



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR 2020-2021



A Component Unit of Washington County, Oregon
for the fiscal year ended June 30, 2021

Clean Water Services
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CleanWater  Services

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Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2021

Prepared by CWS's Business Services Department

CLEAN WATER SERVICES

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INTRODUCTORY SECTION

December 23, 2021

To Board of Directors, Ratepayers and Interested Parties:

We are pleased to submit the Annual Comprehensive Financial Report of Clean Water Services (the District), a component unit of Washington County, Oregon, for the year ended June 30, 2021, 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, 2021. 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 eighth 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, 2021. 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.

- Construction and Local Improvement District (LID) Funds – (one each for Sanitary Sewer and Surface Water Management) 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

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 (15%), healthcare and social services (11%), computer and electronic equipment manufacturing (10%), government services (7%), leisure and hospitality (7%), and construction (6%).

The local economy was impacted by the COVID-19 pandemic with job losses and increased unemployment rates. 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. Unemployment rates have decreased to 4.8% in June 2021, falling from a high of over 10% in April and May 2020. Washington County's per capita personal income growth consistently outpaced the state average and the unemployment rate remains among the lowest in the region.

Washington County, the second most populous county in Oregon, continues to be one of the fastest growing counties in the state, adding 83,710 more residents between 2012 and 2021. 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 620,000. 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 74,000 people by 2030.

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 3.49 percent.

MAJOR NEW AND ONGOING INITIATIVES

The Pandemic

The emergence of the COVID-19 pandemic in FY 2019-20 brought economic hardships that our community and ratepayers could not have anticipated. The abrupt threat to public health and the resulting economic impact of the pandemic challenged local and state governments, large and small businesses, and families in our community.

In recognition of those economic impacts, we helped secure \$3 million from the CARES Act for Community Action to fund a utility assistance program that served ratepayers in Washington County impacted by COVID-19. We suspended planned increases to sanitary sewer and surface water management rates through June 30, 2021.

Clean Water Services received federal award funding of over \$1.67 million through Washington County CARES Act Cities & Special Districts Assistance Grants and the Federal Emergency Management Agency. These funds covered additional costs incurred by Clean Water Services to operate our Emergency Operations Center, purchase digital equipment to support remote working for staff, produce and purchase personal protective equipment (PPE), cover COVID-19 temporary leave for staff, install health and safety upgrades at our facilities, and support efforts by our Sewer Surveillance Lab to track COVID-19 in the sanitary sewer system.

Low-income water and wastewater ratepayer assistance funding was included the December 2020 Pandemic Relief Package and the March 2021 American Rescue Plan Act (ARPA). We are working with federal and state authorities to monitor and support the distribution of this first-ever ratepayer assistance funding to qualifying ratepayers. We are also monitoring implementation of ARPA, which includes resources for state and local governments to invest in infrastructure, including wastewater.

In response to scarcity, the community stepped up by tripling donations for the food insecure during our annual Leaf Disposal and Food Drive. Our staff implemented the People Protecting People project in collaboration with several community partners to provide personal protective equipment where it is needed most. More than 1.6 million pieces of PPE have been distributed to agricultural workers, COVID Business Recovery Centers, community-based organizations, TriMet passengers, and employees of Washington County assisted living facilities and food processing companies. Those distribution efforts continue.

Ensuring our water is safe and clean always requires vigilance, but it took on new urgency in the face of a global pandemic. Our 406 employees had to find ways to work together while staying apart, but we never stopped delivering the round-the-clock, essential services that our community depends on.

We also never stopped innovating and connecting, as we collaborated with Oregon State University, Oregon Health & Science University and Oregon Health Authority on research projects to help public health officials detect the presence and scope of the virus in communities through wastewater testing.

Our utility was born in 1970 when a community came together to address a public health crisis. Today, we mourn the lives lost in this pandemic and we look forward with hope as our community continues working together to overcome this crisis and prepare for those that lie ahead.

Going forward, we need to be deliberate and measured with our investments, as well as forward-thinking and proactive in our financial planning while doing our part for the economic recovery in the region.

Repositioning CWS to Meet the Needs of the Future

Over the past year, Clean Water Services has been working to reposition and align our people, resources and programs to better position the organization to deliver on our key strategic outcomes and respond to future challenges and opportunities. We're changing our structure to build a more resilient, responsive and nimble organization that integrates policy and strategy while effectively implementing programs to protect and restore our watershed and support the economic health of the region. This means fewer silos and more collaborative cross-discipline work. It means a more deliberate focus on the city, community and regional partnerships that drive success. It means an increased focus on research to help drive the innovation necessary to meet the challenges of increasingly stringent regulatory requirements, climate change and the needs of the Tualatin River.

The new organizational structure will create space to identify and nurture talent and leadership in our workforce. We're adding 17 full-time equivalent positions in the coming fiscal year; 12 are conversions of temporary positions where the workload has proven sustained and long-term. We will continue to prioritize and sequence hiring for all current vacancies and new positions.

In FY 2020-21 we created three new senior leadership positions — Chief Operating Officer, Chief of Staff and Chief Utility Relations Officer — and shifted programmatic portfolios to continue to build the capacity and capability of the Clean Water Services team. In FY 2021-22 we're creating two new service-driven departments. The Regional Utilities Services Department will be led by the Chief Utility Relations Officer and will focus on regional governmental relationships and agreements, agreements with large industrial customers and developers, regional community and economic development planning and services, systems planning and integrated planning. The Enterprise Asset & Technical Services department will focus on asset management, providing technical engineering services, designing and maintaining automation and control systems, and managing the maintenance and services for all District buildings and facilities.

Priorities

- Health and safety are our priority. The community's investment in protecting water resources helps us look beyond this pandemic and keep up with changing needs. The FY 2021-22 budget supports our dedication to public health, the environment, our employees and our infrastructure assets by:
- Continuing to prioritize and sequence capital investments.
- Prioritizing and sequencing hiring for current vacancies and new positions.
- Reducing travel and training and other operating costs that can be delayed or deferred.

We Believe in Watershed Health

Clean Water Services has spent more than 50 years pursuing a cohesive strategy to advance the health of the Tualatin River Watershed for more than 620,000 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.

We Believe in Infrastructure, Public Health and the Environment

Over the past 10 years, Clean Water Services and our co-implementer cities have invested more than \$570 million to expand, replace and upgrade our community's four water resource recovery facilities, 43 pump stations, sewer lines and storm sewers. The District is responsible for 859 miles of the 1,860 miles of sewer lines and 549 miles of the 1,529 miles of storm sewers.

Achievements in FY 2020-21

- Cleaned more than 22.7 billion gallons of wastewater.
- Recycled an average of 31.5 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 9,700 strict permit conditions at District water resource recovery facilities, including monthly, weekly and daily limits established to protect the Tualatin River.
- Earned the National Association of Clean Water Agency's highest awards at three water resource recovery facilities for 100% permit compliance (Gold Award), including for more than five consecutive years at three of the facilities (Platinum Award). One facility earned a Silver Award for less than five permit exceptions.
- Invested \$454,000 in facilities, equipment and supplies to help keep District employees safe during the pandemic. Work included:
 - Upgrading to higher levels of HVAC filtration.
 - Modifying workspaces with cubicle wall glass stackers and signage.
 - Installing alternate work sites for construction crews and other employees at the Materials Handling Yard and rippl.
 - Increasing janitorial service and sanitization of facilities.
 - Installing portable temporary restrooms for District field staff and contractors.
 - Procuring and distributing PPE masks, sanitizer and gloves.
- Received the 2020 Project of the Year by the Oregon chapter of the American Public Works Association for the Upper Tualatin Interceptor Project, a multiyear \$34 million upgrade. The project included installing 11,000 linear feet of 66-inch, 60-inch and 48-inch pipe, constructing two vertically curved siphons under the Tualatin River, restoring Cook Park and portions of Jurgens Park in Tigard and Tualatin and restoring over 6.5 acres of wetlands and sensitive areas. The challenging project was completed on time and under budget through an innovative progressive design-build approach. Now, the District will be able to meet capacity demands for the next 100 years and the interceptor will be more resilient to corrosion and seismic events.
- Participated as the financial partner in five city-managed projects totaling \$3,600,000.
- Participated with three developers to fund more than \$800,000 in construction costs to upsize trunk sewers with capacity to serve greenfield development areas.
- Participated with Washington County Land Use & Transportation on four coordinated stormwater management projects.
- Swept more than 13,596 miles of streets collecting almost 248 dump truck loads of debris. Cleaned more than 10,678 catch basins collecting material equivalent to 447 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 five years to provide additional water quality treatment, exceeding the 375 required by the District's NPDES permit.
- Performed 763 engineering plan reviews in support of site development permits for 30 residential subdivisions and 34 commercial development or redevelopment sites.

- Performed 1,316 environmental plan reviews and 161 engineering plan reviews in support of projects throughout the service area.
- Issued 614 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 46 facilities discharging to the stormwater conveyance system. Inspected 57 dentist offices to control mercury discharges to resource recovery facilities. Issued 58 Ecological Business certifications.
- Updated the District's Industrial Pretreatment Implementation Manual, adopted Nondomestic Waste Ordinance 42, completed local limits evaluation report and multiple supporting core documents.
- Established and implemented a monitoring plan to sample for perfluorinated compounds at regular intervals at select industrial contributors, treatment facilities and key collection system sampling points throughout the District's watersheds.
- 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 dashboard tool to track NPDES compliance and monitoring activities. The tool helps with data review and prompts follow-up to help maintain compliance with permit requirements and improve regulatory efficiency and oversight.
- Updated the District's Recycled Water Use Plan to include seven additional land application sites. Worked with the DEQ to expand the District's recycled water use program to include supporting native wetland plant growth.
- Continued to work with DEQ and the Tualatin River Watershed Council on a collaborative study in the Dairy McKay subbasin evaluating the effects of flow enhancement and riparian planting restoration efforts on temperature and water quality in the subbasin.
- Continued to implement the proactive mercury minimization plan, which provided a smooth transition to the new federal requirements for mercury reporting from dentist offices. To date the district has received 99.2% of required dentist office reporting.
- Worked with Digital Solutions to update the reporting and notification process that Clean Water Services and our co-implementer cities use to submit reports regarding sanitary sewer overflow and illicit discharge events. The changes to the process improve the end-user's experience, provide faster notification of reported events to key individuals and generally increase the reliability of the process.
- Reduced mercury usage at the Water Quality Lab by transitioning the total phosphorus analysis from a mercury catalyzed digestion to one catalyzed by copper sulfate.

We Believe in Resource Recovery

Clean Water Services is a leader in the industry's transformation from advanced wastewater treatment to recovering valuable resources that include clean water, renewable energy and nutrients. We've shifted from

conventional treatment systems of pipes, pumps and plants into resource recovery facilities to minimize waste, maximize resources and save ratepayers money.

Achievements in FY 2020-21

- Provided 75 million gallons (including onsite use) of irrigation water from the Durham facility to more than 218 acres of athletic fields, golf courses and parks.
- Generated approximately 21.5 million kilowatt hours of renewable energy by capturing digester gas from the Rock Creek and Durham facilities, as well as solar power at Durham to meet approximately 47% 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.

We Believe in Science

As a first-class regional utility, we control our destiny through research and innovation in the face of population growth and water quality demands to return water to the sensitive Tualatin River. We're in a new era with new challenges — climate changes, more complex treatment, larger facilities and aging infrastructure. Technology is more complex. We need to replace assets and take advantage of more modern technology. What was once new, now needs renewal.

Achievements in FY 2020-21

- The research and innovation staff conducted over 20 research studies including:
 - Disinfection by-product reduction and compliance.
 - Nutrient control and treatment process.
 - Natural Treatment System treatment optimization.
 - Impacts of removing phosphorus at Rock Creek and Durham without tertiary alum treatment.
 - Optimization and stabilization of biological phosphorus removal.
 - Presence of SARS-CoV-2 in wastewater at the four CWS water resource recovery facilities and throughout Washington County.
 - Establishment of local limits for industrial dischargers based on inhibition testing.
 - Measurement of allowable loadings into the Durham anaerobic digesters of fats, oils and grease.
 - Improved techniques for wetland and understory species.
 - Optimization of treatment for direct potable reuse.

- Development of DIY continuous monitors for ambient and conveyance flow regimes.
- Development of a water quality model in cooperation with Portland State University for Hagg Lake and the Tualatin River basin.
- Development of a model to evaluate future scenarios to meet thermal NPDES permit requirements and options for the Scoggins Dam safety modifications.
- The Water Quality Laboratory:
 - Produced surface disinfectants, hand disinfectant and disinfecting wipes for the District and other county programs.
 - Performed approximately 216,000 chemical, biological and physical analyses to help Clean Water Services assure the health and safety of the Tualatin River Watershed and its residents.
 - 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 industries are meeting permit obligations.
 - Supported critical compliance analysis including innovative phosphorous fractionation and emerging methods for evaluation of aluminum toxicity.
 - 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.
 - 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.
- 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. Some examples include:
 - 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 the District 18 Watermaster, 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.
- Completed a phosphorus study to update the Tualatin River phosphorus Total Maximum Daily Load (TMDL). The study assessed 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.
- Continued sampling, tracking and investigating industrial and other sources of PFAS to understand the impact on District infrastructure and biosolids. Continued outreach and working with select industries to reduce presence of perfluorinated compounds.

We Believe in Engagement and Education

Clean Water Services encourages the community to join our efforts in protecting public health, enhancing the region's environmental quality of life and planning for the region's water future. We accomplish this with a supportive and collaborative internal culture where employees can see how their work is reflected in the District's vision, mission and goals.

Achievements in FY 2020-21

- Provided virtual programming in the form of lesson plans, videos, and presentations to support distance learning for students and teachers in the Tualatin River Watershed. Synchronous programs reached 500 high school and college students, printed resources were delivered to 1,630 elementary students and asynchronous content was provided to more than 500 educators.
- Launched a digital storytelling tool to help students and community members understand the process of treating water and recovering resources.
- Produced and sold four blends of GROW retail fertilizer. GROW is sold on Amazon.com and at over 35 local and regional stores, including ACE Hardware, True Value chains and a variety of locally owned independent businesses. Portland Nursery and Amazon.com continue to be our fertilizer's biggest fan, especially for stay-at-home gardeners this past fiscal year. 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.
- Promoted four times as many leaf drop-off events, which resulted in three times the number of leaves collected (2,345 cubic yards) and three times the amount of food donations (7,700 pounds — about the weight of an elephant). Cash donations increased by 300% from an annual average of \$870 to \$2,900 in FY 2020-21. Food donations went to St. Vincent de Paul of Hillsboro, and monetary donations went to the Oregon Food Bank.

We Believe in Organization Culture

Clean Water Services is focused on equity and diversity in our organization and in future hires to serve and reflect the region we serve.

