157)
Capital and related financing activities	(83,994,668)
Investment activities	10,496,505
Net increase	4,943,894
Beginning cash and investments	280,658,078
Ending cash and investments	\$ 285,601,972

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

(17) Subsequent Event

Management has evaluated subsequent events through December 30, 2020, the date on which the financial statements were available to be issued.

COVID-19

During the year ended June 30, 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to address a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the District is unknown.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CLEAN WATER SERVICES

Schedule of the Changes in the Total OPEB Liability and Related Ratios Last Three Fiscal Years*

	2020	2019	2018
Total OPEB liability			
Service Cost	\$ 52,349	50,579	50,579
Interest	39,934	38,571	38,476
Differences between expected and actual experience	157,383	-	-
Changes of assumption or other input	77,825		
Benefit Payments	(66,898)	(92,814)	(80,238)
Net change in total OPEB liability	260,593	(3,664)	8,817
Total OPEB liability - beginning	1,046,005	1,049,669	1,040,852
Total OPEB liability - ending	<u>\$ 1,306,598</u>	<u>1,046,005</u>	<u>1,049,669</u>
Covered employee payroll	\$ 31,726,791	29,275,000	28,354,391
Total OPEB liability as a percentage of covered employee payroll	4.12%	3.57%	3.70%

*

Fiscal year 2018 was the first year that the new reporting requirements of GASB 75 were implemented at the District. This schedule is required to illustrate 10-years of information. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Notes to Required Supplementary Information

Changes of Assumptions since the prior actuarial valuation include:

- 1) The interest rate for discounting future liabilities was changed to reflect current municipal bond rates.
- 2) Premium increase rates were modified to better reflect anticipated experience.
- 3) Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon OPERS.

Source: Independent Actuaries actuarial report and District data.

CLEAN WATER SERVICES

Schedule of Contributions RHIA OPEB Plan Last Four Fiscal Years*

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2020	\$ 7,090	\$ 7,090	\$ -	\$ 33,706,616	0.02%
2019	\$ 168,753	\$ 168,753	\$ -	\$ 30,958,048	0.55%
2018	\$ 145,947	\$ 145,947	\$ -	\$ 30,582,927	0.48%
2017	\$ 140,760	\$ 140,760	\$ -	\$ 29,042,050	0.48%

* Fiscal year 2018 was the first year that the new reporting requirements of GASB 75 were implemented at the District. This schedule is required to illustrate 10-years of information. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Notes to Required Supplementary Information

Changes of Assumptions since the prior actuarial valuation include:

The assumed average annual future long-term investment return was 7.2%.

Assumed administrative expenses were updated for both Tier 1/Tier 2 and OPSRP. Mortality assumptions were changed to reflect updated base tables and mortality improvement projection scales for all groups.

Termination, disability and retirement rates were updated for some groups to more closely match observed experience.

CLEAN WATER SERVICES

Schedule of Proportionate Share of the Net RHIA OPEB Liability (Asset) Last Four Fiscal Years*

Year Ended June 30,	(b/c) District's				
	(a) District's proportion of the net OPEB liability (asset)	(b) District's proportionate share of the net OPEB liability (asset)	(c) District's covered payroll	proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.34048952%	\$ (657,949)	\$ 30,958,048	-2.13%	144.38%
2019	0.30141670%	\$ (336,463)	\$ 30,582,927	-1.10%	124.00%
2018	0.28273209%	\$ (117,996)	\$ 29,042,050	-0.41%	108.90%
2017	0.28316064%	\$ 76,896	\$ 27,123,860	0.28%	94.20%

*

Fiscal year 2018 was the first year that the new reporting requirements of GASB 75 were implemented at the District. This schedule is required to illustrate 10-years of information. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CLEAN WATER SERVICES

Schedule of Statutorily Required Contributions Pension Plan Last Seven Fiscal Years*

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2020	\$ 7,182,145	\$ 7,182,145	\$ -	\$ 33,706,616	21.31%
2019	\$ 5,401,602	\$ 5,401,602	\$ -	\$ 30,958,048	17.45%
2018	\$ 3,699,064	\$ 3,699,064	\$ -	\$ 30,582,927	12.10%
2017	\$ 2,543,871	\$ 2,543,871	\$ -	\$ 29,042,050	8.76%
2016	\$ 2,372,887	\$ 2,372,887	\$ -	\$ 27,123,860	8.75%
2015	\$ 1,793,128	\$ 1,700,572	\$ 92,556	\$ 25,570,409	6.65%
2014	\$ 1,700,572	\$ 1,700,572	\$ -	\$ 24,174,163	7.03%

* Fiscal year 2015 was the first year that the new reporting requirements of GASB 68 were implemented at the District. This schedule is required to illustrate 10-years of information. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Notes to Required Supplementary Information

Changes in Plan Provisions Subsequent to Measurement Date:

The Oregon Legislature and Governor approved Senate Bill 1049 during the 2019 Legislative Session. The elements of the bill included a variety of policy and program changes which will affect the District's pension plan. Most prominent are a one-time 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. The effect of SB 1049 could reduce the District's pension liability. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The Oregon Supreme Court upheld the legislative on August 6, 2020.

Changes in Actuarial Methods and Assumptions:

A summary of key changes implemented since the December 31, 2017 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published in July 2019, and can be found at:

https://www.oregon.gov/PERS/Documents/Exp_Study_2018.pdf.

Allocation of Liability for Service Segments

For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2016 and December 31, 2017 valuations, the Money Match was weighted 15% for General Service members. For the December 31, 2018 and December 31, 2019 valuations, this weighting has been adjusted to 10% for General Service members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions

Administrative Expenses. The administrative expense assumptions were updated to \$32.5 million per year for Tier 1/Tier 2 and \$8.0 million per year for OPSRP. Previously these were assumed to be \$37.5 million per year and \$6.5 million per year, respectively.

Healthcare Cost Inflation. The healthcare cost inflation for the maximum RHIPSA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2020 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Annuitant Mortality Base Table. The healthy annuitant mortality base tables were updated to Pub-2010 generational Healthy Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP2014 generational Healthy Annuitant mortality tables with group-specific class and setback adjustments.

Disabled Mortality Base Tables. The disabled mortality base tables were updated to Pub-2010 generational Disabled Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP2014 generational Disabled Retiree mortality tables.

Non-Annuitant Mortality Base Table. Non-annuitant mortality base tables were updated to Pub-2010 generational mortality tables with the same group-specific job category and setback adjustments as for healthy annuitants, and with an additional scaling factor adjustment for certain subgroups. Previously they were based on RP2014 generational Employee mortality tables with the same group-specific collar and setback adjustments as for healthy annuitants.

CLEAN WATER SERVICES

Schedule of Proportionate Share of the Collective Net Pension Liability (Asset) Last Seven Fiscal Years*

Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.22556949%	\$ 39,018,120	\$ 30,958,048	126.04%	80.23%
2019	0.28021166%	\$ 42,448,376	\$ 30,582,927	138.80%	82.10%
2018	0.27052572%	\$ 36,466,969	\$ 29,042,050	125.57%	83.10%
2017	0.25798970%	\$ 38,730,244	\$ 27,123,860	142.79%	80.53%
2016	0.26132208%	\$ 15,003,706	\$ 25,570,409	58.68%	91.88%
2015	0.25658001%	\$ (5,815,937)	\$ 24,174,163	-24.06%	103.59%
2014	0.25658001%	\$ 13,093,654	\$ 24,141,544	54.24%	91.97%

*

Fiscal year 2015 was the first year that the new reporting requirements of GASB 68 were implemented at the District. This schedule is required to illustrate 10-years of information. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SUPPLEMENTARY INFORMATION