Achievements in FY 2020-21

- Launched a three-year diversity, equity and inclusion program development initiative with an initial focus on race. This first year was one of leadership learning, employee engagement and research on best practices. The second year of the program will focus on employee learning while the third year will focus on plans and policy. We are sponsors of events for community organizations such as Centro Cultural, Community Action, Vision Action Network and others.
- Promoted employee safety and resilience through employee engagement and strategic internal communications in support of emergency operations for the pandemic and wildfires. Key topics included testing; contact tracing; safety tools such as face coverings, physical distancing, sanitation and self-monitoring; CWS policies; state guidance; tips for teleworking, online meetings and digital collaboration; childcare and schooling; vaccinations for flu and COVID-19; opportunities to give back; and making safe choices on personal time.

We Believe 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 2020-21

- Since 2005, the 35-plus partners of Tree for All have restored 150 river miles of riparian habitat in the Tualatin River Watershed and planted more than 14 million native plants. Collectively these public and private partnerships are managing more than 30,000 acres for watershed health.
- Clean Water Services, U.S. Fish and Wildlife Service and Tree for All partners created more than two miles of new high value stream habitat on 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. 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.
- The Paseos Verdes (Watershed Health Walks), which includes training for bilingual walk leaders, continues to flourish. The program is a partnership with the Portland Audubon, Bienestar, Virginia Garcia and Tualatin Hills Park & Recreation District.
- Several improvements were completed during the past year at the Wapato National Wildlife Refuge near Gaston including new bridges, walking paths and a new pump station. Multiple partners including Intel, U.S. Fish and Wildlife Service, Tualatin Soil and Water Conservation District, Joint Water Commission, USGS and Metro have contributed funding and been working collaboratively on planning and implementing these and other projects at the refuge.
- Our project team completed construction on the Denney to Hall project. The team reestablished the natural flow of Fanno Creek in the northern portion of the site, replaced two undersized culverts with a pedestrian bridge, removed a berm surrounding the pond, created depressional floodplain wetlands and placed logs in the stream channel and wetland to improve habitat. Finally, they established native plant communities along the entire Denney-to-Hall reach. Metro made a new pedestrian bridge possible with a Nature in Neighborhoods grant. Clean Water Services handled the engineering, construction and revegetation.

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 integrated our four municipal water resource recovery facilities and the municipal stormwater separate 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.

Our current permit became effective on June 1, 2016, and expires May 31, 2021. The permit expanded opportunities to respond to new growth, maintain current infrastructure investments, provide new discharges and achieve water quality standards. The 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.

We applied for a new permit in December 2020. The permit application includes EPA and DEQ forms for the four resource recovery facilities and specific stormwater elements that are identified in the permit. DEQ has found the application administratively complete and the current permit can be extended past the expiration date. DEQ is planning to issue a new permit in the second quarter of 2022.

As part of the permit application process, we developed an Integrated Plan to establish a long-term permitting strategy. The strategy describes current activities we are implementing and long-term objectives related to permit compliance. These efforts are designed to integrate our compliance objectives with broader strategic efforts for the entire basin. The long-term efforts focus on improving health and resilience, responding to growth and the anticipated impacts of climate change on our basin, controlling pollution, and improving ecological outcomes. Many of the strategies we want to implement require regulatory support and action and will take time to implement. These actions include:

- Affirming a watershed-based approach.
- Incorporating the Integrated Plan to guide future permitting.
- Affirming a subbasin approach for stormwater management to provide resilience in urban streams, and responding to anticipated climate change by integrating stream enhancement, flow, treatment and upland stormwater controls.
- Incorporating the observed benefits of the Natural Treatment System into the compliance regulatory permitting structure at the Forest Grove Water Resource Recovery Facility and Natural Treatment System.
- Updating the thermal load management plan to expand water resource strategies, prioritize efforts to protect aquatic resources and refine the trading ratio for riparian planting.
- Adopting more modern, cost effective compliance monitoring.
- Expanding the recycled water use program to provide more opportunities to apply recycled water, including natural resource restoration.
- Updating the monitoring frequency at the water resource recovery facilities.

Updating the phosphorus TMDL to focus on biological processes.

The permit and regulatory requirements are complex, and we implement innovative programs to implement and ensure compliance. We anticipate that extensive reuse goals will require changes to how we manage industrial and commercial discharges, track and control pollutants, and effectively implement pollution prevention and minimization efforts. The Laboratory, Environmental Services and the Administration programs in Regulatory Affairs are creating road maps to help create the necessary framework to meet these obligations. The Environmental Services staff is also updating its core documents to establish the foundation needed to meet the expectations envisioned in the Integrated Plan.

Clean Water Services continues to work with DEQ to implement several water quality standards including copper, mercury and disinfection by-products. One notable effort is the development of methods for measuring biologically available aluminum. EPA incorporated information developed by the laboratory into the new aluminum standard, which allows substantial flexibility for compliance. RAD is currently working with DEQ to develop procedures for application in Oregon.

Clean Water Services has undertaken an extensive sampling and modeling effort of the Tualatin Basin to support a request to modify the current regulatory requirements for the Tualatin River. One substantive proposal would be changing the phosphorus limits to allow the District to reduce chemical addition while achieving the new aluminum standard and still improve water quality in the Tualatin River. 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 to increase 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' successful record of implementing complex water quality regulations through partnerships and collaboration is widely recognized as a national model. Investments by our customers in a highly 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 public facilities and public services related to surface water management, including storm water drainage. The District is 100 percent fee and charge supported. Sanitary Sewer fees for residential and commercial customers are calculated by adding a consumption component to a base rate component (Dwelling Unit (DU) for residential customers or Equivalent Dwelling Unit (EDU) based on fixture counts for commercial customers). 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 District sets the regional sanitary sewer and surface water management utility rates, which are charged to all customers. The District also sets local sanitary sewer and surface water management rates which are charged to residents of unincorporated Washington County and the cities of Banks, North Plains, Gaston, King City and Durham.

The Cities of Beaverton, Tigard, Hillsboro, Tualatin, Forest Grove, Cornelius and Sherwood bill residential and non-industrial customers within their city limits and remit the District's set regional rates for sanitary sewer and storm water management services under established agreements. These seven largest cities set their own city rates to deliver local services and meet local needs.

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 Cities of Portland and Lake Oswego may bill at different rates but remit funds for District customers based on District rates.

The District directly bills all industrial permit holders. 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.

The District's Board recognized the financial stress many families and businesses were experiencing from the COVID-19 pandemic and deferred planned rate increases for sanitary sewer and surface water management fees. The District managed the budget by delaying and sequencing planned operating and capital investments.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the 34th 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 ACFR. 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 ACFR 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 2020-21 received the Distinguished Budget Presentation Award from GFOA. This was the 33rd 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, 2021

ELECTED:

Term Expires

Kathryn Harrington, Chair	December 31, 2022
Nafisa Fai, District 1 Director	December 31, 2024
Pam Treece, District 2 Director	December 31, 2022
Roy Rogers, District 3 Director	December 31, 2024
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**

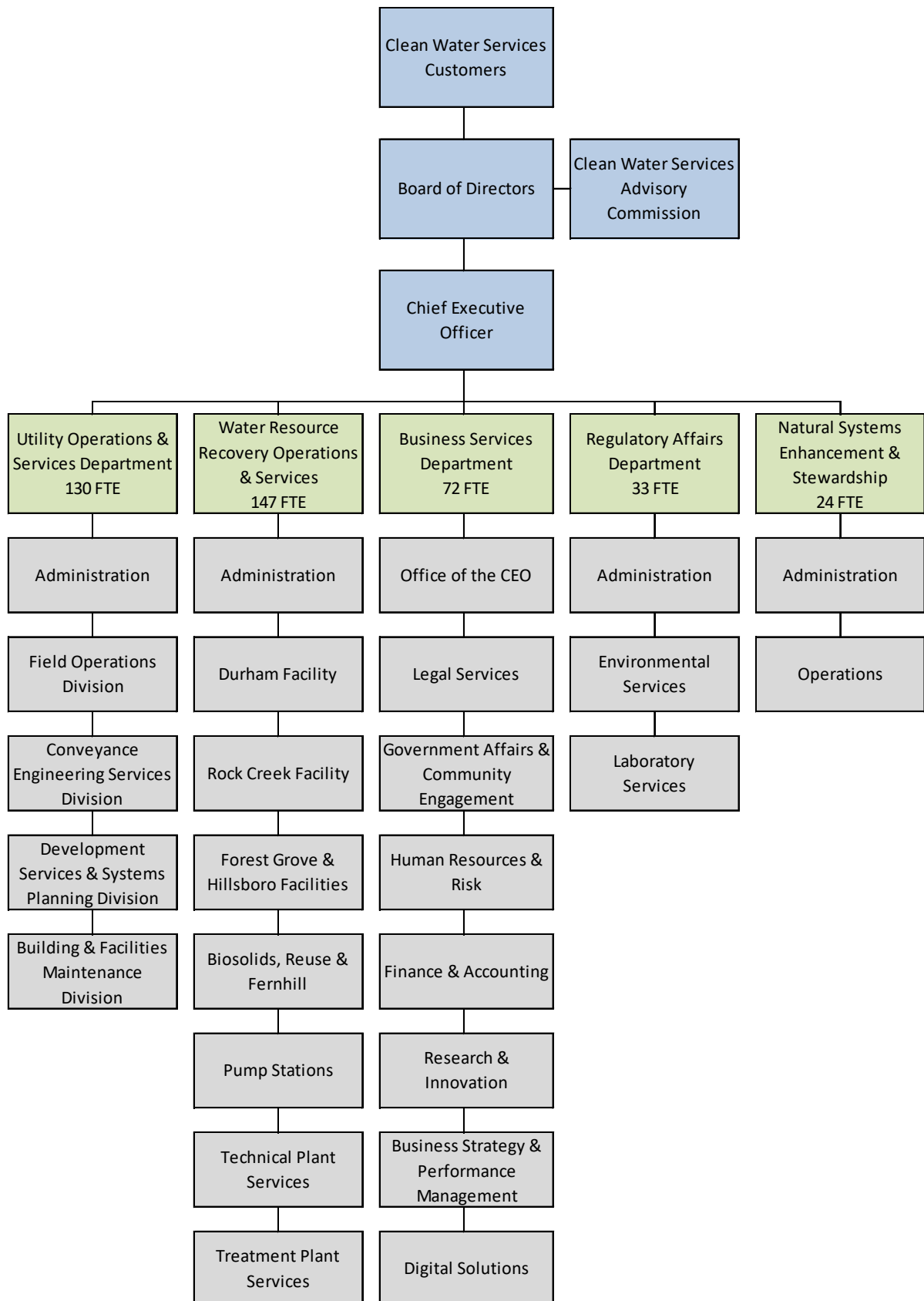
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

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, 2021, 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, 2021, 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, 2021 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 and required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, 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 and budgetary schedules, 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.

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 1, 2021, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2021 on our consideration of the District'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 the District'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 District's internal control over financial reporting and compliance.



Julie Desimone, Partner, for
Moss Adams, LLP
December 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLEAN WATER SERVICES MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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, 2021. 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-XV 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 \$1 billion (net position). Of this amount, \$278.8 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 \$53.1 million mainly due to net proceeds from current year operations and capital contributions from developers.
- The District's total net capital assets increased \$18.4 million primarily due to capital assets constructed and purchased in the current year totaling \$55.4 million, and contributions of infrastructure systems and easements by developers totaling \$6.5 million less District contributions of capital assets and loss on disposals totaling \$3.8 million and current year depreciation and amortization of \$39.7 million.
- Debt service coverage for senior debt was 4.02, which exceeded the 1.2 required by the bond covenants. The District had no subordinate debt outstanding during the year.
- Operating revenues total \$160.3 million, an increase of \$3.2 million. This is primarily attributed to customer growth. The District did not raise sanitary sewer and storm services charges in FY 2021.
- Operating expenses total \$124.5 million, an increase of \$7.6 million. The primary contributing factors are an increase in labor costs in the current year.
- Long-term debt decreased by \$15 million due to payment of outstanding bonds and amortization of related premium. The District had \$156.2 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, 2021

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 62-64 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 19-57 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 58-61 of this report.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

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 \$1 billion at the close of the most recent fiscal year, an increase of \$53.1 million. The table below provides a summary of net position at fiscal year-end.

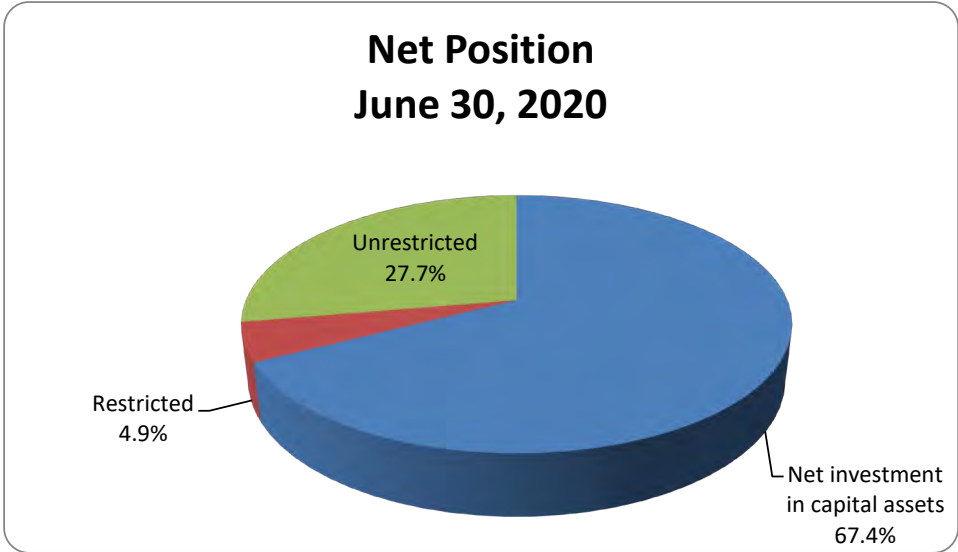
	Net Position (in Thousands)		Change	
	2021	2020	Amount	%
ASSETS				
Current assets	\$ 329,556	\$ 295,964	\$ 33,592	11.4%
Noncurrent assets				
Cash and investments - restricted	49,399	50,676	(1,277)	-2.5%
Capital assets, net	830,456	812,039	18,417	2.3%
Investment in joint venture	2,136	2,213	(77)	-3.5%
Other noncurrent assets	1,839	1,381	458	33.2%
Total assets	1,213,386	1,162,273	51,113	4.4%
Deferred outflows of resources	29,649	30,028	(379)	-1.3%
LIABILITIES				
Current liabilities	39,490	35,689	3,801	10.7%
Noncurrent liabilities	193,042	196,700	(3,658)	-1.9%
Total liabilities	232,532	232,389	143	0.1%
Deferred inflows of resources	4,264	6,850	(2,586)	-37.8%
NET POSITION				
Net investment in capital assets	678,270	646,467	31,803	4.9%
Restricted ⁽¹⁾	49,162	51,010	(1,848)	-3.6%
Unrestricted ⁽¹⁾	278,807	255,585	23,222	9.1%
Total net position, end of year	\$ 1,006,239	\$ 953,062	\$ 53,177	5.6%

⁽¹⁾ Net Position in FY 2020 was reclassified to match current year presentation.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Net Position

By far the largest portion of Clean Water Services' net position (\$678.3 million or 67.4%) 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 (\$49.1 million or 4.9%) 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 and funds restricted for debt service.

The remaining balance of unrestricted net position (\$278.8 million or 27.7%) 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, 2021

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	
	2021	2020	Amount	%
REVENUES				
Operating revenues:				
Service fees	\$ 151,288	\$ 148,414	\$ 2,874	1.9%
Other revenues	9,076	8,726	350	4.0%
Total operating revenues	160,364	157,140	3,224	2.1%
Nonoperating revenues:				
Interest income (loss)	(123)	11,743	(11,866)	-101.0%
PERS employer incentive payment	-	2,252	(2,252)	-100.0%
Total revenues	160,241	171,135	(10,894)	-6.4%
EXPENSES				
Operating expenses	124,530	116,911	7,619	6.5%
Nonoperating expenses:				
Interest	7,019	7,402	(383)	-5.2%
Loss on disposal of capital assets	827	76	751	988.2%
Loss on equity in joint venture	77	51	26	51.0%
Capital donations	2,957	3,314	(357)	-10.8%
Total expenses	135,410	127,754	7,656	6.0%
Income before contributions	24,831	43,381	(18,550)	-42.8%
Capital contributions	28,346	28,910	(564)	-2.0%
Change in net position	53,177	72,291	(19,114)	-26.4%
Net position, beginning of year	953,062	880,771	72,291	8.2%
Net position, end of year	\$ 1,006,239	\$ 953,062	\$ 53,177	5.6%

CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

Revenues

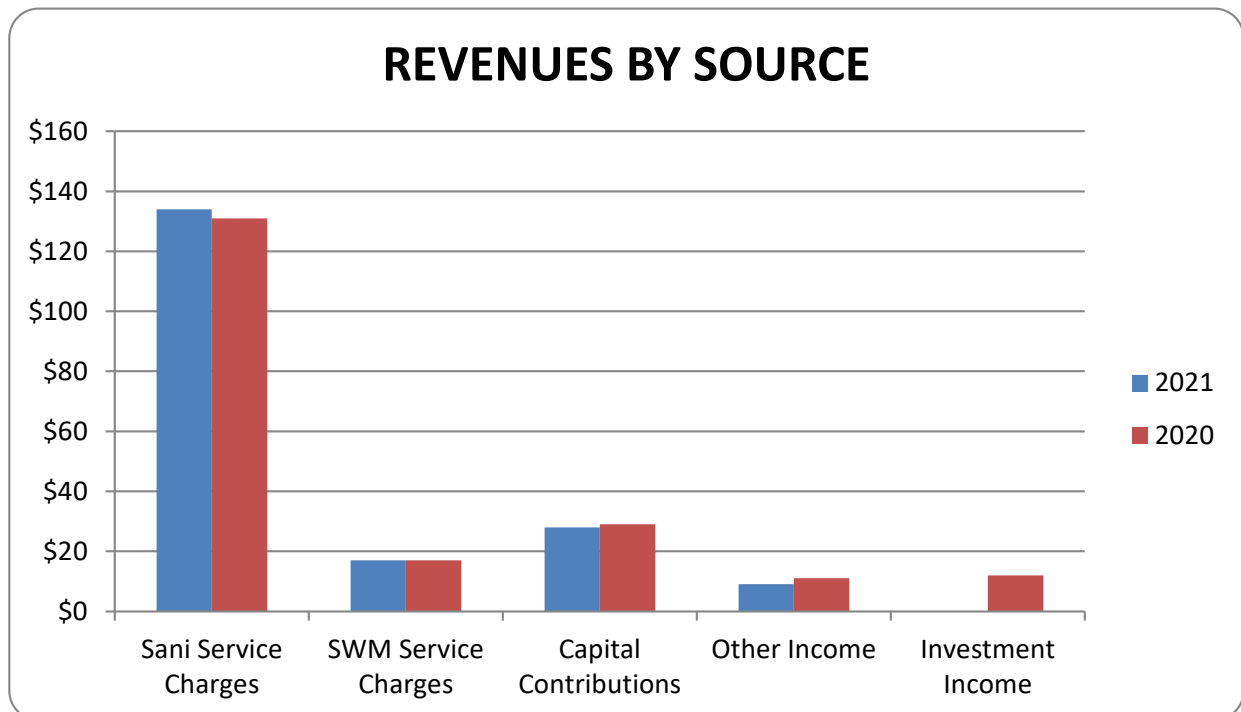
Total revenues for FY 2021, including operating revenues, non-operating revenues and contributed capital, totaled \$188.6 million, a reduction of approximately 5.7% from FY 2020. The decrease in total revenues was primarily due to reduced interest income.

Sanitary & SWM Service Charges: Operating revenue consists mainly of user charges for sewage and storm services. Monthly service charge revenues increased by 1.9%, totaling \$151.3 million. This increase was primarily related to customer growth. The District did not raise sanitary sewer and storm services charges in FY 2021.

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 \$28.3 million, a decrease of \$0.5 million, or 2% compared to the prior year. The decrease is due to a decrease in connections to the system (customer base growth) of \$1.9 million in the current year. Developer donated infrastructure and donated easements increased by \$1.4 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 \$9.1 million, a decrease of \$1.9 million, or 17.2%, as compared to the prior year. The decrease reflects a one-time revenue source to the District in FY 2020 for the OPERS Employer Incentive Fund award totaling \$2.3 million.

Investment Income: Investment loss totaled \$0.1 million in 2021, a decrease of \$11.8 million compared to 2020, attributed to lower investment earnings and investment valuation at year-end.



CLEAN WATER SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

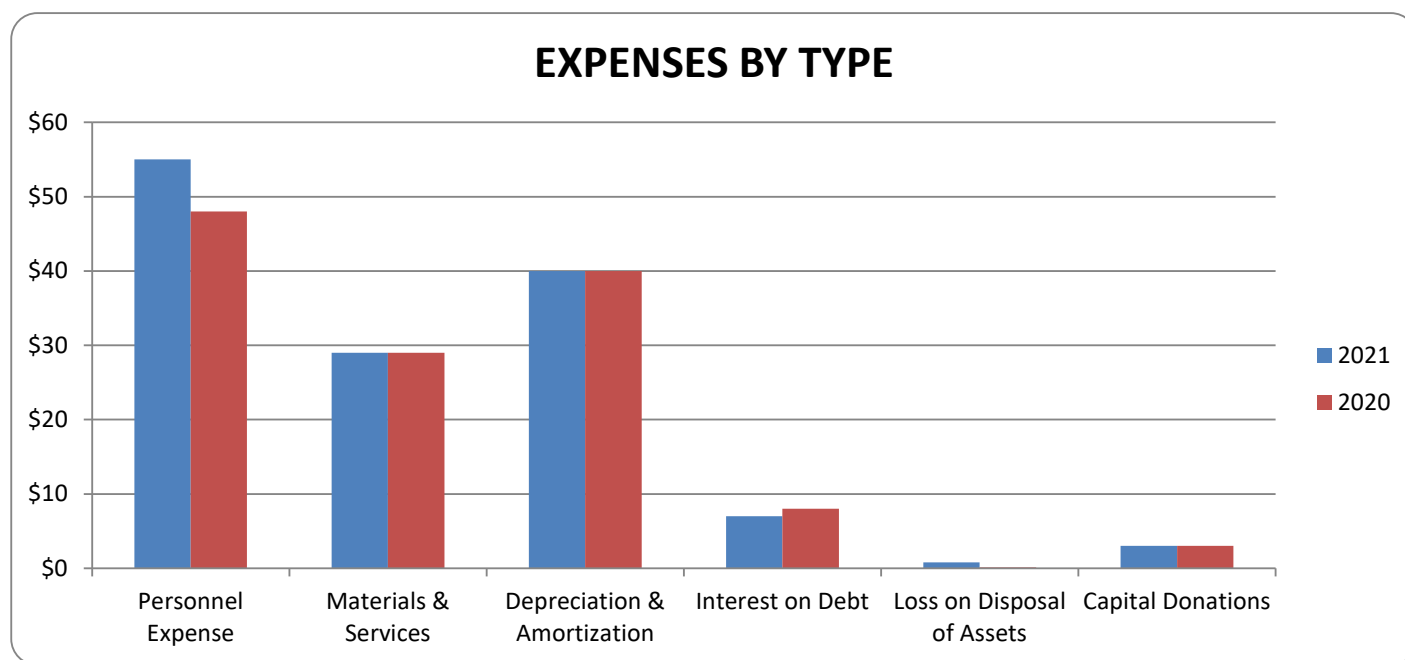
Expenses

Total expenses for FY 2021, including operating expenses, non-operating expenses and donated capital, totaled \$135.4 million, an increase of approximately 6% over FY 2020. The increase in total expenses was primarily due to an increase in labor costs.

Operating costs increased by \$7.6 million or 6.5%. This increase was primarily due to an increase in labor related costs of \$6.9 million with the addition of 24 full-time-equivalent (FTE) positions during the year. All other operating costs including utilities, professional services, and supplies were relatively flat or decreased during the year.

Non-operating costs increased by \$0.037 million or 0.3%. Bond debt service interest expense decreased by \$0.4 million as outstanding debt is paid off. Loss on disposal of capital assets increased by \$0.7 million as compared to the prior year. The District also had capital donations to others in FY 2021 totaling \$2.9 million, a decrease of \$0.3 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, 2021

Capital assets

As of year-end, the District has \$830.4 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 \$55.4 million. The net change in capital assets from current year activity was an increase of \$18.4 million over FY 2020.

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

	2021	2020	Change	
			Amount	%
Land	\$ 17,347	\$ 17,347	\$ -	0.0%
Easements	25,490	23,608	1,882	8.0%
Construction in progress	159,008	204,280	(45,272)	-22.2%
Buildings and improvements	66,452	51,459	14,993	29.1%
Land improvements	79,022	79,035	(13)	0.0%
Treatment plants	239,520	227,392	12,128	5.3%
Sewer lines	211,801	177,185	34,616	19.5%
Plant equipment	22,233	24,115	(1,882)	-7.8%
Automotive equipment	3,451	3,424	27	0.8%
Plans and studies	2,938	2,885	53	1.8%
Office equipment	3,096	1,199	1,897	158.2%
Temporary easements	37	40	(3)	-7.5%
Patents	61	70	(9)	-12.9%
Total capital assets	\$ 830,456	\$ 812,039	\$ 18,417	2.3%

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Capital additions by category during FY 2021 included the following:

Treatment plant facilities	\$	31,605,497
Sanitary conveyance systems		5,852,156
Stormwater conveyance systems		3,139,037
Pump stations		3,338,691
Watershed		6,709,034
Other (facilities, fleet, IT)		4,800,950
	\$	<u>55,445,365</u>

Additional information on Clean Water Services' capital assets can be found in note 5 on page 29 of this report.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

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)				
	2021	2020	Change	
			Amount	%
Sewer revenue bonds	\$ 146,092	\$ 160,063	\$ (13,971)	-8.7%
Revenue pension bonds	10,155	11,145	(990)	-8.9%
Total	\$ 156,247	\$ 171,208	\$ (14,961)	-8.7%

As of year-end, the District had total net bonded debt outstanding of \$156.2 million versus \$171.2 million at the end of fiscal year 2020, and of that amount \$15.3 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 31-34 of this report.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Economic Factors and Next Year's Budgets and Rates

- The adopted budget for 2022 reflects a 4.8% increase in operating expenses. Labor costs increased by \$2.3 million or 4.3% due to requested position adds. Materials and services are expected to increase by \$1.7 million or 5.7% due primarily to a \$1 million increase in property and cyber security insurance and \$0.4 million for software licenses.
- Budgeted positions for fiscal year 2022 increased by 17 FTE, or 4.2% from the prior year. This includes five new positions and the conversion of 12 long-term temporary staff to full-time regular.
- Adopted sanitary sewer fees increased by 4.5% for fiscal year 2022. This will add an estimated \$2.07 per month to the average residential customer's bill. Storm water maintenance fees are increasing by 5.4%, which will add an estimated 50 cents per month to the average residential customer bill.
- The District has budgeted for an estimated \$89.2 million in new sanitary sewer system improvements and \$4.4 million in new surface water management system improvements in FY 2022. 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 2022 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 remain relatively flat with a decrease of \$0.1 million or 1.9% as compared to the prior year.

All of these factors were considered in preparing Clean Water Services' budget for the 2022 fiscal year.

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.