Combining Schedules

CLEAN WATER SERVICES

Combining Schedule of Net Position
June 30, 2020

Assets and Deferred Outflows of Resources	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Current assets (unrestricted):				
Cash and investments	\$ 160,539,412	\$ 22,160,518	\$ 1,338,159	\$ 184,038,089
Accounts receivable (net of allowance for uncollectibles)	17,707,336	2,239,685	360	19,947,381
Materials and supplies inventory	1,735,288	-	-	1,735,288
Prepaid expenses	595,071	-	1,960	597,031
Current assets (restricted):				-
Connection fees receivable	1,413,750	-	-	1,413,750
Contributions receivable from local governments	337,688	66,256	-	403,944
Federal grant receivable	755,864	-	-	755,864
BABs subsidy receivable	1,059,395	-	-	1,059,395
Total current assets	184,143,804	24,466,459	1,340,479	209,950,742
Noncurrent assets (unrestricted):				
Contracts receivable	247,628	-	-	247,628
Capital assets, not being depreciated or amortized:				
Land	17,347,235	-	-	17,347,235
Permanent easements	5,275,757	18,332,613	-	23,608,370
Construction in progress	197,191,652	7,087,934	-	204,279,586
Capital assets, net of accumulated depreciation	486,336,945	80,356,417	-	566,693,362
Intangible assets, net of accumulated amortization	69,923	40,565	-	110,488
Investment in joint venture	2,212,941	-	-	2,212,941
Prepaid expenses	365,217	75,000	-	440,217
Net OPEB asset	657,949	-	-	657,949
Noncurrent assets (restricted):				
Cash and investments	125,062,560	11,375,986	250,000	136,688,546
Contracts receivable	35,742	-	-	35,742
Total noncurrent assets	834,803,549	117,268,515	250,000	952,322,064
Total assets	1,018,947,353	141,734,974	1,590,479	1,162,272,806
Deferred outflows of resources:				
Deferred loss on refunding	2,820,689	-	-	2,820,689
Pension related	26,998,543	-	-	26,998,543
OPEB related	208,697	-	-	208,697
Total assets and deferred outflows of resources	\$ 1,048,975,282	\$ 141,734,974	\$ 1,590,479	\$ 1,192,300,735
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities (unrestricted):				
Accounts payable	\$ 3,491,538	\$ 35,777	\$ 124,987	\$ 3,652,302
Accrued payroll	6,651,262	-	-	6,651,262
Accrued self-insurance	269,231	-	77,738	346,969
Accrued interest payable	1,931,984	-	-	1,931,984
Current portion of bonds payable, net	14,961,125	-	-	14,961,125
Current liabilities (restricted):				
Accounts payable- from restricted assets	7,651,801	432,414	-	8,084,215
Accrued interest payable-from restricted assets	61,508	-	-	61,508
Total current liabilities	35,018,449	468,191	202,725	35,689,365
Noncurrent liabilities (unrestricted):				
Bonds payable, net	156,247,058	-	-	156,247,058
Net pension liability	39,018,120	-	-	39,018,120
Postemployment benefits other than pensions	1,306,598	-	-	1,306,598
Accrued self-insurance	-	-	127,837	127,837
Total noncurrent liabilities	196,571,776	-	127,837	196,699,613
Total liabilities	231,590,225	468,191	330,562	232,388,978
Deferred inflows of resources:				
Pension related	6,699,012	-	-	6,699,012
OPEB related	151,139	-	-	151,139
Total liabilities and deferred inflows of resources	238,440,376	468,191	330,562	239,239,129
Net position:				
Net investment in capital assets	541,113,131	105,353,929	-	646,467,060
Restricted net assets	108,402,697	20,776,743	250,000	129,429,440
Unrestricted	161,019,078	15,136,111	1,009,917	177,165,106
Total net position	810,534,906	141,266,783	1,259,917	953,061,606
Total liabilities, deferred inflows of resources and net position	\$ 1,048,975,282	\$ 141,734,974	\$ 1,590,479	\$ 1,192,300,735

CLEAN WATER SERVICES

Combining Schedule of Revenues, Expenses
and Changes in Net Position
For the year ended June 30, 2020

	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Operating revenues:				
Service fees	\$ 131,536,637	\$ 16,877,168	\$ -	\$ 148,413,805
Other	6,820,973	879,300	1,025,793	8,726,066
Total operating revenues	138,357,610	17,756,468	1,025,793	157,139,871
Operating expenses:				
Labor and fringe benefits	40,785,841	7,764,163	-	48,550,004
Utilities	3,787,263	74,877	-	3,862,140
Professional services	8,810,241	1,089,823	22,906	9,922,970
Supplies	4,123,906	349,448	-	4,473,354
Administrative costs	2,636,478	789,602	117,079	3,543,159
Repairs and maintenance	377,221	45,906	-	423,127
Insurance	2,181,745	204,293	263,558	2,649,596
Chemicals	3,778,939	18,562	-	3,797,501
Depreciation and amortization	34,210,901	5,478,806	-	39,689,707
Total operating expenses	100,692,535	15,815,480	403,543	116,911,558
Operating income (loss)	37,665,075	1,940,988	622,250	40,228,313
Nonoperating revenues (expenses):				
Investment income	10,498,566	1,177,183	1,548	11,677,297
Interest on assessments and contracts	65,121	-	-	65,121
Net gain/(loss) on disposal of capital assets	(70,770)	(5,269)	-	(76,039)
Loss on equity in joint venture	(51,142)	-	-	(51,142)
Interest expense	(7,402,484)	-	-	(7,402,484)
PERS employer incentive payment	2,252,438	-	-	2,252,438
Capital donations - intergovernmental agreements	(3,313,546)	-	-	(3,313,546)
Total nonoperating revenues (expenses)	1,978,183	1,171,914	1,548	3,151,645
Income (loss) before contributions	39,643,258	3,112,902	623,798	43,379,958
Capital contributions:				
System development charges	20,931,081	649,805	-	21,580,886
Infrastructure donated by developers	1,921,845	5,407,651	-	7,329,496
Total capital contributions	22,852,926	6,057,456	-	28,910,382
Change in net position	62,496,184	9,170,358	623,798	72,290,340
Net position, beginning of year	748,038,722	132,096,425	636,119	880,771,266
Net position, end of year	\$ 810,534,906	\$ 141,266,783	\$ 1,259,917	\$ 953,061,606

CLEAN WATER SERVICES

Combining Schedule of Cash Flows
For the year ended June 30, 2020

	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Cash flows from operating activities:				
Received from customers	\$ 134,255,447	\$ 16,924,674	\$ 1,025,725	\$ 152,205,846
Payments to suppliers	(27,465,097)	(2,538,868)	(684,915)	(30,688,880)
Payments to employees for services	(32,831,293)	(7,764,163)	-	(40,595,456)
Other operating revenue	6,077,157	879,300	-	6,956,457
Net cash from operating activities	80,036,214	7,500,943	340,810	87,877,967
Cash flows from noncapital financing activities:				
Principal paid on pension bonds	(870,000)	-	-	(870,000)
Interest paid on pension bonds	(724,157)	-	-	(724,157)
Net cash from noncapital financing activities	(1,594,157)	-	-	(1,594,157)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(82,612,615)	(3,368,726)	-	(85,981,341)
Capital donations to others	(3,313,546)			(3,313,546)
Principal paid on bonds	(12,300,000)		-	(12,300,000)
Interest paid on bonds	(8,117,622)		-	(8,117,622)
Principal received on assessments and contracts	160,812		-	160,812
Interest received on assessments and contracts	8,114		-	8,114
Capital contributed by customers and cities	22,073,442	823,813	-	22,897,255
Proceeds from sale of capital assets	106,747	-	-	106,747
Net cash from capital and related financing activities	(83,994,668)	(2,544,913)	-	(86,539,581)
Cash flows from investing activities:				
Interest on investments	10,496,505	1,177,183	1,548	11,675,236
Net increase (decrease) in cash and cash equivalents	4,943,894	6,133,213	342,358	11,419,465
Cash and cash equivalents, beginning of year	280,658,078	27,403,291	1,245,801	309,307,170
Cash and cash equivalents, end of year	285,601,972	33,536,504	1,588,159	320,726,635
Unrestricted cash and investments	160,539,412	22,160,518	1,338,159	184,038,089
Restricted cash and investments	125,062,560	11,375,986	250,000	136,688,546
Total cash and investments	\$ 285,601,972	\$ 33,536,504	\$ 1,588,159	\$ 320,726,635
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 37,665,075	\$ 1,940,988	\$ 622,250	\$ 40,228,313
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	34,210,901	5,478,806	-	39,689,707
Amortization of prepaid electric	27,522	-	-	27,522
BABs subsidy	12,048	-	-	12,048
Changes in assets and liabilities:				
Accounts receivable	2,718,810	47,506	(68)	2,766,248
Federal grant receivable	(755,864)			(755,864)
Net pension liability	7,192,154	-	-	7,192,154
Net OPEB asset	(45,347)	-	-	(45,347)
Materials and supplies inventory	(269,894)	-	-	(269,894)
Prepaid expenses	139,764	-	8,121	147,885
Accrued expenses	525,580	-	(276,368)	249,212
Accounts payable	(1,384,535)	33,643	(13,125)	(1,364,017)
Total adjustments	42,371,139	5,559,955	(281,440)	47,649,654
Net cash from operating activities	\$ 80,036,214	\$ 7,500,943	\$ 340,810	\$ 87,877,967
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets by developers	\$ 779,484	\$ 5,320,647	\$ -	\$ 6,100,131
Loss on equity in joint venture	\$ 51,142	\$ -	\$ -	\$ 51,142
Proceeds from PERS employer incentive program	\$ 2,252,438	\$ -	\$ -	\$ 2,252,438

SUPPLEMENTARY INFORMATION

Budgetary Schedules

CLEAN WATER SERVICES

DESCRIPTION OF BUDGETARY FUNDS

June 30, 2020

Legal requirements set forth in Oregon Budget Law require the District to prepare and adopt a budget by individual funds. Therefore, activities of the District, for budgetary and legal purposes, are accounted for in the funds described below.

Sanitary Sewer Operating Fund (101)

This fund accounts for the District's normal recurring sanitary sewer operations. The primary source of revenue is sewer service fees.

Surface Water Management (SWM) Operating Fund (201)

The SWM Fund provides for storm and surface water management in the Tualatin River Basin. Its primary source of revenue is SWM service fees.

Master Plan Update Debt Service Fund (111)

The Master Plan Update Debt Service Fund accounts for the redemption of sewer revenue bonds and interest thereon. The primary resource is sewer revenues transferred from the General Fund.