CLEAN WATER SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

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, 2021

Assets and Deferred Outflows of Resources	
Current assets (unrestricted):	
Cash and investments	\$ 234,313,240
Cash and investments (dedicated to capital construction)	68,909,471
Accounts receivable (net of allowance for uncollectibles)	21,289,355
Contracts receivable	93,668
Materials and supplies inventory	1,777,179
Prepaid expenses	841,648
Current assets (restricted):	
Connection fees receivable	1,733,489
Contributions receivable from local governments	123,061
Federal grant receivable	145,406
Build America Bonds (BABs) subsidy receivable	329,303
Total current assets	<u>329,555,820</u>
Noncurrent assets (unrestricted):	
Contracts receivable	1,149,901
Capital assets, not being depreciated or amortized:	
Land	17,347,235
Permanent easements	25,490,074
Construction in progress	159,008,385
Capital assets, net of accumulated depreciation	628,512,920
Intangible assets, net of accumulated amortization	97,920
Investment in joint venture	2,135,800
Prepaid expenses	458,767
Net OPEB asset	202,293
Noncurrent assets (restricted)	
Cash and investments	49,399,474
Contracts receivable	28,150
Total noncurrent assets	<u>883,830,919</u>
Total assets	<u>1,213,386,739</u>
Deferred outflows of resources:	
Deferred loss on refunding	2,421,573
Pension related	26,784,024
OPEB related	443,118
Total deferred outflows of resources	<u>29,648,715</u>
Total assets and deferred outflows of resources	<u>\$ 1,243,035,454</u>
Liabilities, Deferred Inflows of Resources, and Net Position	
Current liabilities (unrestricted):	
Accounts payable	\$ 5,580,247
Accrued payroll	7,944,714
Accrued self-insurance	222,355
Accrued interest payable	1,780,032
Current portion of bonds payable, net	15,346,812
Current liabilities (restricted):	
Accounts payable	8,559,883
Accrued interest payable	56,094
Total current liabilities	<u>39,490,137</u>
Noncurrent liabilities (unrestricted):	
Bonds payable, net	140,900,246
Net pension liability	50,629,112
Postemployment benefits other than pensions	1,362,150
Accrued self-insurance	150,061
Total noncurrent liabilities	<u>193,041,569</u>
Total liabilities	<u>232,531,706</u>
Deferred inflows of resources:	
Pension related	4,221,149
OPEB related	43,029
Total deferred inflows of resources	<u>4,264,178</u>
Total liabilities and deferred inflows of resources	<u>236,795,884</u>
Net position:	
Net investment in capital assets	678,270,324
Restricted for:	
Capital construction	29,586,294
Debt service	19,325,457
Captive Insurance	250,000
Unrestricted	278,807,495
Total net position	<u>1,006,239,570</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,243,035,454</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, 2021

Operating revenues:	
Service fees	\$ 151,288,184
Other	9,076,206
Total operating revenues	<u>160,364,390</u>
Operating expenses:	
Labor and fringe benefits	55,451,044
Utilities	4,365,283
Professional services	10,250,667
Supplies	4,589,858
Administrative costs	3,234,290
Repairs and maintenance	707,274
Insurance	2,664,945
Chemicals	3,584,766
Depreciation and amortization expense	39,682,012
Total operating expenses	<u>124,530,139</u>
Operating income	<u>35,834,251</u>
Nonoperating revenues (expenses):	
Investment income	(127,769)
Interest on assessments and contracts	4,633
Net loss on disposal of capital assets	(827,008)
Loss on equity in joint venture	(77,141)
Interest expense	(7,018,732)
Capital donations - intergovernmental agreements	(2,956,614)
Total nonoperating expense	<u>(11,002,631)</u>
Income before contributions	24,831,620
Capital contributions:	
System development charges	19,639,029
Infrastructure donated by developers	8,707,315
Total capital contributions	<u>28,346,344</u>
Change in net position	<u>53,177,964</u>
Net position, beginning of year	<u>953,061,606</u>
Net position, end of year	<u><u>\$ 1,006,239,570</u></u>

CLEAN WATER SERVICES

Statement of Cash Flows

For the year ended June 30, 2021

Cash flows from operating activities:	
Received from customers	\$ 151,177,516
Payments to suppliers	(27,876,586)
Payments to employees for services	(44,641,267)
Other operating revenue	8,562,182
Net cash from operating activities	<u>87,221,845</u>
Cash flows from noncapital financing activities:	
Principal paid on pension bonds	(990,000)
Interest paid on pension bonds	(671,170)
Grants receivable	610,457
Net cash from noncapital financing activities	<u>(1,050,713)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(52,201,657)
Capital donations to others	(2,956,614)
Principal paid on bonds	(12,565,000)
Interest paid on bonds	(7,511,937)
Principal paid on assessments and contracts	(1,308,580)
Interest received on assessments and contracts	26,754
Capital contributed by customers and cities	22,280,247
Proceeds from sale of capital assets	97,793
Net cash from capital and related financing activities	<u>(54,138,994)</u>
Cash flows from investing activities:	
Interest paid on investments	<u>(136,588)</u>
Net increase in cash and cash equivalents	31,895,550
Cash and cash equivalents, beginning of year	<u>320,726,635</u>
Cash and cash equivalents, end of year	<u><u>352,622,185</u></u>
Unrestricted cash and investments	234,313,240
Dedicated cash and investments	68,909,471
Restricted cash and investments	49,399,474
Total cash and investments	<u><u>\$ 352,622,185</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 35,834,251
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	39,682,012
Amortization of prepaid electric	27,522
BABs subsidy	730,092
Changes in assets and liabilities:	
Accounts receivable	(1,386,293)
Net pension liability	9,347,648
Net OPEB asset and related deferrals	168,677
Materials and supplies inventory	(41,891)
Prepaid expenses	(290,689)
Accrued expenses	1,191,062
Accounts payable	1,927,945
Total adjustments	<u>51,356,085</u>
Net cash from operating activities	<u><u>\$ 87,190,336</u></u>
Schedule of non-cash capital and related financing activities:	
Contributions of capital assets by developers	<u>\$ 6,535,555</u>
Loss on equity in joint venture	<u><u>\$ 77,141</u></u>

See notes to basic financial statements

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

(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, 2021, 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 Annual Comprehensive 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, 2021

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 787 miles of sanitary gravity mains, 70 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, developer constructed infrastructure donated to the District, and donated easements.

(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, 2021, the allowance was \$800,000.

(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.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(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 3.39% 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) Dedicated Assets

Cash and Investments, the use of which are dedicated to finance construction of District capital assets, are segregated on the Statement of Net Position.

(k) 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

(l) 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, 2021

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

(m) 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).

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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, 2021

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 difference between 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.

(s) 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.

(t) 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.

(u) 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, 2021

(v) 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.

(w) Adoption of new GASB pronouncements

During the fiscal year ended June 30, 2021 the District implemented the following GASB pronouncements:

GASB Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61

This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The District implemented this statement for the fiscal year ended June 30, 2021. The District does not have any major equity interests that meet the criteria of this Statement that would change the basis of reporting.

(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, 2021, the Board approved one appropriation transfers and one increase in appropriation authority to spend special purpose grant revenues received.

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, 2021

Cash and investments for the District at June 30, 2021 are as follows:

Petty cash	\$	3,850
Cash with fiscal agents		582,402
Bank of Hawaii – Captive Insurance/CWIC		2,316,460
Investments		349,719,473
	\$	<u>352,622,185</u>

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

Unrestricted cash and investments	\$	234,313,240
Dedicated cash and investments – capital construction		68,909,471
Restricted cash and investments		49,399,474
	\$	<u>352,622,185</u>

Investments at June 30, 2021 were as follows:

State of Oregon Treasurer's Local Government Investment Pool	\$	34,316,628
Washington County investment pool		315,402,845
Total investments	\$	<u>349,719,473</u>

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 \$2,316,460. Of these deposits, \$250,000 is covered by federal depository 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.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

The table below outlines the investment maturity limitations and the actual maturities of the Washington County investment pool at June 30, 2021:

	Minimum Allowed	Actual
Maturity		
Less than 90 days	10%	31%
Less than 1 year	25%	47%
5 years or less	100%	100%

	Maximum Allowed	Actual
Weighted average maturity	2.5 years	1.6 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. The actual rating at year-end for each investment type is as follows:

Rating by Standard & Poor's Investment Services	AAA	AA+	AA	A-1	Not Rated	Total Invested Value	Percent Allocation	Weighted Average Maturity (Years)
Commercial paper discounts - amortizing	\$ -	\$ -	\$ -	\$ 11,151,900	\$ -	\$ 11,151,900	3.2%	-
Federal agency coupon securities	16,465,012	109,420,507	20,941,010	-	-	146,826,529	42.0%	0.8
Treasury coupon securities	9,009,435	94,693,874	28,629,185	-	-	132,332,494	37.8%	0.7
Treasury discounts - amortizing	-	5,145,937	-	11,190,705	-	16,336,642	4.7%	-
Corporate notes	-	5,585,927	1,906,894	-	-	7,492,821	2.1%	0.1
Municipal bonds	1,004,653	257,806	-	-	-	1,262,459	0.4%	-
State of Oregon Local Government Investment Pool (LGIP)	-	-	-	-	34,316,628	34,316,628	9.8%	-
Total Investments	\$ 26,479,100	\$ 215,104,051	\$ 51,477,089	\$ 22,342,605	\$ 34,316,628	\$ 349,719,473	100.0%	1.6

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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, 2021:

- Commercial paper discounts – amortizing of \$11,151,900 are valued using significant other observable inputs (Level 2 inputs)
- Federal agency coupon securities of \$146,826,529 are valued using significant other observable inputs (Level 2 inputs).
- Treasury coupon securities of \$132,332,494 are valued using significant other observable inputs (Level 2 inputs).
- Treasury discounts – amortizing of \$16,336,642 are valued using significant other observable inputs (Level 2 inputs).
- Corporate notes of \$7,492,821 are valued using significant other observable inputs (Level 2 inputs).
- Municipal bonds of \$1,262,459 are valued using significant other observable inputs (Level 2 inputs).

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, 2021:

	Allowable per Policy	Actual
LGIP Maturity		
Up to 93 days	Minimum of 50%	58%
94 days to 1 year	Maximum of 25%	17%
1 to 3 years	Maximum of 25%	25%

For more detailed information, reference should be made to the Washington County Comprehensive Annual Financial Report for June 30, 2021.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(4) Receivables

ACCOUNTS RECEIVABLE - CURRENT

	SANI	SWM	CWIC	TOTAL
Service receivable	\$ 19,541,288	\$ 2,466,580	\$ 805	\$ 22,008,673
Interest receivable	72,961	-	-	72,961
Other	7,721	-	-	7,721
Unrestricted Accounts Receivable	19,621,970	2,466,580	805	22,089,355
Allowance for doubtful accounts	(660,000)	(140,000)	-	(800,000)
<i>Net Unrestricted Accounts Receivable</i>	<i>18,961,970</i>	<i>2,326,580</i>	<i>805</i>	<i>21,289,355</i>
Connection fees receivable	1,733,489	-	-	1,733,489
Contributions receivable from local governments	25,296	97,765	-	123,061
Federal grants receivable	145,406	-	-	145,406
Build America Bonds subsidy receivable	329,303	-	-	329,303
Restricted Accounts Receivable	2,233,494	97,765	-	2,331,259
<i>Total Net Accounts Receivable</i>	<i>\$ 21,195,464</i>	<i>\$ 2,424,345</i>	<i>\$ 805</i>	<i>\$ 23,620,614</i>

CONTRACTS RECEIVABLE

	CURRENT	NON-CURRENT	TOTAL
City of Forest Grove 19th & Maple St	\$ 93,668	\$ 866,291	\$ 959,959
Local Improvement District Assessments	-	283,610	283,610
<i>Unrestricted Contracts Receivable</i>	<i>93,668</i>	<i>1,149,901</i>	<i>1,243,569</i>
System Development Charges	-	28,150	28,150
<i>Restricted Contracts Receivable</i>	<i>-</i>	<i>28,150</i>	<i>28,150</i>
<i>Total Contracts Receivable</i>	<i>\$ 93,668</i>	<i>\$ 1,178,051</i>	<i>\$ 1,271,719</i>

City of Forest Grove Notes Receivable

Intergovernmental agreement between the District and City of Forest Grove for the 19th Avenue and Maple Street sanitary sewer inflow and infiltration rehabilitation project in the City of Forest Grove, dated September 17, 2019. The City agreed to reimburse the District for the cost of construction. On January 19, 2021, Forest Grove entered into a 10 year note with a beginning balance of \$1,016,486, annual interest rate of 2.07% and semi-annual payments of \$56,528.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(5) Capital Assets

Activity in capital assets for the year ended June 30, 2021 is as follows:

	Balance 06/30/20	Additions	Transfers	Retirements	Ending Balance 06/30/21
Non-depreciable capital assets:					
Land	\$ 17,347,235	\$ -	\$ -	\$ -	\$ 17,347,235
Easements	23,608,370	1,915,216	153,957	(187,469)	25,490,074
Construction in progress	204,279,586	55,445,365	(97,224,396)	(3,492,170)	159,008,385
Total non-depreciable capital assets	245,235,191	57,360,581	(97,070,439)	(3,679,639)	201,845,694
Depreciable capital assets:					
Buildings and improvements	102,230,920	-	19,647,394	-	121,878,314
Land improvements	205,746,356	3,845,403	1,302,968	-	210,894,727
Treatment plants	693,275,610	-	29,721,290	-	722,996,900
Sewer lines	282,288,687	774,936	39,715,725	(688,976)	322,090,372
Plant equipment	110,477,877	-	2,722,491	(477,510)	112,722,858
Automotive equipment	14,945,597	-	1,294,977	(658,748)	15,581,826
Plans and studies	16,445,440	-	244,425	-	16,689,865
Office equipment	14,707,321	-	2,421,169	(1,405,171)	15,723,319
Total depreciable capital assets	1,440,117,808	4,620,339	97,070,439	(3,230,405)	1,538,578,181
Less accumulated depreciation for:					
Buildings and improvements	(50,772,088)	(4,654,319)	-	-	(55,426,407)
Land improvements	(126,711,152)	(5,161,990)	-	-	(131,873,142)
Treatment plants	(465,883,591)	(17,593,138)	-	-	(483,476,729)
Sewer lines	(105,104,142)	(5,678,724)	-	493,272	(110,289,594)
Plant equipment	(86,363,270)	(4,597,550)	-	471,438	(90,489,382)
Automotive equipment	(11,521,694)	(1,267,605)	-	658,748	(12,130,551)
Plans and studies	(13,560,357)	(191,499)	-	-	(13,751,856)
Office equipment	(13,508,152)	(524,619)	-	1,405,171	(12,627,600)
Total accumulated depreciation	(873,424,446)	(39,669,444)	-	3,028,629	(910,065,261)
Total depreciable assets, net	566,693,362	(35,049,105)	97,070,439	(201,776)	628,512,920
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	(24,339)	(3,245)	-	-	(27,584)
Patents	(85,330)	(9,323)	-	-	(94,653)
Total accumulated amortization	(109,669)	(12,568)	-	-	(122,237)
Total amortizable assets, net	110,488	(12,568)	-	-	97,920
Total capital assets, net	\$ 812,039,041	\$ 22,298,908	\$ -	\$ (3,881,415)	\$ 830,456,534

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
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(6) Joint Venture

INVESTMENT IN JOINT VENTURE	
Investment in joint venture at June 30, 2020	\$ 2,212,941
Investment	1,431
Income (loss) for the year	<u>(78,572)</u>
Investment in joint venture at June 30, 2021	<u>\$ 2,135,800</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 \$2,135,800.