Revenue Pension Bond Debt Service Fund (114)

The Revenue Pension Bond Debt Service Fund accounts for the redemption of sewer revenue pension related bonds and interest thereon. The primary resource is sewer revenues transferred from the General Fund.

Liability Reserve Fund (102)

The Liability Reserve Fund accounts for the District's expense incurred under its self-insurance programs for:

- Fire loss, property damage, and all risks (theft, vandalism, etc.) up to a self-insured retention limit of \$1.0 million.
- Workers' compensation claims relating to job injuries.

The primary resources are interest earnings, insurance settlements and transfers from other funds.

Capital Expenditure Reserve Sanitary Sewer Fund (107)

The Capital Expenditure Reserve Sanitary Sewer Fund accounts for the collection and tracking of revenues for System Development Charges expended in construction of sanitary sewer systems and facilities and related debt service. The primary resources are connection fees and earnings on investments.

CLEAN WATER SERVICES

DESCRIPTION OF BUDGETARY FUNDS

June 30, 2020

Sanitary Capital Replacement Fund (106)

The Sanitary Capital Replacement Fund accounts for routine replacement of rolling stock, computers and minor treatment facility and collection system needs. The primary resource is sewer revenues transferred from the General Fund.

Sanitary Sewer LID Construction Fund (108)

The Sanitary Sewer LID Construction Fund accounts for sanitary sewer capital construction expenditures for benefited property owners. The primary resources are from the sale of bonds or bond anticipation notes and assessment collections.

Surface Water Management LID Construction Fund (208)

The Surface Water Management LID Construction Fund accounts for surface water management construction expenditures for benefited property owners. The primary resources are from the sale of bonds or bond anticipation notes and assessment collections.

Sanitary Sewer Construction Fund (112)

The Sanitary Sewer Construction Fund provides for the construction of projects financed from a combination of revenue bond proceeds, sanitary system development charges and transfers from the General Fund.

Surface Water Management Capital Replacement Fund (206)

The Surface Water Management Capital Replacement Fund accounts for routine replacement of rolling stock and collection system needs. The primary resource is storm revenues transferred from the SWM operating fund.

Capital Expenditure Reserve Storm and Surface Water Management Fund (207)

The Capital Expenditure Reserve Storm and Surface Water Management Fund provides for the collection and tracking of revenues for System Development Charges expended in construction of storm water systems and facilities. The primary resources are connection fees and earnings on investments.

Surface Water Management Construction Fund (212)

The Surface Water Management Construction Fund provides for the construction of projects primarily financed by system development charges and transfers from the SWM operating fund.

CLEAN WATER SERVICES

Sanitary Sewer Operating Fund (#101)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Sewer service fees	\$ 132,193,300	\$ 132,193,300	\$ 133,978,836	\$ 1,785,536
Interest earned	407,000	407,000	2,854,846	2,447,846
Septage charges	1,189,000	1,189,000	1,376,710	187,710
Plan check fees	250,700	250,700	187,703	(62,997)
Grants, contributions, & assessments	10,000	10,000	506,628	496,628
Other	1,130,200	1,130,200	2,464,901	1,334,701
Total revenues	<u>135,180,200</u>	<u>135,180,200</u>	<u>141,369,624</u>	<u>6,189,424</u>
Expenditures:				
Departmental:				
Business Services Department	14,706,100	16,206,100	14,704,032	(1,502,068)
Conveyance Systems Department	18,475,600	18,705,600	16,140,026	(2,565,574)
Regulatory Affairs Department	7,466,000	7,706,000	6,297,701	(1,408,299)
Watershed Management Department	6,155,200	6,155,200	4,148,663	(2,006,537)
Wastewater Treatment Department	30,736,700	30,736,700	25,647,104	(5,089,596)
Subtotal	<u>77,539,600</u>	<u>79,509,600</u>	<u>66,937,526</u>	<u>(12,572,074)</u>
Non-Departmental:				
Capital construction	3,938,100	3,938,100	1,382,522	(2,555,578)
Materials and services	18,769,200	18,769,200	2,631,267	(16,137,933)
Contingency	19,775,400	17,805,400	-	(17,805,400)
Total expenditures	<u>120,022,300</u>	<u>120,022,300</u>	<u>70,951,315</u>	<u>(49,070,985)</u>
Excess of revenues over expenditures	<u>15,157,900</u>	<u>15,157,900</u>	<u>70,418,309</u>	<u>55,260,409</u>
Other financing sources (uses):				
Transfers from other funds	11,238,400	11,238,400	10,318,425	(919,975)
Transfers to other funds	(97,506,800)	(97,506,800)	(82,506,800)	15,000,000
Total other financing sources (uses)	<u>(86,268,400)</u>	<u>(86,268,400)</u>	<u>(72,188,375)</u>	<u>14,080,025</u>
Net change in fund balance	<u>(71,110,500)</u>	<u>(71,110,500)</u>	<u>(1,770,066)</u>	<u>69,340,434</u>
Fund balance, beginning of year	155,277,300	155,277,300	156,392,814	1,115,514
Restatement ⁽¹⁾	-	-	(1,176,003)	(1,176,003)
Fund balance, beginning of year, as restated	<u>155,277,300</u>	<u>155,277,300</u>	<u>155,216,811</u>	<u>(60,489)</u>
Fund balance, end of year	<u>\$ 84,166,800</u>	<u>\$ 84,166,800</u>	<u>153,446,745</u>	<u>\$ 69,279,945</u>

Reconciliation to net position - GAAP Basis

Adjust for accrued performance bonus	(1,815,004)
Adjust for prepaid electricity - current	27,522
Adjust for prepaid electricity - long term	328,957
Adjust for net OPEB asset	657,949
Adjust for net pension liability	(39,018,120)
Adjust for deferred outflows - pension	26,998,543
Adjust for deferred inflows - pension	(6,699,012)
Adjust for OPEB liability being accrued	(1,306,598)
Adjust for deferred outflows - OPEB	208,697
Adjust for deferred inflows - OPEB	(151,139)
Adjust for investment in joint venture	2,212,941
Adjust for capital assets not being depreciated	23,492,285
Adjust for capital assets, net of accumulated depreciation	486,406,868
Investment valuation	3,616,115
Net position - GAAP Basis	<u>\$ 648,406,749</u>

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Surface Water Management (SWM) Operating Fund (#201)
 Schedule of Revenues and Expenditures - Budget and Actual
 For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Stormwater service fees	\$ 16,422,200	\$ 16,422,200	\$ 16,774,708	\$ 352,508
Regional stormwater management charge	-	-	89,247	89,247
Erosion control fees	306,500	306,500	261,580	(44,920)
Plan check fees	251,000	251,000	187,703	(63,297)
Interest earned	25,400	25,400	330,981	305,581
Other	500,000	500,000	712,611	212,611
Total revenues	17,505,100	17,505,100	18,356,830	851,730
Expenditures:				
Other	226,300	226,300	85,244	(141,056)
Contingency	1,597,000	1,597,000	-	(1,597,000)
Total expenditures	1,823,300	1,823,300	85,244	1,738,056
Excess of revenues over expenditures	15,681,800	15,681,800	18,271,586	2,589,786
Other financing (uses):				
Transfers to other funds	(15,738,400)	(15,738,400)	(14,818,425)	919,975
Net change in fund balance	(56,600)	(56,600)	3,453,161	3,509,761
Fund balance, beginning of year	14,447,900	14,447,900	17,077,378	2,629,478
Restatement ⁽¹⁾	-	-	(100,754)	(100,754)
Fund balance, beginning of year, as restated	14,447,900	14,447,900	16,976,624	2,528,724
Fund balance, end of year	\$ 14,391,300	\$ 14,391,300	20,429,785	\$ 6,038,485
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			18,332,613	
Adjust for capital assets , net of accumulated depreciation			80,396,982	
Investment valuation			419,594	
Net position - GAAP Basis			\$ 119,578,974	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Master Plan Update Debt Service Fund (#111)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 155,300	\$ 155,300	\$ 429,982	\$ 274,682
Build America Bonds subsidy	1,503,200	1,503,200	1,397,431	(105,769)
Total revenues	<u>1,658,500</u>	<u>1,658,500</u>	<u>1,827,413</u>	<u>168,913</u>
Expenditures:				
Debt payments	20,413,000	20,413,000	20,412,865	(135)
Contingency	1,050,000	1,050,000	-	(1,050,000)
Total expenditures	<u>21,463,000</u>	<u>21,463,000</u>	<u>20,412,865</u>	<u>1,050,135</u>
Excess of expenditures over revenues	<u>(19,804,500)</u>	<u>(19,804,500)</u>	<u>(18,585,452)</u>	<u>1,219,048</u>
Other financing sources:				
Transfers from other funds	<u>16,909,700</u>	<u>16,909,700</u>	<u>16,909,700</u>	<u>-</u>
Total other financing sources	<u>16,909,700</u>	<u>16,909,700</u>	<u>16,909,700</u>	<u>-</u>
Net change in fund balance	<u>(2,894,800)</u>	<u>(2,894,800)</u>	<u>(1,675,752)</u>	<u>1,219,048</u>
Fund balance, beginning of year	<u>21,259,600</u>	<u>21,259,600</u>	<u>23,418,597</u>	<u>2,158,997</u>
Restatement ⁽¹⁾	<u>-</u>	<u>-</u>	<u>(167,122)</u>	<u>(167,122)</u>
Fund balance, beginning of year, as restated	<u>21,259,600</u>	<u>21,259,600</u>	<u>23,251,475</u>	<u>1,991,875</u>
Fund balance, end of year	<u>\$ 18,364,800</u>	<u>\$ 18,364,800</u>	<u>21,575,723</u>	<u>\$ 3,210,923</u>

Reconciliation to net position - GAAP Basis

Adjust for prepaid bond discount - current	399,116
Adjust for prepaid bond discount - long term	2,421,573
Adjust for bond premium - current	(1,406,125)
Adjust for bond premium - long term	(4,487,058)
Adjust for interest payable being accrued	(1,931,984)
Adjust for bonds payable - due within one year	(12,565,000)
Adjust for long term bonds payable	(141,605,000)
Investment valuation	545,100
Net position - GAAP Basis	<u>\$ (137,053,655)</u>

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Revenue Pension Bond Debt Service Fund (#114)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	\$ 1,800	\$ 1,800	\$ 13,811	\$ 12,011
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>13,811</u>	<u>12,011</u>
Expenditures:				
Debt payments	1,598,900	1,598,900	1,598,900	-
Contingency	75,000	75,000	-	(75,000)
Total expenditures	<u>1,673,900</u>	<u>1,673,900</u>	<u>1,598,900</u>	<u>75,000</u>
Excess of expenditures over revenues	<u>(1,672,100)</u>	<u>(1,672,100)</u>	<u>(1,585,089)</u>	<u>87,011</u>
Other financing sources:				
Transfers from other funds	1,597,100	1,597,100	1,597,100	-
Net change in fund balance	<u>(75,000)</u>	<u>(75,000)</u>	<u>12,011</u>	<u>87,011</u>
Fund balance, beginning of year	<u>602,100</u>	<u>602,100</u>	<u>626,140</u>	<u>24,040</u>
Restatement ⁽¹⁾	<u>-</u>	<u>-</u>	<u>(4,757)</u>	<u>(4,757)</u>
Fund balance, beginning of year, as restated	<u>602,100</u>	<u>602,100</u>	<u>621,383</u>	<u>19,283</u>
Fund balance, end of year	<u>\$ 527,100</u>	<u>\$ 527,100</u>	<u>633,394</u>	<u>\$ 106,294</u>
Reconciliation to net position - GAAP Basis				
Adjust for interest payable being accrued			(61,508)	
Adjust for bonds payable - due within one year			(990,000)	
Adjust for long term bonds payable			(10,155,000)	
Investment valuation			16,019	
Net position - GAAP Basis			<u>\$ (10,557,095)</u>	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Liability Reserve Fund (#102)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 20,400	\$ 20,400	\$ 109,497	\$ 89,097
Insurance and third party reimbursements	5,200	5,200	281,310	276,110
Other	-	-	406,226	406,226
Total revenues	<u>25,600</u>	<u>25,600</u>	<u>797,033</u>	<u>771,433</u>
Expenditures:				
Claim costs	890,000	1,340,000	1,104,402	(235,598)
Contingency	<u>100,000</u>	<u>100,000</u>	-	(100,000)
Total expenditures	<u>990,000</u>	<u>1,440,000</u>	<u>1,104,402</u>	<u>(335,598)</u>
Excess of expenditures over revenues	<u>(964,400)</u>	<u>(1,414,400)</u>	<u>(307,369)</u>	<u>1,107,031</u>
Net change in fund balance	<u>(964,400)</u>	<u>(1,414,400)</u>	<u>(307,369)</u>	<u>1,107,031</u>
Fund balance, beginning of year	<u>5,142,600</u>	<u>5,142,600</u>	<u>5,739,412</u>	<u>596,812</u>
Restatement ⁽¹⁾	<u>-</u>	<u>-</u>	<u>(43,511)</u>	<u>(43,511)</u>
Fund balance, beginning of year, as restated	<u>5,142,600</u>	<u>5,142,600</u>	<u>5,695,901</u>	<u>553,301</u>
Fund balance, end of year	<u>\$ 4,178,200</u>	<u>\$ 3,728,200</u>	<u>5,388,532</u>	<u>\$ 1,660,332</u>
Reconciliation to net position - GAAP Basis				
Investment valuation			138,812	
Net position - GAAP Basis			<u>\$ 5,527,344</u>	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Capital Expenditure Reserve Sanitary Sewer Fund (#107)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Connection fees	\$ 19,446,500	\$ 19,446,500	\$ 20,931,080	\$ 1,484,580
Interest earned	117,000	117,000	434,935	317,935
Total revenues	<u>19,563,500</u>	<u>19,563,500</u>	<u>21,366,015</u>	<u>1,802,515</u>
Expenditures:				
Contingency	<u>1,500,000</u>	<u>1,500,000</u>	-	(1,500,000)
Excess of revenues over expenditures	<u>18,063,500</u>	<u>18,063,500</u>	<u>21,366,015</u>	<u>3,302,515</u>
Other financing uses:				
Transfers to other funds	<u>(14,630,200)</u>	<u>(14,630,200)</u>	<u>(13,130,200)</u>	<u>1,500,000</u>
Net change in fund balance	<u>3,433,300</u>	<u>3,433,300</u>	<u>8,235,815</u>	<u>4,802,515</u>
Fund balance, beginning of year	<u>18,151,700</u>	<u>18,151,700</u>	<u>19,107,898</u>	<u>956,198</u>
Restatement ⁽¹⁾	<u>-</u>	<u>-</u>	<u>(147,192)</u>	<u>(147,192)</u>
Fund balance, beginning of year, as restated	<u>18,151,700</u>	<u>18,151,700</u>	<u>18,960,706</u>	<u>809,006</u>
Fund balance, end of year	<u>\$ 21,585,000</u>	<u>\$ 21,585,000</u>	<u>27,196,521</u>	<u>\$ 5,611,521</u>

Reconciliation to net position - GAAP Basis

Investment valuation

548,692

Net position - GAAP Basis

\$ 27,745,213

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Sanitary Capital Replacement Fund (#106)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	\$ 6,000	\$ 6,000	\$ 160,313	\$ 154,313
Total revenues	6,000	6,000	160,313	154,313
Expenditures:				
Capital outlay	7,367,000	7,367,000	4,312,187	(3,054,813)
Other	650,000	650,000	219,123	(430,877)
Contingency	534,000	534,000	-	(534,000)
Total expenditures	8,551,000	8,551,000	4,531,310	(4,019,690)
Excess of expenditures over revenues	(8,545,000)	(8,545,000)	(4,370,997)	(3,865,377)
Other financing sources:				
Transfers from other funds	6,000,000	6,000,000	4,500,000	(1,500,000)
Net change in fund balance	(2,545,000)	(2,545,000)	129,003	2,674,003
Fund balance, beginning of year	6,806,300	6,806,300	7,585,901	779,601
Restatement ⁽¹⁾	-	-	(55,291)	(55,291)
Fund balance, beginning of year, as restated	6,806,300	6,806,300	7,530,610	724,310
Fund balance, end of year	\$ 4,261,300	\$ 4,261,300	7,659,613	\$ 3,398,313

Reconciliation to net position - GAAP Basis

Adjust for capital assets not being depreciated

2,077,410

Investment valuation

203,233

Net position - GAAP Basis

\$ 9,940,256

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Sanitary Sewer LID Construction Fund (#108)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Assessment liens, principal	\$ 162,100	\$ 162,100	\$ 436,119	\$ 274,019
Interest earned	85,800	85,800	103,216	17,416
Total revenues	<u>247,900</u>	<u>247,900</u>	<u>539,335</u>	<u>291,435</u>
Expenditures:				
Capital outlay	1,290,000	1,290,000	281,744	(1,008,256)
Other	50,000	50,000	-	(50,000)
Contingency	144,000	144,000	-	(144,000)
Total expenditures	<u>1,484,000</u>	<u>1,484,000</u>	<u>281,744</u>	<u>(1,202,256)</u>
Excess of revenues over expenditures	<u>(1,236,100)</u>	<u>(1,236,100)</u>	<u>257,591</u>	<u>1,493,691</u>
Other financing sources (uses):				
Transfers from other funds	500,000	500,000	500,000	-
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balance	<u>(736,100)</u>	<u>(736,100)</u>	<u>757,591</u>	<u>1,493,691</u>
Fund balance, beginning of year	<u>1,455,600</u>	<u>1,455,600</u>	<u>1,912,165</u>	<u>456,565</u>
Restatement ⁽¹⁾	<u>-</u>	<u>-</u>	<u>(12,581)</u>	<u>(12,581)</u>
Fund balance, beginning of year, as restated	<u>1,455,600</u>	<u>1,455,600</u>	<u>1,899,584</u>	<u>443,984</u>
Fund balance, end of year	<u>\$ 719,500</u>	<u>\$ 719,500</u>	<u>2,657,175</u>	<u>\$ 1,937,675</u>
Reconciliation to net position - GAAP Basis				
Investment valuation			51,298	
Net position - GAAP Basis			<u>\$ 2,708,473</u>	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Surface Water Management LID Construction Fund (#208)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 6,100	\$ 6,100	\$ 12,596	\$ 6,496
Total revenues	<u>6,100</u>	<u>6,100</u>	<u>12,596</u>	<u>6,496</u>
Expenditures:				
Capital outlay	25,000	25,000	-	(25,000)
Other	25,000	25,000	-	(25,000)
Contingency	100,000	100,000	-	(100,000)
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Excess (deficiency) of revenues over expenditures	<u>(143,900)</u>	<u>(143,900)</u>	<u>12,596</u>	<u>156,496</u>
Fund balance, beginning of year	<u>605,200</u>	<u>605,200</u>	<u>623,851</u>	<u>18,651</u>
Restatement ⁽¹⁾	<u>-</u>	<u>-</u>	<u>(4,744)</u>	<u>(4,744)</u>
Fund balance, beginning of year, as restated	<u>605,200</u>	<u>605,200</u>	<u>619,107</u>	<u>13,907</u>
Fund balance, end of year	<u>\$ 461,300</u>	<u>\$ 461,300</u>	<u>631,703</u>	<u>\$ 170,403</u>