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

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(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:						
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>\$ 219,730,000</u>				

Net bond principal transactions for the year ended June 30, 2021 are as follows:

Bonds	Outstanding June 30, 2020	Issued	Matured and Paid	Outstanding June 30, 2021	Due within one year	Long-term portion
Sewer Revenue:						
2010 Series B	\$ 76,525,000	\$ -	\$ 3,680,000	\$ 72,845,000	\$ 3,790,000	\$ 69,055,000
2011 Series A	7,260,000	-	3,540,000	3,720,000	3,720,000	-
2011 Series B	37,160,000	-	2,165,000	34,995,000	2,275,000	32,720,000
2016 Series A	33,225,000	-	3,180,000	30,045,000	3,340,000	26,705,000
Revenue Pension:						
2004 Series	11,145,000	-	990,000	10,155,000	1,125,000	9,030,000
Unamortized premiums	5,893,183	-	1,406,125	4,487,058	1,096,812	3,390,246
	<u>\$ 171,208,183</u>	<u>\$ -</u>	<u>\$ 14,961,125</u>	<u>\$ 156,247,058</u>	<u>\$ 15,346,812</u>	<u>\$ 140,900,246</u>

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Future maturities of bond principal and interest at June 30, 2021 are as follows:

Fiscal Year	2010B	2011A	2011B	2016	Total Sewer Revenue Bonds	2004 Revenue Pension Bonds	Total Principal
Principal							
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	4,295,000	-	2,725,000	4,080,000	11,100,000	1,765,000	12,865,000
2027-2031	23,930,000	-	15,450,000	11,540,000	50,920,000	3,000,000	53,920,000
2032-2036	28,735,000	-	7,100,000	-	35,835,000	-	35,835,000
	<u>72,845,000</u>	<u>3,720,000</u>	<u>34,995,000</u>	<u>30,045,000</u>	<u>141,605,000</u>	<u>10,155,000</u>	<u>151,760,000</u>
Bond premium	-	28,205	1,349,862	3,108,991	4,487,058	-	4,487,058
Bonds payable, net	<u>\$ 72,845,000</u>	<u>\$ 3,748,205</u>	<u>\$ 36,344,862</u>	<u>\$ 33,153,991</u>	<u>\$ 146,092,058</u>	<u>\$ 10,155,000</u>	<u>\$ 156,247,058</u>

Fiscal Year	2010B	2011A	2011B	2016A	Total Sewer Revenue Bonds	2004 Revenue Pension Bonds	Total Interest
Interest							
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	3,143,438	-	970,125	679,000	4,792,563	290,427	5,082,990
2027-2031	11,844,122	-	3,014,000	788,000	15,646,122	246,238	15,892,360
2032-2036	4,290,565	-	286,800	-	4,577,365	-	4,577,365
	<u>33,914,248</u>	<u>93,000</u>	<u>9,324,350</u>	<u>6,078,375</u>	<u>49,409,973</u>	<u>2,563,377</u>	<u>51,973,350</u>
Total Principal and Interest	<u>\$ 106,759,248</u>	<u>\$ 3,813,000</u>	<u>\$ 44,319,350</u>	<u>\$ 36,123,375</u>	<u>\$ 191,014,973</u>	<u>\$ 12,718,377</u>	<u>\$ 203,733,350</u>

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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 \$16.7 billion at June 30, 2021, 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 defined 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. Management believes the District is in compliance with its bond covenants as of and for the fiscal year ended June 30, 2021.

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, 2021	For the Year Ended June 30, 2021 Debt (P&I) Payments
2010 Series B	Sewer capital improvement	Net sewer revenue	2036	\$ 72,845,000	\$ 80,748,229 *	\$ 7,800,447
2011 Series A	Refunding	Net sewer revenue	2022	3,720,000	*	3,814,500
2011 Series B	Sewer capital improvement	Net sewer revenue	2033	34,995,000	*	3,694,825
2016 Series A	Refunding	Net sewer revenue	2029	30,045,000	*	4,761,750
				<u>\$ 141,605,000</u>	<u>\$ 80,748,229</u>	<u>\$ 20,071,522</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. See note 17(a) on page 57 of this report for future amendments to the pledge revenue coverage calculation allowed under the master bond resolution.

The federal interest subsidy was reduced by 5.9% and 5.7% for the October 1, 2020 and April 1, 2021 bond interest payments, respectively, which reduced the subsidy by approximately \$83,675. The total reduction in subsidy payments to-date has been \$869,060. 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

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

\$11.8 million over the remaining life of the issue. This subsidy may be reduced in the future based on federal balanced budget constraints.

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, 2021, \$31,520,000 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 2021 were \$2,044,060.

(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.

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

CLEAN WATER SERVICES

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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 OPERS 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 member, the individual must

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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, 2021 were 16.77% for Tier One/Tier Two member and 10.10% for OPSRP General Service members. The District's total contributions were \$7,899,494. 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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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Recordkeeping. OPERS contracts 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, 2021, the District reported a liability of \$50,629,112 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. 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. The District's proportionate share of the OPERS net pension liability at June 30, 2021, and June 30, 2020 was .2320% and .2256%, respectively.

For the year ended June 30, 2021, the District recognized pension expense of \$14,021,864. At June 30, 2021, 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	\$ 2,228,293	\$ -	\$ 2,228,293
Changes of assumptions	2,717,104	95,202	2,621,902
Net difference between projected and actual earnings on investments	5,953,326	-	5,953,326
Change in proportionate share	1,431,151	3,975,004	(2,543,853)
Differences between District contributions and proportionate share of contributions	9,935,298	150,943	9,784,355
Total (prior to post-measurement date contributions)	22,265,172	4,221,149	18,044,023
District contributions made subsequent to the measurement date	7,899,494	-	7,899,494
Amortization of side account during period	(3,380,642)	-	(3,380,642)
Total deferred outflows/(inflows) of resources	\$ 26,784,024	\$ 4,221,149	\$ 22,562,875

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Deferred outflows of resources related to pensions of \$7,899,494 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, 2022. 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:

2022	\$ 4,706,960
2023	5,400,742
2024	5,007,304
2025	2,776,570
2026	152,447
Total	<u>\$ 18,044,023</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, 2018 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Experience study	2018, published July 24, 2019
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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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Mortality

Healthy retirees and beneficiaries:

Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Active members:

Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Disabled retirees:

Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study, which reviewed experience for the four-year period ended on December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.2% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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 Statement No. 67 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	Target
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	27.5	37.5	32.5
Private Equity	14.0	21.0	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	7.5	17.5	15.0
Opportunity Portfolio	-	3.0	-
Risk Parity	-	2.5	2.5
Total			<u>100.0 %</u>

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 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 Allocation	20-Year Annualized Geometric Mean
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equities	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Funds of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
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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	\$ 75,180,050	\$ 50,629,112	\$ 30,042,012

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 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.

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 Affordable Care Act.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
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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 category 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 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
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(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	\$ -	\$ 202,293	\$ 202,293
Deferred Outflows of Resources			
Contributions After the Measurement Date	\$ -	\$ 6,672	\$ 6,672
Difference between expected and actual experience	112,417		112,417
Change in assumptions	55,589		55,589
Difference in earnings		22,497	22,497
Changes in proportionate share		245,943	245,943
Total Deferred Outflows of Resources	\$ 168,006	\$ 275,112	\$ 443,118
Net OPEB Liability	\$ (1,362,150)		\$ (1,362,150)
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ (20,680)	\$ (20,680)
Change in assumptions	-	(10,753)	(10,753)
Changes in proportionate share	-	(11,596)	(11,596)
Total Deferred Inflows of Resources	\$ -	\$ (43,029)	\$ (43,029)

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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 2021, the District contributed \$86,759 consisting of retiree payments. The District has elected to not prefund the actuarially determined future cost amount of \$1,362,150.

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 \$1,362,150 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019. For the fiscal year ended June 30, 2021, the District recognized OPEB expense from this plan of \$59,675.

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Changes in the Total OPEB Liability

Balance at 6/30/20	\$ 1,306,598
Changes for the year:	
Service cost	84,596
Interest	30,631
Benefit payments	(59,675)
Net changes	<u>55,552</u>
Balance at 06/30/21	<u>\$ 1,362,150</u>

For the fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 112,417
Changes of assumptions or other inputs	<u>55,589</u>
Total	<u>\$ 168,006</u>

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

Year ended June 30:		
2022	\$	33,601
2023	\$	33,601
2024	\$	33,601
2025	\$	33,601
Thereafter		<u>33,602</u>
Total	\$	<u>168,006</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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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	\$ 1,454,243	\$ 1,362,150	\$ 1,273,791

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	\$ 1,205,822	\$ 1,362,150	\$ 1,544,204

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, 2021
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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NOTES TO BASIC FINANCIAL STATEMENTS
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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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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(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, 2021, 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, 2021 was \$6,672. Employees are not required to contribute to the OPEB plan.

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

At June 30, 2021, the District reported an asset of \$202,293 for its proportionate share of the OPERS RHIA net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. 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. The District's proportionate share of the OPERS net OPEB asset at June 30, 2021, and June 30, 2020 was .0993% and .3405%, respectively.

For the year ended June 30, 2021, the District recognized OPEB expense from this plan of \$85,421. At June 30, 2021, 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	\$ -	\$ 20,680	\$ (20,680)
Changes of assumptions	-	10,753	(10,753)
Net difference between projected and actual earnings on investments	22,497	-	22,497
Changes in proportionate share	245,943	11,596	234,347
Total (prior to post-measurement date contributions)	268,440	43,029	225,411
District contributions made subsequent to the measurement date	6,672	-	6,672
Net deferred outflow/(inflows) of resources	\$ 275,112	\$ 43,029	\$ 232,083

Deferred outflows of resources related to OPEB of \$6,672 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, 2022. 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:

2022	\$ 98,696
2023	111,302
2024	8,316
2025	7,097
Total	<u>\$ 225,411</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and assumptions:

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Experience study	2018, published July 24, 2019
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 32%; Disabled retirees 20%
Healthcare cost trend rate	Not applicable
Mortality	<p>Healthy retirees and beneficiaries:</p> <p>Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members:</p> <p>Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees:</p> <p>Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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June 30, 2021

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 2018 Experience Study, which reviewed experience for the four-year period ending on December 31, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 was 7.20% for the OPEB Plans. 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. 74 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:

Asset Class/Strategy	Low Range	High Range	Target
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	27.5	37.5	32.5
Private Equity	14.0	21.0	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	7.5	17.5	15.0
Opportunity Portfolio	-	3.0	-
Risk Parity	-	2.5	2.5
Total			<u>100.0 %</u>

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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 May 2019 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 Allocation	20-Year Annualized Geometric Mean
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equities	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Funds of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
Total	100.00%	
Assumed Inflation - Mean		2.50%

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)	\$ (163,317)	\$ (202,293)	\$ (235,618)

CLEAN WATER SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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 \$5.6 million of its unrestricted net assets for future uninsured risks at June 30, 2021. The District funds retentions for property, earthquake, general liability, automobile liability, and drone liability 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 include:

Coverage	Limits
Auto liability	\$50,000 per occurrence/\$150,000 aggregate
General liability	\$50,000 per occurrence/\$150,000 aggregate
Property	\$5 million per occurrence and aggregate
Dental	Fully insured, claims made basis
Vision	Fully insured, claims made basis
Earthquake deductible reimbursement	2% of property per location, minimum of \$5 million
Excess earthquake	\$20 million excess \$100 million
Drone liability	\$1 million excess \$5 million general liability limit

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, 2021

Changes in the balances of the District's accrued self-insurance during fiscal years 2020 and 2021 are as follows:

	2020	2021
Balance as of July 1	\$ 1,033,335	\$ 474,806
Incurred related to		
Current period	532,789	465,830
Total incurred	<u>532,789</u>	<u>465,830</u>
Paid related to		
Current period	(1,091,318)	(568,220)
Total paid	<u>(1,091,318)</u>	<u>(568,220)</u>
Balance at June 30	<u>\$ 474,806</u>	<u>\$ 372,416</u>

(12) Net Position

Net position represents the difference between assets and liabilities. The components of net position at June 30, 2021 were as follows:

Net Investment in Capital Assets:	
Net capital assets in service	\$ 830,456,534
Less:	
Revenues bonds payable, net	(143,670,485)
Accounts payable for capital assets	<u>(8,515,725)</u>
	<u>\$ 678,270,324</u>
Restricted for Capital Acquisition and Debt Service:	
Total Restricted Net Position-due to enabling legislation	\$ 29,586,294
Total Restricted Net Position-other	21,426,583
Total Restricted Net Position- CWIC captive insurance	250,000
Total Restricted Net Position	<u>51,262,877</u>
Deductions	
Liabilities payable from restricted net position proceeds-enabling legislation	-
Liabilities payable from restricted net position proceeds-other	<u>(2,101,126)</u>
Liabilities payable from restricted net position proceeds	<u>(2,101,126)</u>
Restricted Net Position-due to enabling legislation	29,586,294
Restricted Net Position-other	19,325,457
Total Restricted Net Position- CWIC captive insurance	250,000
Restricted Net Position	<u>\$ 49,161,751</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, 2021, 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, 2021

(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 \$699,019 during fiscal 2021.

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 \$338,885 and CWI has billed District \$17,000 for such services under the Operating Agreement for fiscal year ended June 30, 2021.

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). In accordance with the agreement, CWI has remitted proceeds of \$36,136 to the District in fiscal year 2021.

Clean Water Insurance Company began operations July 1, 2016. The District paid dental premiums of \$287,801, vision premiums of \$32,368 and auto, general liability and property insurance premiums totaling \$923,500 during fiscal year 2021. CWIC reimbursed the District for claims filed totaling \$249,742 during fiscal year 2021.

(14) Commitments and Contingencies

The District is committed for approximately \$81.1 million for various construction projects and other significant commitments at June 30, 2021. 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 \$56,078 for the year ended June 30, 2021. The future approximate minimum lease payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 57,915
2023	57,915
2024	57,915
2025	57,915
Total	<u>\$ 231,660</u>

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(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, 2021 is as follows:

<u>Condensed Statements of Net Position</u>	
	<u>Sanitary Sewer</u>
Assets:	
Current assets	\$ 289,440,932
Noncurrent assets	<u>771,877,951</u>
Total assets	1,061,318,883
Deferred outflow of resources	<u>29,648,715</u>
Total assets and deferred outflow of resources	<u>1,090,967,598</u>
Liabilities:	
Current liabilities	39,152,971
Noncurrent liabilities	<u>192,891,508</u>
Total liabilities	232,044,479
Deferred inflow of resources	<u>4,264,178</u>
Total liabilities and deferred inflow of resources	<u>236,308,657</u>
Net position:	
Net investment in capital assets	569,621,863
Restricted net assets	46,145,530
Unrestricted	<u>238,891,548</u>
Total net position	<u>\$ 854,658,941</u>
<u>Condensed Statements of Revenues, Expenses and Changes in Net Position</u>	
Operating revenues	\$ 140,859,380
Depreciation and amortization	(34,192,836)
Other operating expenses	<u>(73,548,335)</u>
Operating income (loss)	33,118,209
Nonoperating revenues (expenses):	
Investment income (loss)	(188,644)
Interest on assessment and contracts	4,633
Net loss on disposal of capital assets	(719,128)
Loss on equity in joint venture	(77,141)
Interest expense	(7,018,732)
Capital donations - intergovernmental agreements	<u>(2,494,141)</u>
Total nonoperating revenues (expenses)	(10,493,153)
Capital contributions	<u>21,498,979</u>
Change in net position	44,124,035
Net position, beginning of year	<u>810,534,906</u>
Net position, end of year	<u>\$ 854,658,941</u>
<u>Condensed Statements of Cash Flows</u>	
Cash flows from:	
Operating activities	\$ 79,194,405
Non-capital financing activities	(1,050,713)
Capital and related financing activities	(51,631,975)
Investment activities	<u>(197,463)</u>
Net increase	26,314,254
Beginning cash and investments	<u>285,601,972</u>
Ending cash and investments	<u>\$ 311,916,226</u>

CLEAN WATER SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

(17) Subsequent Events

Management has evaluated subsequent events through December 23, 2021, the date on which the financial statements were available to be issued.