Reconciliation to net position - GAAP Basis

Investment valuation

Net position - GAAP Basis

15,969
\$ 647,672

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Sanitary Sewer Construction Fund (#112)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Contributions from developers	\$ 1,430,000	\$ 1,430,000	\$ 1,139,623	\$ (290,377)
Interest earned	203,500	203,500	1,570,422	1,366,922
Other	50,000	50,000	158,328	108,328
Total revenues	1,683,500	1,683,500	2,868,373	1,184,873
Expenditures:				
Capital outlay	94,299,700	94,299,700	74,073,274	(20,226,426)
Other	100,000	100,000	-	(100,000)
Contingency	4,715,000	4,715,000	-	(4,715,000)
Total expenditures	99,114,700	99,114,700	74,073,274	25,041,426
Excess of expenditures over revenues	(97,431,200)	(97,431,200)	(71,204,901)	26,226,299
Other financing sources (uses):				
Transfers from other funds	87,130,200	87,130,200	72,130,200	(15,000,000)
Total other financing sources (uses)	87,130,200	87,130,200	72,130,200	(15,000,000)
Net change in fund balance	(10,301,000)	(10,301,000)	925,299	11,226,299
Fund balance, beginning of year	36,375,600	36,375,600	67,273,518	30,897,918
Restatement ⁽¹⁾	-	-	(617,027)	(617,027)
Fund balance, beginning of year, as restated	36,375,600	36,375,600	66,656,491	30,280,891
Fund balance, end of year	\$ 26,074,600	\$ 26,074,600	67,581,790	\$ 41,507,190
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			194,244,949	
Investment valuation			1,990,866	
Net position - GAAP Basis			\$ 263,817,605	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Surface Water Management Capital Replacement Fund (#206)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	\$ 3,000	\$ 3,000	\$ 51,008	\$ 48,008
Total revenues	3,000	3,000	51,008	48,008
Expenditures:				
Capital outlay	228,000	228,000	227,333	(667)
Other	10,000	10,000	1,755	(8,245)
Contingency	50,000	50,000	-	(50,000)
Total expenditures	288,000	288,000	229,088	(58,912)
Excess of expenditures over revenues	(285,000)	(285,000)	(178,080)	106,920
Other financing sources:				
Transfers from other funds	750,000	750,000	750,000	-
Net change in fund balance	465,000	465,000	571,920	106,920
Fund balance, beginning of year	2,179,900	2,179,900	2,245,969	66,069
Restatement ⁽¹⁾	-	-	(15,178)	(15,178)
Fund balance, beginning of year, as restated	2,179,900	2,179,900	2,230,791	50,891
Fund balance, end of year	\$ 2,644,900	\$ 2,644,900	2,802,711	\$ 157,811
Reconciliation to net position - GAAP Basis				
Investment valuation			64,664	
Net position - GAAP Basis			\$ 2,867,375	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Capital Expenditure Reserve Storm and Surface Water Management Fund (#207)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Connection fees	\$ 314,600	\$ 314,600	\$ 142,762	\$ (171,838)
Interest earned	3,200	3,200	39,723	36,523
Other	75,000	75,000	322,906	247,906
Total revenues	392,800	392,800	505,391	112,591
Expenditures:				
Contingency	30,000	30,000	-	(30,000)
Excess of revenues over expenditures	362,800	362,800	505,391	142,591
Other financing (uses):				
Transfers to other funds	(75,000)	(75,000)	(75,000)	-
Net change in fund balance	287,800	287,800	430,391	142,591
Fund balance, beginning of year	1,710,800	1,710,800	1,768,704	57,904
Restatement ⁽¹⁾	-	-	(11,674)	(11,674)
Fund balance, beginning of year, as restated	1,710,800	1,710,800	1,757,030	46,230
Fund balance, end of year	\$ 1,998,600	\$ 1,998,600	2,187,421	\$ 188,821
Reconciliation to net position - GAAP Basis				
Investment valuation			50,358	
Net position - GAAP Basis			\$ 2,237,779	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Surface Water Management Construction Fund (#212)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2020

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Reimbursement from developers	\$ 25,300	\$ 25,300	\$ 87,003	\$ 61,703
Interest	20,400	20,400	169,745	149,345
Other	50,000	50,000	-	(50,000)
Total revenues	95,700	95,700	256,748	161,048
Expenditures:				
Capital outlay	4,875,000	4,875,000	3,195,342	(1,679,658)
Other	50,000	50,000	-	(50,000)
Contingency	400,000	400,000	-	(400,000)
Total expenditures	5,325,000	5,325,000	3,195,342	2,129,658
Excess of expenditures over revenues	(5,229,300)	(5,229,300)	(2,938,594)	2,290,706
Other financing sources:				
Transfers from other funds	3,825,000	3,825,000	3,825,000	-
Net change in fund balance	(1,404,300)	(1,404,300)	886,406	-
Fund balance, beginning of year	6,391,200	6,391,200	7,805,748	1,414,548
Restatement ⁽¹⁾	-	-	(60,298)	(60,298)
Fund balance, beginning of year, as restated	6,391,200	6,391,200	7,745,450	1,354,250
Fund balance, end of year	\$ 4,986,900	\$ 4,986,900	8,631,856	\$ 3,644,956
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			7,087,934	
Investment valuation			215,191	
Net position - GAAP Basis			\$ 15,934,981	

⁽¹⁾ The District has restated its beginning fund balance to remove the GASB 31 investment valuation at year-end on a budgetary basis which reduces investment income in the prior year.

CLEAN WATER SERVICES

Reconciliation of Revenues and Expenditures

(Budgetary Basis) to Increase in Net Position (GAAP Basis)

For the year ended June 30, 2020

Fund	Revenues	Expenditures	Net
101 Sanitary Sewer Operating Fund	\$ 141,369,624	\$ 70,951,315	\$ 70,418,309
201 Surface Water Management (SWM) Operating Fund	18,356,830	85,244	18,271,586
111 Master Plan Update Debt Service Fund	1,827,413	20,412,865	(18,585,452)
114 Revenue Pension Bond Debt Service Fund	13,811	1,598,900	(1,585,089)
102 Liability Reserve Fund	797,033	1,104,402	(307,369)
107 Capital Expenditure Reserve Sanitary Sewer Fund	21,366,015	-	21,366,015
106 Sanitary Capital Replacement Fund	160,313	4,531,310	(4,370,997)
108 Sanitary Sewer LID Construction Fund	539,335	281,744	257,591
208 Surface Water Management LID Construction Fund	12,596	-	12,596
112 Sanitary Sewer Construction Fund	2,868,373	74,073,274	(71,204,901)
206 Surface Water Management Capital Replacement Fund	51,008	229,088	(178,080)
207 Capital Expenditure Reserve Storm and Surface Water Management Fund	505,391	-	505,391
212 Surface Water Management Construction Fund	256,748	3,195,342	(2,938,594)
	<u>\$ 188,124,490</u>	<u>\$ 176,463,484</u>	<u>11,661,006</u>
Reconciliation to change in net position - GAAP Basis			
Expenditures capitalized			82,412,926
Bond principal paid			13,170,000
Contributions of capital assets			3,777,177
Contributions of intangible assets			2,322,954
Donation of capital assets			(3,313,546)
Loss on disposal of capital assets			(182,785)
Loss on equity in joint venture			(51,142)
Net postemployment benefits costs other than pension			45,347
Net accrued performance bonus			(320,330)
Depreciation			(39,677,139)
Amortization of intangibles			(12,568)
Amortization of prepaid bond discount			(399,116)
Amortization of prepaid bond premium			1,685,766
Net pension expense			(7,192,154)
PERS Employer Incentive Pymt			2,252,438
Accrued bond interest payable			152,645
Investment Valuation			5,459,780
Contract receivable from CWI			(97,195)
Amortization of prepaid electric			(27,522)
Net operations - CWIC, captive insurance			623,798
Increase in net position - GAAP Basis			<u>\$ 72,290,340</u>