- (a) On July 13, 2021, the District issued Senior Lien Revenue Refunding Bonds totaling \$25.405 million. The proceeds will be used to refund and defease the District's outstanding Senior Lien Sewer Revenue Bonds, Series 2011B. The refunding resulted in an all-in total interest cost of 1.07% and a net present value savings of over \$6 million.

As part of this transaction, the District was able to "spring" certain amendments to its master bond resolution. These amendments provide more favorable and more consistent calculation of the District's debt service coverage ratios. In particular, the amendments allow the District to exclude non-cash pension and other post employee benefit costs from operating expenses and reduce the annual debt service by the amount of interest subsidies received on the Build America Bonds. Applying these amendments results in a 4.84 debt coverage ratio for fiscal year 2021, as compared to 4.02 based on current required coverage calculations (see page 91 in this report).

- (b) At its July 23, 2021 meeting, the PERS Board lowered the assumed rate of return on investments from 7.2% to 6.9% beginning with the 2020 valuation. The assumed rate is the rate of investment return that the PERS Fund's regular account is expected to earn over the long term. The lowered rate is expected to increase employer payroll rates by an average 2.7% for rates affective in the 2023-25 biennium.
- (c) On September 7, 2021, the Washington County Board of Commissioners awarded a \$2 million utility bill assistance grant to Clean Water Services under the American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds program. These funds will be used by Washington County city and special district water, sewer, and storm utilities to relieve customers with accounts over 60 days past due that have been impacted by the COVID 19 pandemic.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CLEAN WATER SERVICES
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021

**Schedule of the Changes in the District's
Total OPEB Liability and Related Ratios
Last Ten Fiscal Years***

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 84,596	52,349	50,579	50,579
Interest	30,631	39,934	38,571	38,476
Differences between expected and actual experience	-	157,383	-	-
Changes of assumptions	-	77,825	-	-
Benefit payments	(59,675)	(66,898)	(92,814)	(80,238)
Net change in total OPEB liability	55,552	260,593	(3,664)	8,817
Total OPEB liability - beginning	1,306,598	1,046,005	1,049,669	1,040,852
Total OPEB liability - ending	<u>\$ 1,362,150</u>	<u>1,306,598</u>	<u>1,046,005</u>	<u>1,049,669</u>
Covered employee payroll	\$ 33,446,831	31,726,791	29,275,000	28,354,391
Total OPEB liability as a percentage of covered employee payroll	4.07%	4.12%	3.57%	3.70%

* Only years with available information are presented.

Notes to Required Supplementary Information

There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

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.

CLEAN WATER SERVICES
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Schedule of Proportionate Share of the Net RHIA OPEB Liability (Asset)
Oregon Public Employee Retirement System
Last Ten Fiscal Years*

Year Ended June 30,	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a percentage of its	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.09927985%	\$ (202,293)	\$ 33,706,616	-0.60%	150.10%
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%

* Only years with available information are presented.

Schedule of Contributions RHIA OPEB Plan
Oregon Public Employee Retirement System
Last Ten Fiscal Years*

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percent of covered payroll
2021	\$ 6,672	\$ 6,672	\$ -	\$ 36,161,011	0.02%
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%

* Only years with available information are presented.

Notes to Required Supplementary Information

Changes of assumptions: 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
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Schedule of Proportionate Share of the Collective Net Pension Liability (Asset)
Oregon Public Employee Retirement System
Last Ten Fiscal Years*

Year Ended June 30,	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a percentage of its	Plan fiduciary net position as a percentage of the total pension liability
2021	0.23199419%	\$ 50,629,112	\$33,706,616	150.21%	75.80%
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%

* Only years with available information are presented.

These figures are based on the related measurement date, which is one year in arrears from the District's fiscal year end.

Schedule of Contributions
Oregon Public Employee Retirement System
Last Ten Fiscal Years*

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percent of covered payroll
2021	\$ 7,899,494	\$ 7,899,494	\$ -	\$ 36,161,011	21.85%
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%

* Only years with available information are presented.

CLEAN WATER SERVICES

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Notes to Required Supplementary Information

Per GASB Statement 68, the required supplementary information reports a 10-year Schedule of Proportionate Share of the Net Pension Liability and a 10-year Schedule of employer contribution. Additional years' information will be displayed as it becomes available.

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.

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 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 RP-2014 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 RP-2014 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 category and setback adjustments as for healthy annuitants and with an additional scaling factor adjustment for certain subgroups. Previously they were based on RP-2014 generational Employee mortality tables with the same group-specific collar and setback adjustments as for healthy annuitants.

SUPPLEMENTARY INFORMATION

Combining Schedules

CLEAN WATER SERVICES

Combining Schedule of Net Position

June 30, 2021

Assets and Deferred Outflows of Resources	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Current assets (unrestricted):				
Cash and investments	\$ 203,364,294	\$ 28,882,486	\$ 2,066,460	\$ 234,313,240
Cash and investments (dedicated to capital construction)	62,168,679	6,740,792	-	68,909,471
Accounts receivable (net of allowance for uncollectibles)	18,961,970	2,326,580	805	21,289,355
Contracts receivable	93,668	-	-	93,668
Materials and supplies inventory	1,777,179	-	-	1,777,179
Prepaid expenses	841,648	-	-	841,648
Current assets (restricted):				
Connection fees receivable	1,733,489	-	-	1,733,489
Contributions receivable from local governments	25,296	97,765	-	123,061
Federal grant receivable	145,406	-	-	145,406
BABs subsidy receivable	329,303	-	-	329,303
Total current assets	289,440,932	38,047,623	2,067,265	329,555,820
Noncurrent assets (unrestricted):				
Contracts receivable	1,149,901	-	-	1,149,901
Capital assets, not being depreciated or amortized:				
Land	17,347,235	-	-	17,347,235
Permanent easements	5,989,415	19,500,659	-	25,490,074
Construction in progress	150,581,182	8,427,203	-	159,008,385
Capital assets, net of accumulated depreciation	547,616,355	80,896,565	-	628,512,920
Intangible assets, net of accumulated amortization	60,600	37,320	-	97,920
Investment in joint venture	2,135,800	-	-	2,135,800
Prepaid expenses	383,767	75,000	-	458,767
Net OPEB asset	202,293	-	-	202,293
Noncurrent assets (restricted):				
Cash and investments	46,383,253	2,766,221	250,000	49,399,474
Contracts receivable	28,150	-	-	28,150
Total noncurrent assets	771,877,951	111,702,968	250,000	883,830,919
Total assets	1,061,318,883	149,750,591	2,317,265	1,213,386,739
Deferred outflows of resources:				
Deferred loss on refunding	2,421,573	-	-	2,421,573
Pension related	26,784,024	-	-	26,784,024
OPEB related	443,118	-	-	443,118
Total deferred outflows of resources	29,648,715	-	-	29,648,715
Total assets and deferred outflows of resources	\$ 1,090,967,598	\$ 149,750,591	\$ 2,317,265	\$ 1,243,035,454
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities (unrestricted):				
Accounts payable	\$ 5,527,781	\$ 2,258	\$ 50,208	\$ 5,580,247
Accrued payroll	7,944,714	-	-	7,944,714
Accrued self-insurance	150,941	-	71,414	222,355
Accrued interest payable	1,780,032	-	-	1,780,032
Current portion of bonds payable, net	15,346,812	-	-	15,346,812
Current liabilities (restricted):				
Accounts payable- from restricted assets	8,346,597	213,286	-	8,559,883
Accrued interest payable-from restricted assets	56,094	-	-	56,094
Total current liabilities	39,152,971	215,544	121,622	39,490,137
Noncurrent liabilities (unrestricted):				
Bonds payable, net	140,900,246	-	-	140,900,246
Net pension liability	50,629,112	-	-	50,629,112
Postemployment benefits other than pensions	1,362,150	-	-	1,362,150
Accrued self-insurance	-	-	150,061	150,061
Total noncurrent liabilities	192,891,508	-	150,061	193,041,569
Total liabilities	232,044,479	215,544	271,683	232,531,706
Deferred inflows of resources:				
Pension related	4,221,149	-	-	4,221,149
OPEB related	43,029	-	-	43,029
Total deferred inflows of resources	4,264,178	-	-	4,264,178
Total liabilities and deferred inflows of resources	236,308,657	215,544	271,683	236,795,884
Net position:				
Net investment in capital assets	569,621,863	108,648,461	-	678,270,324
Restricted net assets	46,145,530	2,766,221	250,000	49,161,751
Unrestricted	238,891,548	38,120,365	1,795,582	278,807,495
Total net position	854,658,941	149,535,047	2,045,582	1,006,239,570
Total liabilities, deferred inflows of resources and net position	\$ 1,090,967,598	\$ 149,750,591	\$ 2,317,265	\$ 1,243,035,454

CLEAN WATER SERVICES

Combining Schedule of Revenues, Expenses
and Changes in Net Position
For the year ended June 30, 2021

	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Operating revenues:				
Service fees	\$ 134,044,873	\$ 17,243,311	\$ -	\$ 151,288,184
Other	6,814,507	1,017,583	1,244,116	9,076,206
Total operating revenues	140,859,380	18,260,894	1,244,116	160,364,390
Operating expenses:				
Labor and fringe benefits	47,142,173	8,308,871	-	55,451,044
Utilities	4,256,749	108,534	-	4,365,283
Professional services	9,093,022	1,132,846	24,799	10,250,667
Supplies	4,242,672	347,186	-	4,589,858
Administrative costs	2,435,816	678,960	119,514	3,234,290
Repairs and maintenance	660,134	47,140	-	707,274
Insurance	2,134,455	215,601	314,889	2,664,945
Chemicals	3,583,314	1,452	-	3,584,766
Depreciation and amortization	34,192,836	5,489,176	-	39,682,012
Total operating expenses	107,741,171	16,329,766	459,202	124,530,139
Operating income (loss)	33,118,209	1,931,128	784,914	35,834,251
Nonoperating revenues (expenses):				
Investment income (loss)	(188,644)	60,124	751	(127,769)
Interest on assessments and contracts	4,633	-	-	4,633
Net gain/(loss) on disposal of capital assets	(719,128)	(107,880)	-	(827,008)
Loss on equity in joint venture	(77,141)	-	-	(77,141)
Interest expense	(7,018,732)	-	-	(7,018,732)
Capital donations - intergovernmental agreements	(2,494,141)	(462,473)	-	(2,956,614)
Total nonoperating revenues (expenses)	(10,493,153)	(510,229)	751	(11,002,631)
Income (loss) before contributions	22,625,056	1,420,899	785,665	24,831,620
Capital contributions:				
System development charges	18,159,164	1,479,865	-	19,639,029
Infrastructure donated by developers	3,339,815	5,367,500	-	8,707,315
Total capital contributions	21,498,979	6,847,365	-	28,346,344
Change in net position	44,124,035	8,268,264	785,665	53,177,964
Net position, beginning of year	810,534,906	141,266,783	1,259,917	953,061,606
Net position, end of year	\$ 854,658,941	\$ 149,535,047	\$ 2,045,582	\$ 1,006,239,570

CLEAN WATER SERVICES

Combining Schedule of Cash Flows

For the year ended June 30, 2021

	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Cash flows from operating activities:				
Received from customers	\$ 132,777,429	\$ 17,156,416	\$ 1,243,671	\$ 151,177,516
Payments to suppliers	(24,795,227)	(2,565,238)	(516,121)	(27,876,586)
Payments to employees for services	(36,332,396)	(8,308,871)	-	(44,641,267)
Other operating revenue	7,544,599	1,017,583	-	8,562,182
Net cash from operating activities	79,194,405	7,299,890	727,550	87,221,845
Cash flows from noncapital financing activities:				
Principal paid on pension bonds	(990,000)	-	-	(990,000)
Interest paid on pension bonds	(671,170)	-	-	(671,170)
Grants receivable	610,457	-	-	610,457
Net cash from noncapital financing activities	(1,050,713)	-	-	(1,050,713)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(48,268,095)	(3,933,562)	-	(52,201,657)
Capital donations to others	(2,494,141)	(462,473)	-	(2,956,614)
Principal paid on bonds	(12,565,000)	-	-	(12,565,000)
Interest paid on bonds	(7,511,937)	-	-	(7,511,937)
Principal paid on assessments and contracts	(1,308,580)	-	-	(1,308,580)
Interest received on assessments and contracts	26,754	-	-	26,754
Capital contributed by customers and cities	20,454,741	1,825,506	-	22,280,247
Proceeds from sale of capital assets	34,283	63,510	-	97,793
Net cash from capital and related financing activities	(51,631,975)	(2,507,019)	-	(54,138,994)
Cash flows from investing activities:				
Interest (paid) received on investments	(197,463)	60,124	751	(136,588)
Net increase (decrease) in cash and cash equivalents	26,314,254	4,852,995	728,301	31,895,550
Cash and cash equivalents, beginning of year	285,601,972	33,536,504	1,588,159	320,726,635
Cash and cash equivalents, end of year	311,916,226	38,389,499	2,316,460	352,622,185
Unrestricted cash and investments	203,364,295	28,882,485	2,066,460	234,313,240
Dedicated cash and investments	62,168,679	6,740,792	-	68,909,471
Restricted cash and investments	46,383,253	2,766,221	250,000	49,399,474
Total cash and investments	\$ 311,916,227	\$ 38,389,498	\$ 2,316,460	\$ 352,622,185
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 33,118,209	\$ 1,931,128	\$ 784,914	\$ 35,834,251
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	34,192,836	5,489,176	-	39,682,012
Amortization of prepaid electric	27,522	-	-	27,522
BABs subsidy	730,092	-	-	730,092
Changes in assets and liabilities:				
Accounts receivable	(1,267,444)	(118,404)	(445)	(1,386,293)
Net pension liability	9,347,648	-	-	9,347,648
Net OPEB asset and related deferrals	168,677	-	-	168,677
Materials and supplies inventory	(41,891)	-	-	(41,891)
Prepaid expenses	(292,649)	-	1,960	(290,689)
Accrued expenses	1,175,162	-	15,900	1,191,062
Accounts payable	2,036,243	(33,519)	(74,779)	1,927,945
Total adjustments	46,076,196	5,337,253	(57,364)	51,356,085
Net cash from operating activities	\$ 79,194,405	\$ 7,268,381	\$ 727,550	\$ 87,190,336
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets by developers	\$ 1,356,630	\$ 5,178,925	\$ -	\$ 6,535,555
Loss on equity in joint venture	\$ 77,141	\$ -	\$ -	\$ 77,141

SUPPLEMENTARY INFORMATION

Budgetary Schedules

CLEAN WATER SERVICES

DESCRIPTION OF BUDGETARY FUNDS

June 30, 2021

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 insurance and self-insurance programs including:

- Fire loss, property damage, earthquake, flood, and all risks (theft, vandalism, etc.) up to a self-insured retention limit of \$5.0 million.
- Workers' compensation claims relating to job injuries.
- Other self-insured expenses.

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, 2021

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, 2021

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Sewer service fees	\$ 133,407,200	\$ 133,407,200	\$ 136,586,789	\$ 3,179,589
Interest earned	2,923,300	2,923,300	2,238,017	(685,283)
Septage charges	1,315,800	1,315,800	1,512,326	196,526
Plan check fees	210,600	210,600	316,634	106,034
Grants, contributions, & assessments	10,000	10,000	674,881	664,881
Other	1,431,000	1,431,000	3,756,615	2,325,615
Total revenues	<u>139,297,900</u>	<u>139,297,900</u>	<u>145,085,262</u>	<u>5,787,362</u>
Expenditures:				
Departmental:				
Business Services Department	18,973,200	19,647,100	17,618,978	(2,028,122)
Utility Operations & Services Department	19,014,700	19,498,100	16,651,933	(2,846,167)
Regulatory Affairs Department	6,769,000	7,337,800	6,007,451	(1,330,349)
Natural Systems Enhancement & Stewardship Dept.	6,059,600	6,163,200	4,590,206	(1,572,994)
Water Resource Recovery Operations & Services Dept.	31,263,900	32,150,600	27,981,562	(4,169,038)
Subtotal	<u>82,080,400</u>	<u>84,796,800</u>	<u>72,850,130</u>	<u>(11,946,670)</u>
Non-Departmental:				
Capital construction	5,929,600	5,929,600	2,388,837	(3,540,763)
Materials and services	6,211,800	4,875,600	2,858,550	(2,017,050)
Contingency	18,844,400	17,464,200	-	(17,464,200)
Total expenditures	<u>113,066,200</u>	<u>113,066,200</u>	<u>78,097,517</u>	<u>(34,968,683)</u>
Excess of revenues over expenditures	<u>26,231,700</u>	<u>26,231,700</u>	<u>66,987,745</u>	<u>40,756,045</u>
Other financing sources (uses):				
Transfers from other funds	11,557,500	11,557,500	10,807,178	(750,322)
Transfers to other funds	(78,794,300)	(78,794,300)	(36,794,300)	42,000,000
Total other financing sources (uses)	<u>(67,236,800)</u>	<u>(67,236,800)</u>	<u>(25,987,122)</u>	<u>41,249,678</u>
Net change in fund balance	<u>(41,005,100)</u>	<u>(41,005,100)</u>	<u>41,000,623</u>	<u>82,005,723</u>
Fund balance, beginning of year	<u>151,052,100</u>	<u>151,052,100</u>	<u>153,446,745</u>	<u>2,394,645</u>
Fund balance, end of year	<u>\$ 110,047,000</u>	<u>\$ 110,047,000</u>	<u>194,447,368</u>	<u>\$ 84,400,368</u>
Reconciliation to net position - GAAP Basis				
Adjust for accrued performance bonus			(1,864,979)	
Adjust for prepaid electricity - current			27,522	
Adjust for prepaid electricity - long term			301,435	
Adjust for net OPEB asset			202,293	
Adjust for net pension liability			(50,629,112)	
Adjust for deferred outflows - pension			26,784,024	
Adjust for deferred inflows - pension			(4,221,149)	
Adjust for OPEB liability being accrued			(1,362,150)	
Adjust for deferred outflows - OPEB			443,118	
Adjust for deferred inflows - OPEB			(43,029)	
Adjust for investment in joint venture			2,135,800	
Adjust for capital assets not being depreciated			24,882,962	
Adjust for capital assets, net of accumulated depreciation			547,676,954	
Investment valuation			1,556,345	
Net position - GAAP Basis			<u>\$ 740,337,402</u>	

CLEAN WATER SERVICES

Surface Water Management (SWM) Operating Fund (#201)
 Schedule of Revenues and Expenditures - Budget and Actual
 For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Stormwater service fees	\$ 16,774,300	\$ 16,774,300	\$ 17,045,159	\$ 270,859
Regional stormwater management charge	-	-	617,955	617,955
Erosion control fees	297,900	297,900	265,364	(32,536)
Plan check fees	209,500	209,500	316,634	107,134
Interest earned	233,900	233,900	296,961	63,061
Other	465,900	465,900	1,081,334	615,434
Total revenues	<u>17,981,500</u>	<u>17,981,500</u>	<u>19,623,407</u>	<u>1,641,907</u>
Expenditures:				
Other	140,000	140,000	118,482	(21,518)
Contingency	1,844,800	1,844,800	-	(1,844,800)
Total expenditures	<u>1,984,800</u>	<u>1,984,800</u>	<u>118,482</u>	<u>1,866,318</u>
Excess of revenues over expenditures	<u>15,996,700</u>	<u>15,996,700</u>	<u>19,504,925</u>	<u>3,508,225</u>
Other financing (uses):				
Transfers to other funds	<u>(18,307,500)</u>	<u>(18,307,500)</u>	<u>(12,557,178)</u>	<u>5,750,322</u>
Net change in fund balance	<u>(2,310,800)</u>	<u>(2,310,800)</u>	<u>6,947,747</u>	<u>9,258,547</u>
Fund balance, beginning of year	<u>18,405,200</u>	<u>18,405,200</u>	<u>20,429,785</u>	<u>2,024,585</u>
Fund balance, end of year	<u>\$ 16,094,400</u>	<u>\$ 16,094,400</u>	<u>27,377,532</u>	<u>\$ 11,283,132</u>
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			19,500,659	
Adjust for capital assets , net of accumulated depreciation			80,933,885	
Investment valuation			<u>207,386</u>	
Net position - GAAP Basis			<u>\$ 128,019,462</u>	

CLEAN WATER SERVICES

Master Plan Update Debt Service Fund (#111)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	\$ 413,200	\$ 413,200	\$ 340,594	\$ (72,606)
Build America Bonds subsidy	1,442,000	1,442,000	1,345,311	(96,689)
Total revenues	<u>1,855,200</u>	<u>1,855,200</u>	<u>1,685,905</u>	<u>(169,295)</u>
Expenditures:				
Debt payments	20,071,600	20,071,600	20,071,522	(78)
Contingency	1,050,000	1,050,000	-	(1,050,000)
Total expenditures	<u>21,121,600</u>	<u>21,121,600</u>	<u>20,071,522</u>	<u>1,050,078</u>
Excess of expenditures over revenues	<u>(19,266,400)</u>	<u>(19,266,400)</u>	<u>(18,385,617)</u>	<u>880,783</u>
Other financing sources:				
Transfers from other funds	17,129,500	17,129,500	17,129,500	-
Total other financing sources	<u>17,129,500</u>	<u>17,129,500</u>	<u>17,129,500</u>	<u>-</u>
Net change in fund balance	<u>(2,136,900)</u>	<u>(2,136,900)</u>	<u>(1,256,117)</u>	<u>880,783</u>
Fund balance, beginning of year	22,300,300	22,300,300	21,575,723	(724,577)
Fund balance, end of year	<u>\$ 20,163,400</u>	<u>\$ 20,163,400</u>	<u>20,319,606</u>	<u>\$ 156,206</u>

Reconciliation to net position - GAAP Basis

Adjust for prepaid bond discount - current	348,543
Adjust for prepaid bond discount - long term	2,073,030
Adjust for bond premium - current	(1,096,812)
Adjust for bond premium - long term	(3,390,246)
Adjust for interest payable being accrued	(1,780,032)
Adjust for bonds payable - due within one year	(13,125,000)
Adjust for long term bonds payable	(128,480,000)
Investment valuation	195,513
Net position - GAAP Basis	<u>\$ (124,935,398)</u>

CLEAN WATER SERVICES

Revenue Pension Bond Debt Service Fund (#114)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 12,300	\$ 12,300	\$ 8,746	\$ (3,554)
Total revenues	<u>12,300</u>	<u>12,300</u>	<u>8,746</u>	<u>(3,554)</u>
Expenditures:				
Debt payments	1,666,600	1,666,600	1,666,584	(16)
Contingency	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total expenditures	<u>1,741,600</u>	<u>1,741,600</u>	<u>1,666,584</u>	<u>75,016</u>
Excess of expenditures over revenues	<u>(1,729,300)</u>	<u>(1,729,300)</u>	<u>(1,657,838)</u>	<u>71,462</u>
Other financing sources:				
Transfers from other funds	<u>1,664,800</u>	<u>1,664,800</u>	<u>1,664,800</u>	<u>-</u>
Net change in fund balance	<u>(64,500)</u>	<u>(64,500)</u>	<u>6,962</u>	<u>71,462</u>
Fund balance, beginning of year	<u>626,100</u>	<u>626,100</u>	<u>633,394</u>	<u>7,294</u>
Fund balance, end of year	<u>\$ 561,600</u>	<u>\$ 561,600</u>	<u>640,356</u>	<u>\$ 78,756</u>
Reconciliation to net position - GAAP Basis				
Adjust for interest payable being accrued			(56,094)	
Adjust for bonds payable - due within one year			(1,125,000)	
Adjust for long term bonds payable			(9,030,000)	
Investment valuation			<u>6,108</u>	
Net position - GAAP Basis			<u>\$ (9,564,630)</u>	

CLEAN WATER SERVICES

Liability Reserve Fund (#102)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 108,100	\$ 108,100	\$ 73,779	\$ (34,321)
Insurance and third party reimbursements	5,200	5,200	340,268	335,068
Other	-	360,000	412,628	52,628
Total revenues	<u>113,300</u>	<u>473,300</u>	<u>826,675</u>	<u>353,375</u>
Expenditures:				
Claim costs	890,000	1,250,000	637,421	(612,579)
Contingency	<u>100,000</u>	<u>100,000</u>	-	<u>(100,000)</u>
Total expenditures	<u>990,000</u>	<u>1,350,000</u>	<u>637,421</u>	<u>(712,579)</u>
Excess of expenditures over revenues	<u>(876,700)</u>	<u>(876,700)</u>	<u>189,254</u>	<u>1,065,954</u>
Net change in fund balance	<u>(876,700)</u>	<u>(876,700)</u>	<u>189,254</u>	<u>1,065,954</u>
Fund balance, beginning of year	<u>5,142,600</u>	<u>5,142,600</u>	<u>5,388,532</u>	<u>245,932</u>
Fund balance, end of year	<u>\$ 4,265,900</u>	<u>\$ 4,265,900</u>	<u>5,577,786</u>	<u>\$ 1,311,886</u>

Reconciliation to net position - GAAP Basis

Investment valuation

Net position - GAAP Basis

51,526
\$ 5,629,312

CLEAN WATER SERVICES

Capital Expenditure Reserve Sanitary Sewer Fund (#107)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Connection fees	\$ 17,778,900	\$ 17,778,900	\$ 18,159,164	\$ 380,264
Interest earned	<u>435,200</u>	<u>435,200</u>	<u>348,274</u>	<u>(86,926)</u>
Total revenues	<u>18,214,100</u>	<u>18,214,100</u>	<u>18,507,438</u>	<u>293,338</u>
Expenditures:				
Contingency	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>
Excess of revenues over expenditures	<u>16,714,100</u>	<u>16,714,100</u>	<u>18,507,438</u>	<u>1,793,338</u>
Other financing uses:				
Transfers to other funds	<u>(19,126,400)</u>	<u>(19,126,400)</u>	<u>(19,126,400)</u>	<u>-</u>
Net change in fund balance	<u>(2,412,300)</u>	<u>(2,412,300)</u>	<u>(618,962)</u>	<u>1,793,338</u>
Fund balance, beginning of year	<u>27,332,100</u>	<u>27,332,100</u>	<u>27,196,521</u>	<u>(135,579)</u>
Fund balance, end of year	<u>\$ 24,919,800</u>	<u>\$ 24,919,800</u>	<u>26,577,559</u>	<u>\$ 1,657,759</u>

Reconciliation to net position - GAAP Basis

Investment valuation

Net position - GAAP Basis

242,513
\$ 26,820,072

CLEAN WATER SERVICES

Sanitary Capital Replacement Fund (#106)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 122,700	\$ 122,700	\$ 126,405	\$ 3,705
Total revenues	<u>122,700</u>	<u>122,700</u>	<u>126,405</u>	<u>3,705</u>
Expenditures:				
Capital outlay	6,855,500	6,855,500	3,140,100	(3,715,400)
Other	650,000	650,000	342,682	(307,318)
Contingency	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>
Total expenditures	<u>8,255,500</u>	<u>8,255,500</u>	<u>3,482,782</u>	<u>(4,772,718)</u>
Excess of expenditures over revenues	<u>(8,132,800)</u>	<u>(8,132,800)</u>	<u>(3,356,377)</u>	<u>(4,769,013)</u>
Other financing sources:				
Transfers from other funds	<u>7,500,000</u>	<u>7,500,000</u>	<u>6,000,000</u>	<u>(1,500,000)</u>
Net change in fund balance	<u>(632,800)</u>	<u>(632,800)</u>	<u>2,643,623</u>	<u>3,276,423</u>
Fund balance, beginning of year	<u>7,432,900</u>	<u>7,432,900</u>	<u>7,659,613</u>	<u>226,713</u>
Fund balance, end of year	<u>\$ 6,800,100</u>	<u>\$ 6,800,100</u>	<u>\$ 10,303,236</u>	<u>\$ 3,503,136</u>

Reconciliation to net position - GAAP Basis

Adjust for capital assets not being depreciated

Investment valuation

Net position - GAAP Basis

925,841
88,277
\$ 11,317,354

CLEAN WATER SERVICES

Sanitary Sewer LID Construction Fund (#108)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Assessment liens, principal	\$ 162,100	\$ 162,100	\$ 115,792	\$ (46,308)
Interest earned	34,500	34,500	36,405	1,905
Total revenues	196,600	196,600	152,197	(44,403)
Expenditures:				
Capital outlay	800,000	800,000	123	(799,877)
Other	50,000	50,000	-	(50,000)
Contingency	160,000	160,000	-	(160,000)
Total expenditures	1,010,000	1,010,000	123	(1,009,877)
Excess of revenues over expenditures	(813,400)	(813,400)	152,074	965,474
Other financing sources (uses):				
Transfers from other funds	500,000	500,000	-	(500,000)
Total other financing sources (uses)	500,000	500,000	-	(500,000)
Net change in fund balance	(313,400)	(313,400)	152,074	465,474
Fund balance, beginning of year	2,240,100	2,240,100	2,657,175	417,075
Fund balance, end of year	\$ 1,926,700	\$ 1,926,700	\$ 2,809,249	\$ 882,549
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			-	
Investment valuation			22,964	
Net position - GAAP Basis			\$ 2,832,213	