STATISTICAL SECTION

CLEAN WATER SERVICES

STATISTICAL SECTION

June 30, 2019

This part of Clean Water Services' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. This section contains the following tables and information:

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the District's most significant local revenue source, the District sewer rate.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The District implemented GASB Statement No. 34 in 2001; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS

CLEAN WATER SERVICES

Net Position by Component Last Ten Fiscal Years

Primary government	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net investment in capital assets	\$ 646,467,060	\$ 580,499,045	\$ 512,558,090	\$ 477,184,721	\$ 436,635,507	406,700,471	383,717,737	\$ 391,885,915	\$ 388,941,070	\$ 381,066,548
Restricted	129,429,440	118,104,468	120,427,674	127,024,246	131,178,628	127,786,935	119,140,360	96,440,900	68,909,370	61,775,675
Unrestricted	177,165,106	182,167,753	169,184,710	144,231,151	119,347,893	103,502,579	78,138,167	79,630,097	64,776,264	54,690,331
Total primary government net position	\$ 953,061,606	\$ 880,771,266	\$ 802,170,474	\$ 748,440,118	\$ 687,162,028	637,989,985	580,996,264	\$ 567,956,912	\$ 522,626,704	\$ 497,532,554

Source: District financial records

CLEAN WATER SERVICES

Changes in Net Position

Last Ten Fiscal Years

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<u>Fiscal Year</u>		<u>Operating Revenues</u>		<u>Operating Expenses</u>		<u>Operating Income</u>		<u>Total Nonoperating Revenues/ (Expenses)</u>		<u>Income/(Loss) before Capital Contributions</u>		<u>Capital Contributions</u>		<u>Change in Net Position</u>
2020	\$	157,139,871	\$	116,911,558	\$	40,228,313	\$	3,151,645	\$	43,379,958	\$	28,910,382	\$	72,290,340
2019		151,484,732		113,909,698		37,575,034		1,565,814		39,140,848		37,606,063		76,746,911
2018		144,328,821		112,815,691		31,513,130		(11,240,747)		20,272,383		33,865,576		54,137,959
2017		137,186,258		106,428,529		30,757,729		(6,978,691)		23,779,038		37,499,052		61,278,090
2016		130,052,086		108,895,982		35,830,389		(9,015,148)		24,491,099		37,031,087		61,522,186
2015		125,448,797		89,618,408		23,893,657		(11,339,290)		9,242,176		32,502,622		41,744,798
2014		120,174,299		96,280,642		23,029,969		(14,651,481)		8,609,803		28,309,974		36,919,777
2013		117,098,321		94,068,352		16,475,036		(14,420,166)		9,876,691		36,720,405		46,597,096
2012		107,029,050		90,554,014		13,606,538		(6,598,345)		(481,177)		15,217,459		14,736,282
2011		103,373,535		89,766,997		8,236,104		(14,087,715)		426,238		9,252,447		9,678,685

Source: District financial records

CLEAN WATER SERVICES

Operating Revenues by Source Last Ten Fiscal Years

Fiscal Year	Sanitary Sewer Funds			Storm/Surface Water Management Funds			CWIC Captive Insurance	District Total
	Service Fees	Other	Subtotal	Service Fees	Other	Subtotal		
2020	\$ 131,536,637	\$ 6,820,973	\$ 138,357,610	\$ 16,877,168	\$ 879,300	\$ 17,756,468	\$ 1,025,793	\$ 157,139,871
2019	127,890,352	5,791,067	133,681,419	15,752,752	1,357,219	17,109,971	693,342	151,484,732
2018	122,587,041	5,487,154	128,074,195	14,651,618	956,399	15,608,017	646,609	144,328,821
2017	115,946,429	5,339,715	121,286,144	13,750,116	1,568,141	15,318,257	581,857	136,604,401
2016	111,570,464	4,821,180	116,391,644	12,659,359	1,001,083	13,660,442	N/A	130,052,086
2015	107,658,777	4,980,140	112,638,917	11,853,799	956,081	12,809,880	N/A	125,448,797
2014	102,996,729	5,680,914	108,677,643	10,689,684	806,972	11,496,656	N/A	120,174,299
2013	100,519,134	6,084,818	106,603,952	9,786,430	707,939	10,494,369	N/A	117,098,321
2012	92,498,359	5,031,139	97,529,498	8,759,882	739,670	9,499,552	N/A	107,029,050
2011	90,102,698	4,751,456	94,854,154	7,900,108	619,273	8,519,381	N/A	103,373,535

Source: District financial records

Operating Expenses

Last Ten Fiscal Years

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Source: District financial records

CLEAN WATER SERVICES

Nonoperating Revenues and Expenses

Last Ten Fiscal Years

	Fiscal Year	Investment Income	Gain/Loss on disposal of assets	Other	Interest Expense	Total Nonoperating Expenses
∞	2020	\$ 11,742,418	\$ (76,039)	\$ (1,112,250)	\$ (7,402,484)	\$ 3,151,645
	2019	12,574,258	(341,389)	(2,762,042)	(7,905,013)	1,565,814
	2018	776,123	(1,534,953)	(2,126,228)	(8,355,689)	(11,240,747)
	2017	1,346,020	(1,339,175)	(54,532)	(6,931,004)	(6,978,691)
	2016	2,304,246	(182,209)	(2,487,674)	(8,649,511)	(9,015,148)
	2015	1,847,402	(76,242)	(3,533,567)	(9,576,883)	(11,339,290)
	2014	1,653,029	(1,880,762)	(5,194,139)	(9,229,609)	(14,651,481)
	2013	517,151	(3,773,629)	(2,922,353)	(8,241,335)	(14,420,166)
	2012	1,562,181	(115,549)	(994,750)	(7,050,227)	(6,598,345)
	2011	1,497,433	54,443	(4,464,323)	(11,175,268)	(14,087,715)

Source: District financial records

REVENUE CAPACITY

CLEAN WATER SERVICES

Monthly Sewer and Storm/Surface Water Rates Last Ten Fiscal Years

	Fiscal Year					Fiscal Year				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Sewer Rates										
Residential Customers										
Base Charge (per Equivalent Dwelling Unit)	\$ 30.03	\$ 29.16	\$ 28.31	\$ 27.45	\$ 26.63	\$ 25.85	\$ 25.10	\$ 24.37	\$ 23.52	\$ 22.46
Usage Charge (per CCF = 748 gallons)	\$ 1.99	\$ 1.93	\$ 1.87	\$ 1.82	\$ 1.77	\$ 1.72	\$ 1.67	\$ 1.62	\$ 1.56	\$ 1.50
Total Average Monthly Charge (at 8,000 gallons average)	\$ 45.95	\$ 44.60	\$ 43.27	\$ 42.01	\$ 40.79	\$ 39.61	\$ 38.46	\$ 37.33	\$ 36.00	\$ 34.46
Industrial Customers										
Category II-Minor ⁽¹⁾										
Usage Charge-Per ccf metered discharge	\$ 3.370	\$ 3.270	\$ 3.170	\$ 3.080	\$ 2.990	\$ 2.900	\$ 2.820	\$ 2.740	\$ 2.640	\$ 2.530
Category III-Major ⁽²⁾										
Usage Charge-Per ccf metered discharge	\$ 3.370	\$ 3.270	\$ 3.170	\$ 3.080	\$ 2.990	\$ 2.900	\$ 2.820	\$ 2.740	\$ 2.640	\$ 2.530
Chemical Oxygen Demand Charge (per pound over 800 mg/L)	\$ 0.173	\$ 0.168	\$ 0.163	\$ 0.158	\$ 0.153	\$ 0.149	\$ 0.145	\$ 0.141	\$ 0.136	\$ 0.130
Suspended Solids Charge (per pound over 400 mg/L)	\$ 0.264	\$ 0.256	\$ 0.249	\$ 0.242	\$ 0.235	\$ 0.228	\$ 0.221	\$ 0.215	\$ 0.199	\$ 0.190
Surface / Storm Water Rates										
Service Charge (per Equivalent Service Unit)	\$ 9.25	\$ 8.75	\$ 8.25	\$ 7.75	\$ 7.25	\$ 6.75	\$ 6.25	\$ 5.75	\$ 5.25	\$ 4.75

(1) Category II - Defined as a source of industrial waste or wastewater discharging less than 25,000 gallons per day with a strength of waste discharge less than 800 mg/L chemical oxygen demand ("COD") and 400 mg/L suspended solids ("SS").

(2) Category III - Defined as a source of industrial waste or wastewater discharging more than 25,000 gallons per day, or with a strength of waste discharge of more than 800 mg/L COD, or 400 mg/L SS.

The District's Board of Directors is authorized under state statute to fix fees and charges for connection to and use of the public sewer system by properties that are served by, or are capable of being served by the District's sewage disposal system.

Source: District records

CLEAN WATER SERVICES

System Development Charges and Revenues Last Ten Fiscal Years

06

Fiscal year ended June 30	Storm/Surface Water Management			Sanitary Sewer			Combined		
	Connection fee	Total amount	Percent increase (decrease)	Connection fee	Total amount	Percent increase (decrease)	Connection fee	Total amount	Percent increase (decrease)
2020	\$ 560	\$ 142,762	(43.66) %	\$ 5,800	\$ 20,931,080	(13.70) %	\$ 6,360	\$ 21,073,842	(14.01) %
2019	545	253,400	40.65	5,650	24,254,796	28.05	6,195	24,508,196	28.16
2018	530	180,160	(21.19)	5,500	18,942,341	(28.17)	6,030	19,122,501	(28.11)
2017	510	228,597	(11.36)	5,300	26,369,857	28.92	5,810	26,598,454	28.42
2016	500	257,885	(15.25)	5,100	20,454,721	9.63	5,600	20,712,606	9.23
2015	500	304,290	51.91	4,900	18,658,680	(10.85)	5,400	18,962,970	(10.26)
2014	500	200,315	16.09	4,800	20,930,115	(33.87)	5,300	21,130,430	(33.60)
2013	500	172,558	7.00	4,665	31,649,985	171.17	5,165	31,822,543	168.93
2012	500	161,269	57.76	4,500	11,671,613	61.09	5,000	11,832,882	61.04
2011	500	102,221	(1.89)	4,100	7,245,462	(20.65)	4,600	7,347,683	(20.44)

Source: District records

CLEAN WATER SERVICES

Ten Largest Individual Ratepayers Current Year and Ten Years Ago

<u>Customer</u>	Fiscal Year 2020	
	<u>Amount</u>	<u>%</u>
Intel Corporation - Ronler Acres Campus	\$ 8,574,450	6.52%
Intel Corporation - Aloha Campus	873,902	0.66%
Pacific Foods of Oregon	825,246	0.63%
Jireh Semiconductor, Inc.	726,141	0.55%
Maxim Integrated Products	723,234	0.55%
Resers Fine Foods - Jenkins Rd	700,697	0.53%
Providence Health Systems - St. Vincent	405,889	0.31%
Heritage Village Mobile Park	260,157	0.20%
TTM Technologies North America, LLC	223,152	0.17%
Nike Inc.	190,687	0.19%
Subtotal (10 largest industrial ratepayers)	13,503,555	10.32%
Balance from other customers ⁽¹⁾	118,033,082	89.68%
Grand Totals	<u>\$ 131,536,637</u>	<u>100.00%</u>

<u>Customer</u>	Fiscal Year 2011	
	<u>Amount</u>	<u>%</u>
Intel Corporation - Ronler Acres	\$ 3,931,077	4.01%
Intel Corporations - Aloha Campus	694,884	0.71%
Pacific Foods of Oregon	557,485	0.57%
Maxim Integrated Products	511,719	0.52%
SolarWorld Industries America LP	498,299	0.51%
Integrated Devices - Technology Inc.	355,693	0.36%
Resers Fine Foods - Jenkins Rd & Allen Blvd	348,538	0.36%
Triquint Semiconductor	164,292	0.17%
Viasystems	150,360	0.15%
Summit Natural Energy Co.	140,978	0.14%
Subtotal (10 largest industrial ratepayers)	7,353,325	7.50%
Balance from other customers ⁽¹⁾	90,649,481	92.50%
Grand Totals	<u>\$ 98,002,806</u>	<u>100.00%</u>

(1) Includes Residential Customers and Wholesale Customers (other cities).

Source: District financial records

DEBT CAPACITY

CLEAN WATER SERVICES

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal year ended June 30	General Obligation Bonds	Bancroft Improvement Bonds	Revenue Bonds	Pension Bonds	Contracts	Total		As a Share of Personal Income
						Amount	Per Capita	
2020	\$ -	\$ -	\$ 160,063,183	\$ 11,145,000	\$ -	\$ 171,208,183	279	N/A
2019	-	-	174,048,949	12,015,000	-	186,063,949	307	0.50%
2018	-	-	187,644,331	12,775,000	-	200,419,331	336	0.58%
2017	-	-	200,900,056	13,435,000	-	214,335,056	367	0.67%
2016	-	-	215,137,444	14,000,000	-	229,137,444	402	0.75%
2015	-	-	230,252,553	14,480,000	-	244,732,553	437	0.86%
2014	-	-	244,931,787	14,885,000	-	259,816,787	472	1.01%
2013	-	-	258,223,432	15,215,000	-	273,438,432	504	1.07%
2012	-	-	282,016,651	15,480,000	-	297,496,651	555	1.25%
2011	-	-	250,492,819	15,685,000	-	266,177,819	501	1.21%

N/A - Information not available as of printing

Source: District financial records, Portland State Population Research Center, and Bureau of Economic Analysis

CLEAN WATER SERVICES

Pledged-Revenue Coverage Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
GROSS REVENUES⁽¹⁾:										
Rate revenue	\$ 131,536,637	\$ 127,890,352	\$ 122,587,041	\$ 115,946,429	\$ 111,570,464	\$ 107,658,777	\$ 102,996,729	\$ 100,519,134	\$ 92,498,359	\$ 90,102,698
System development charges	20,931,080	24,254,796	18,942,340	26,369,857	20,454,721	18,658,680	20,930,115	31,649,985	11,671,613	7,245,462
Interest income	10,498,566	11,627,879	732,007	1,270,784	2,190,486	1,814,026	1,595,791	506,964	1,523,061	1,445,822
Other revenue	3,922,667	4,013,094	3,942,583	3,731,665	3,254,988	3,375,150	3,935,534	2,660,567	1,656,815	2,219,722
Total gross revenue	<u>166,888,950</u>	<u>167,786,121</u>	<u>146,203,971</u>	<u>147,318,735</u>	<u>137,470,659</u>	<u>131,506,633</u>	<u>129,458,169</u>	<u>135,336,650</u>	<u>107,349,848</u>	<u>101,013,704</u>
OPERATING EXPENSES⁽¹⁾:										
Labor and fringe benefits (2)	42,384,755	36,761,237	35,317,355	33,293,386 ⁽⁵⁾	39,716,239 ⁽⁴⁾	18,557,226 ⁽³⁾	25,240,700	24,958,015	24,860,163	23,557,917
Utilities	3,787,263	4,031,957	4,093,668	4,207,644	4,307,678	4,391,294	4,961,727	4,588,517	4,610,517	4,507,906
Professional services	8,810,241	9,060,358	8,048,338	8,041,440	7,669,114	7,488,054	7,982,179	7,007,149	6,504,014	6,591,480
Supplies	4,123,906	4,392,241	3,802,400	3,892,635	3,496,465	3,627,717	3,745,608	4,111,536	3,584,252	3,099,887
Administrative costs	2,636,478	1,950,218	2,921,812	2,648,141	1,502,225	1,597,198	1,588,969	1,365,536	1,266,169	1,216,904
Repair and maintenance	377,221	396,970	305,106	340,005	419,775	292,129	393,193	454,727	415,946	278,912
Insurance	2,181,745	1,335,044	1,038,827	930,535	753,061	758,030	710,448	575,899	584,027	537,178
Chemicals	3,778,939	4,513,691	3,868,307	3,932,469	3,566,961	3,667,497	3,748,437	3,593,948	3,269,986	3,061,660
Total operating expenses	<u>68,080,548</u>	<u>62,441,716</u>	<u>59,395,813</u>	<u>57,286,255</u>	<u>61,431,518</u>	<u>40,379,145</u>	<u>48,371,261</u>	<u>46,655,327</u>	<u>45,095,074</u>	<u>42,851,844</u>
TOTAL AVAILABLE FOR DEBT SERVICE	<u>\$ 98,808,402</u>	<u>\$ 105,344,405</u>	<u>\$ 86,808,158</u>	<u>\$ 90,032,480</u>	<u>\$ 76,039,141</u>	<u>\$ 91,127,488</u>	<u>\$ 81,086,908</u>	<u>\$ 88,681,323</u>	<u>\$ 62,254,774</u>	<u>\$ 58,161,860</u>
DEBT SERVICE										
SENIOR BONDS										
1997 Revenue Bonds-Series A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,205,200	\$ 10,199,500	\$ 10,202,750
2001 Revenue Bonds-Series 2001	-	-	-	-	-	-	-	-	2,654,750	4,393,600
2004 Revenue Bonds-Series 2004	-	-	-	3,961,325	3,958,725	3,961,800	3,961,550	3,952,800	3,966,300	3,958,614
2009 Revenue Bonds-Series 2009A	3,372,250	3,372,750	3,370,375	4,421,923	5,342,513	5,339,713	5,340,238	2,843,263	2,843,263	2,843,263
2010 Revenue Bonds-Series 2010A	-	-	-	-	3,157,000	3,163,475	3,149,950	356,950	356,950	330,179
2010 Revenue Bonds-Series 2010B	7,861,540	7,919,415	7,976,082	8,026,318	4,791,823	4,791,823	4,791,823	4,791,823	4,791,823	4,432,437
2011 Revenue Bonds-Series 2011A	3,822,375	3,822,000	3,828,750	3,833,125	3,835,375	3,835,750	3,877,650	3,767,850	794,588	-
2011 Revenue Bonds-Series 2011B	3,695,450	3,691,250	3,693,350	3,692,450	3,695,075	3,691,900	3,693,087	2,058,775	1,200,952	-
2016 Revenue Bonds-Series 2016A	1,661,250	1,661,250	1,661,250	775,250	-	-	-	-	-	-
Total Senior Debt Service	<u>\$ 20,412,865</u>	<u>\$ 20,466,665</u>	<u>\$ 20,529,807</u>	<u>\$ 24,710,391</u>	<u>\$ 24,780,511</u>	<u>\$ 24,784,461</u>	<u>\$ 24,814,298</u>	<u>\$ 27,976,661</u>	<u>\$ 26,808,126</u>	<u>\$ 26,160,843</u>
Senior Debt Service Coverage	<u>4.84</u>	<u>5.15</u>	<u>4.23</u>	<u>3.64</u>	<u>3.07</u>	<u>3.68</u>	<u>3.27</u>	<u>3.17</u>	<u>2.32</u>	<u>2.22</u>
JUNIOR BONDS										
1997 Revenue Bonds-Series One	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,046,938	\$ 7,049,888	\$ 7,051,563
Total Junior Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,046,938</u>	<u>\$ 7,049,888</u>	<u>\$ 7,051,563</u>
Junior Debt Service Coverage	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7.82</u>	<u>4.27</u>	<u>3.80</u>

(1) As defined in Resolutions and Orders No. 87-53, 89-58, 92-55, and 09-7. Revenues and expenses reported are for Sanitary Sewer activities only.

(2) Includes debt service on the Pension Bonds.

(3) Pension expense was reduced by \$7 million with implementation of GASB 68 and reporting of a net pension asset of \$5.8 million at year-end.

(4) Pension expense increased by \$12 million resulting from a net pension liability of \$15 million at year-end.

(5) Pension expense increased by \$4.0 million resulting from a net pension liability of \$38.7 million at year-end.

Source: District records

DEMOGRAPHICS & ECONOMICS

CLEAN WATER SERVICES

Demographic Statistics

Last Ten Fiscal Years

Fiscal year ended June 30	Population (estimated)	Personal income (in thousands)	Per capita income	Unemployment rate
2020	613,410	N/A	N/A	9.6%
2019	606,280	\$ 36,442,209	\$ 60,971	3.2%
2018	595,860	34,161,728	57,787	3.3%
2017	583,595	32,175,890	55,017	3.5%
2016	570,510	30,877,272	53,899	4.3%
2015	560,465	28,446,967	50,569	4.8%
2014	550,990	25,969,097	46,757	5.6%
2013	542,845	25,788,385	47,008	6.3%
2012	536,370	24,026,099	44,414	7.1%
2011	531,070	22,063,030	41,500	7.7%

N/A - Information not available as of printing

Source - Portland State Population Research Center, Bureau of Economic Analysis, and Oregon Employment Department

CLEAN WATER SERVICES

Major Employment Industries in Washington County Current Year and Ten Years Ago

	2020 *		2011	
	Annual Average	% of Total	Annual Average	% of Total
Manufacturing:				
Wood and Lumber	1,099		1,022	
Metals	3,762		2,635	
Food	2,420		1,632	
Rubber/Plastic	3,123		1,500	
Computer and Electronic Equipment/Instruments	28,888		24,890	
Machinery	5,235		3,202	
Other	7,493		6,173	
Total Manufacturing	52,020	17%	41,054	17%
Trade, Transportation, and Utilities:				
Wholesale Trade	13,739		15,811	
Retail Trade	31,950		27,625	
Transportation and Utilities	5,965		3,143	
Total Trade, Transportation, and Utilities	51,654	17%	46,579	20%
Information:				
Publishing	3,393		3,232	
Telecommunications	1,624		2,001	
Other (broadcasting, ISP's, etc.)	2,699		2,592	
Total Information	7,716	3%	7,825	3%
Financial Activities:				
Finance and Insurance	10,739		10,458	
Real Estate	4,359		3,211	
Total Financial Activities	15,098	5%	13,669	6%
Professional and Business Services	56,904	19%	33,985	14%
Construction	17,387	6%	10,477	4%
Educational Services	5,698	2%	4,592	2%
Healthcare and Social Assistance	32,200	11%	23,923	10%
Leisure and Hospitality	27,584	9%	19,425	8%
Other Services (agriculture, repairs, private homes, misc.)	14,021	5%	10,630	5%
Government (federal, state, and local)	22,821	8%	22,554	10%
TOTAL EMPLOYMENT	303,103	100%	234,713	100%

* Fiscal Year 2020 information includes data through 12/31/19

Source: Oregon Employment Department Labor Market Information System (OLMIS)

OPERATING

CLEAN WATER SERVICES

Administrative, Support and Operational Staff FTE Last Ten Fiscal Years

Fiscal year ended June 30	Administrative staff		Support staff		Operations staff		Capital staff		Total staff	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
2020	33	9%	69	18%	217	57%	62	16%	382	100%
2019	40	11%	49	14%	206	58%	60	17%	355	100%
2018	37	11%	51	15%	204	58%	58	17%	351	100%
2017	36	11%	49	15%	198	59%	55	16%	338	100%
2016	35	11%	49	15%	197	60%	49	15%	330	100%
2015	36	11%	49	15%	191	60%	44	14%	320	100%
2014	35	11%	50	16%	187	60%	41	13%	313	100%
2013	31	10%	57	18%	192	62%	32	10%	311	100%
2012	34	11%	52	17%	181	57%	49	15%	316	100%
2011	40	13%	53	17%	175	55%	48	15%	316	100%

Source: District records

CLEAN WATER SERVICES

Summary of Treatment Plant Capacities

Fiscal Year Ending June 30, 2020

Plant	Annual average flow (MGD)	Average dry weather flow (MGD)	Dry weather design capacity (MGD) ¹	Average wet weather flow (MGD)	Wet weather design capacity (MGD) ¹	Peak day flow (MGD)	Peak design flow (MGD) ²
Durham	21.0	19.4	33.0	22.9	51.1	49.0	140.0
Rock Creek	33.4	31.5	45.0	35.4	70.0	73.0	150.0
Forest Grove	4.0	3.7	8.0	4.4	20.0	16.0	20.0
Hillsboro	3.9	3.7	—	4.1	16.0	7.5	16.0
District totals	62.3	58.3	86.0	66.8	157.1	145.5	326.0

MGD – Million Gallons Per Day

¹ The design capacity statistics report system flows that are treated in the plants and reflect permit requirements based on the time of the year.

The District operates under separate permits for the dry weather and wet weather seasons. The dry weather season has more restrictive permit requirements and requires higher quality treatment of flows. This results in lower system capacity in dry weather months as compared to wet weather capacity. The Hillsboro treatment plant is closed and non-permitted during the dry weather season and flows are diverted to either Rock Creek or Forest Grove.

² The peak design flow reflects maximum hydraulic flow through the plants. These flows may not be fully treated.

Source - District records

CLEAN WATER SERVICES

Operating and Capital Indicators Last Ten Fiscal Years

	Fiscal Year									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Wastewater Treatment										
Number of Treatment Plants	4	4	4	4	4	4	4	4	4	4
Number of Pump Stations	43	42	42	42	40	40	40	40	41	41
Dry Weather Design Capacity (MGD)	86	86	86	86	78	78	78	75	75	71.3
Average Dry Weather Flow (MGD)	58.3	60.8	62	64.8	55.5	53.3	55.5	56.3	54.1	56.4
Unused capacity(millions of gallons)	28	25	24	21	23	25	23	19	21	15
Percentage of capacity utilized	68%	71%	72%	75%	71%	68%	71%	75%	72%	79%
Conveyance Systems										
Number of System Development permits	47	65	62	80	99	84	78	59	34	25
Number of Connections	869	1,062	1,074	1,410	1,593	1,176	1,033	793	804	640
Total miles of sewer line	859	858	853	851	838	839	840	832	837	826
Total miles of storm water line	549	545	537	529	516	495	503	491	490	487
District-Wide										
Estimated Number of EDU's serviced	307,396	303,480	298,921	295,214	289,821	285,495	281,670	277,032	271,223	269,130
Other Programs										
River Rangers program										
# of Students	1,631	4,286	2,624	3,295	2,620	2,024	3,673	4,258	3,251	3,787
# of Schools	22	52	39	42	38	33	49	58	47	54
Storm drain Stenciling										
# of drains stenciled	178	297	243	413	346	936	105	603	1,191	1,113

N/A - information not available

MGD - Million Gallons Per Day

EDU - Equivalent Dwelling Unit

Source-District Records

COMPLIANCE REPORT

Report of Independent Auditors on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Auditing Standards*

The Board of Directors
Clean Water Services
(A component unit of Washington County, Oregon)
Hillsboro, Oregon

We have audited the accompanying financial statements of Clean Water Services, a component unit of Washington County, Oregon (the District), as of and for the year ended June 30, 2020, and have issued our report thereon dated December 30, 2020. 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 of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control over financial reporting.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to budgeting.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

The results of our tests disclosed no matters of noncompliance with those provisions that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for determining 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal controls. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julie Desimone, Partner, for
Moss Adams, LLP
December 30, 2020