CLEAN WATER SERVICES

Surface Water Management LID Construction Fund (#208)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	\$ 11,800	\$ 11,800	\$ 8,735	\$ (3,065)
Total revenues	<u>11,800</u>	<u>11,800</u>	<u>8,735</u>	<u>(3,065)</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>(138,200)</u>	<u>(138,200)</u>	<u>8,735</u>	<u>146,935</u>
Fund balance, beginning of year	<u>605,000</u>	<u>605,000</u>	<u>631,703</u>	<u>26,703</u>
Fund balance, end of year	<u>\$ 466,800</u>	<u>\$ 466,800</u>	<u>640,438</u>	<u>\$ 173,638</u>
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			-	
Investment valuation			6,100	
Net position - GAAP Basis			<u>\$ 646,538</u>	

CLEAN WATER SERVICES

Sanitary Sewer Construction Fund (#112)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Contributions from developers	\$ 2,810,000	\$ 2,810,000	\$ 637,167	\$ (2,172,833)
Interest earned	1,500,400	1,500,400	936,585	(563,815)
Other	50,000	50,000	36,987	(13,013)
Total revenues	<u>4,360,400</u>	<u>4,360,400</u>	<u>1,610,739</u>	<u>(2,749,661)</u>
Expenditures:				
Capital outlay	67,689,500	67,689,500	46,859,432	(20,830,068)
Other	100,000	100,000	-	(100,000)
Contingency	10,153,400	10,153,400	-	(10,153,400)
Total expenditures	<u>77,942,900</u>	<u>77,942,900</u>	<u>46,859,432</u>	<u>31,083,468</u>
Excess of expenditures over revenues	<u>(73,582,500)</u>	<u>(73,582,500)</u>	<u>(45,248,693)</u>	<u>28,333,807</u>
Other financing sources (uses):				
Transfers from other funds	71,126,400	71,126,400	31,126,400	(40,000,000)
Total other financing sources (uses)	<u>71,126,400</u>	<u>71,126,400</u>	<u>31,126,400</u>	<u>(40,000,000)</u>
Net change in fund balance	<u>(2,456,100)</u>	<u>(2,456,100)</u>	<u>(14,122,293)</u>	<u>(11,666,193)</u>
Fund balance, beginning of year	<u>59,249,000</u>	<u>59,249,000</u>	<u>67,581,790</u>	<u>8,332,790</u>
Fund balance, end of year	<u>\$ 56,792,900</u>	<u>\$ 56,792,900</u>	<u>53,459,497</u>	<u>\$ (3,333,403)</u>
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			148,109,030	
Investment valuation			654,075	
Net position - GAAP Basis			<u>\$ 202,222,602</u>	

CLEAN WATER SERVICES

Surface Water Management Capital Replacement Fund (#206)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Interest earned	\$ 33,000	\$ 33,000	\$ 39,701	\$ 6,701
Total revenues	33,000	33,000	39,701	6,701
Expenditures:				
Capital outlay	648,000	648,000	644,787	(3,213)
Other	10,000	10,000	-	(10,000)
Contingency	100,000	100,000	-	(100,000)
Total expenditures	758,000	758,000	644,787	(113,213)
Excess of expenditures over revenues	(725,000)	(725,000)	(605,086)	119,914
Other financing sources:				
Transfers from other funds	750,000	750,000	750,000	-
Net change in fund balance	25,000	25,000	144,914	119,914
Fund balance, beginning of year	2,767,000	2,767,000	2,802,711	35,711
Fund balance, end of year	\$ 2,792,000	\$ 2,792,000	2,947,625	\$ 155,625
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			-	-
Investment valuation			27,726	27,726
Net position - GAAP Basis			\$ 2,975,351	\$ 2,975,351

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, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Connection fees	\$ 230,100	\$ 230,100	\$ 49,285	\$ (180,815)
Interest earned	26,900	26,900	33,852	6,952
Other	<u>135,700</u>	<u>135,700</u>	<u>547,021</u>	<u>411,321</u>
Total revenues	392,700	392,700	630,158	237,458
Expenditures:				
Contingency	<u>30,000</u>	<u>30,000</u>	-	(30,000)
Excess of revenues over expenditures	<u>362,700</u>	<u>362,700</u>	<u>630,158</u>	<u>267,458</u>
Other financing (uses):				
Transfers to other funds	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	-
Net change in fund balance	<u>287,700</u>	<u>287,700</u>	<u>555,158</u>	<u>267,458</u>
Fund balance, beginning of year	<u>2,062,700</u>	<u>2,062,700</u>	<u>2,187,421</u>	<u>124,721</u>
Fund balance, end of year	<u>\$ 2,350,400</u>	<u>\$ 2,350,400</u>	<u>2,742,579</u>	<u>\$ 392,179</u>
Reconciliation to net position - GAAP Basis				
Investment valuation			23,641	
Net position - GAAP Basis			<u>\$ 2,766,220</u>	

CLEAN WATER SERVICES

Surface Water Management Construction Fund (#212)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2021

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from budget</u>
Revenues:				
Reimbursement from developers	\$ 25,400	\$ 25,400	\$ 188,575	\$ 163,175
Interest	144,700	144,700	107,043	(37,657)
Other	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total revenues	<u>220,100</u>	<u>220,100</u>	<u>295,618</u>	<u>75,518</u>
Expenditures:				
Capital outlay	5,797,500	5,797,500	3,376,957	(2,420,543)
Other	50,000	50,000	-	(50,000)
Contingency	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>
Total expenditures	<u>6,597,500</u>	<u>6,597,500</u>	<u>3,376,957</u>	<u>(3,220,543)</u>
Excess of expenditures over revenues	<u>(6,377,400)</u>	<u>(6,377,400)</u>	<u>(3,081,339)</u>	<u>3,296,061</u>
Other financing sources:				
Transfers from other funds	<u>6,075,000</u>	<u>6,075,000</u>	<u>1,075,000</u>	<u>(5,000,000)</u>
Net change in fund balance	<u>(302,400)</u>	<u>(302,400)</u>	<u>(2,006,339)</u>	<u>(1,703,939)</u>
Fund balance, beginning of year	<u>7,119,600</u>	<u>7,119,600</u>	<u>8,631,856</u>	<u>1,512,256</u>
Fund balance, end of year	<u>\$ 6,817,200</u>	<u>\$ 6,817,200</u>	<u>6,625,517</u>	<u>\$ (191,683)</u>
Reconciliation to net position - GAAP Basis				
Adjust for capital assets not being depreciated			8,427,203	
Investment valuation			<u>74,754</u>	
Net position - GAAP Basis			<u>\$ 15,127,474</u>	

CLEAN WATER SERVICES

Reconciliation of Revenues and Expenditures

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

For the year ended June 30, 2021

Fund	Revenues	Expenditures	Net
101 Sanitary Sewer Operating Fund	\$ 145,085,262	\$ 78,097,517	\$ 66,987,745
201 Surface Water Management (SWM) Operating Fund	19,623,407	118,482	19,504,925
111 Master Plan Update Debt Service Fund	1,685,905	20,071,522	(18,385,617)
114 Revenue Pension Bond Debt Service Fund	8,746	1,666,584	(1,657,838)
102 Liability Reserve Fund	826,675	637,421	189,254
107 Capital Expenditure Reserve Sanitary Sewer Fund	18,507,438	-	18,507,438
106 Sanitary Capital Replacement Fund	126,405	3,482,782	(3,356,377)
108 Sanitary Sewer LID Construction Fund	152,197	123	152,074
208 Surface Water Management LID Construction Fund	8,735	-	8,735
112 Sanitary Sewer Construction Fund	1,610,739	46,859,432	(45,248,693)
206 Surface Water Management Capital Replacement Fund	39,701	644,787	(605,086)
207 Capital Expenditure Reserve Storm and Surface Water Management Fund	630,158	-	630,158
212 Surface Water Management Construction Fund	295,618	3,376,957	(3,081,339)
	<u>\$ 188,600,986</u>	<u>\$ 154,955,607</u>	<u>33,645,379</u>
Reconciliation to change in net position - GAAP Basis			
Expenditures capitalized			55,445,365
Bond principal paid			13,555,000
Contributions of capital assets			4,620,338
Contributions of intangible assets			1,915,216
Donation of capital assets			(2,956,614)
Loss on disposal of capital assets			(924,801)
Loss on equity in joint venture			(77,141)
Net postemployment benefits costs other than pension			(168,677)
Net accrued performance bonus			(49,974)
Depreciation			(39,669,444)
Amortization of intangibles			(12,568)
Amortization of prepaid bond discount			(399,116)
Amortization of prepaid bond premium			1,406,125
Net pension expense			(9,347,648)
Accrued bond interest payable			157,365
Investment valuation			(4,718,984)
Amortization of prepaid electric			(27,522)
Net operations - CWIC, captive insurance			785,665
Increase in net position - GAAP Basis			<u>\$ 53,177,964</u>

STATISTICAL SECTION

CLEAN WATER SERVICES

STATISTICAL SECTION

June 30, 2021

This part of Clean Water Services' Annual Comprehensive 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 Annual Comprehensive 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

	Fiscal Year									
	2021	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾	2012 ⁽¹⁾
Primary government										
Net investment in capital assets	\$ 678,270,324	\$ 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
Restricted	49,161,751	51,009,737	43,025,202	42,466,739	59,841,451	64,871,418	69,674,800	127,850,808	101,089,364	75,735,738
Unrestricted	<u>278,807,495</u>	<u>255,584,809</u>	<u>257,247,019</u>	<u>247,145,645</u>	<u>211,413,946</u>	<u>185,655,103</u>	<u>161,614,714</u>	<u>69,427,719</u>	<u>74,981,633</u>	<u>57,949,896</u>
Total primary government net position	\$ <u><u>1,006,239,570</u></u>	\$ <u><u>953,061,606</u></u>	\$ <u><u>880,771,266</u></u>	\$ <u><u>802,170,474</u></u>	\$ <u><u>748,440,118</u></u>	\$ <u><u>687,162,028</u></u>	\$ <u><u>637,989,985</u></u>	\$ <u><u>580,996,264</u></u>	\$ <u><u>567,956,912</u></u>	\$ <u><u>522,626,704</u></u>

⁽¹⁾ Net position was reclassified to match current year presentation.

Source: District financial records

CLEAN WATER SERVICES

Changes in Net Position

Last Ten Fiscal Years

8

<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>
2021	\$ 160,364,390	\$ 124,530,139	\$ 35,834,251	\$ (11,002,631)	\$ 24,831,620	\$ 28,346,344	\$ 53,177,964
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

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		
2021	\$ 134,044,873	\$ 6,814,507	\$ 140,859,380	\$ 17,243,311	\$ 1,017,583	\$ 18,260,894	\$ 1,244,116	\$ 160,364,390
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

Source: District financial records

CLEAN WATER SERVICES

Operating Expenses Last Ten Fiscal Years

	Fiscal Year	Labor & Benefits		Utilities		Professional Services		Chemicals		Other Operating Expenses ⁽¹⁾	Subtotal, before Depreciation/ Amortization	Depreciation/ Amortization	Total Operating Expenses				
C	2021	\$	55,451,044	\$	4,365,283	\$	10,250,667	\$	3,584,766	\$	11,196,367	\$	84,848,127	\$	39,682,012	\$	124,530,139
	2020		48,550,004		3,862,140		9,922,970		3,797,501		11,089,236		77,221,851		39,689,707		116,911,558
	2019		42,615,334		4,189,437		10,261,833		4,531,871		10,177,778		71,776,253		42,133,445		113,909,698
	2018		42,872,579		4,243,740		9,042,938		3,883,021		9,963,966		70,006,244		42,809,447		112,815,691
	2017		38,494,637		4,392,787		8,989,321		3,943,731		9,814,414		65,634,890		40,793,639		106,428,529
	2016		44,920,532		4,445,657		8,777,456		3,574,661		7,439,183		69,157,489		39,738,493		108,895,982
	2015		23,465,196		4,546,965		8,570,149		3,682,534		7,551,698		47,816,542		41,801,866		89,618,408
	2014		30,075,163		5,086,259		9,072,824		3,761,027		7,739,709		55,734,982		40,545,660		96,280,642
	2013		29,844,695		4,738,941		7,943,524		3,607,150		8,089,574		54,223,884		39,844,468		94,068,352
	2012		29,997,509		4,775,989		7,547,526		3,274,779		7,677,188		53,272,991		37,281,023		90,554,014

(1) Other Operating Expenses include supplies, administrative costs, repairs and maintenance, insurance and amortization of prepaid bond costs.

Source: District financial records

CLEAN WATER SERVICES

Nonoperating Revenues and Expenses

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Investment Income/Loss</u>	<u>Gain/Loss on disposal of assets</u>	<u>Other</u>	<u>Interest Expense</u>	<u>Total Nonoperating Expenses</u>
2021	\$ (123,136)	\$ (827,008)	\$ (3,033,755)	\$ (7,018,732)	\$ (11,002,631)
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)

Source: District financial records

REVENUE CAPACITY

CLEAN WATER SERVICES

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

	Fiscal Year									
	<u>2021</u>	<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>
Sewer Rates										
Residential Customers										
Base Charge (per Equivalent Dwelling Unit)	\$ 30.03	\$ 30.03	\$ 29.16	\$ 28.31	\$ 27.45	\$ 26.63	\$ 25.85	\$ 25.10	\$ 24.37	\$ 23.52
Usage Charge (per CCF = 748 gallons)	\$ 1.99	\$ 1.99	\$ 1.93	\$ 1.87	\$ 1.82	\$ 1.77	\$ 1.72	\$ 1.67	\$ 1.62	\$ 1.56
Total Average Monthly Charge (at 8,000 gallons average)	\$ 45.95	\$ 45.95	\$ 44.60	\$ 43.27	\$ 42.01	\$ 40.79	\$ 39.61	\$ 38.46	\$ 37.33	\$ 36.00
Industrial Customers										
Category II-Minor ⁽¹⁾										
Usage Charge-Per ccf metered discharge	\$ 3.370	\$ 3.370	\$ 3.270	\$ 3.170	\$ 3.080	\$ 2.990	\$ 2.900	\$ 2.820	\$ 2.740	\$ 2.640
Category III-Major ⁽²⁾										
Usage Charge-Per ccf metered discharge	\$ 3.370	\$ 3.370	\$ 3.270	\$ 3.170	\$ 3.080	\$ 2.990	\$ 2.900	\$ 2.820	\$ 2.740	\$ 2.640
Chemical Oxygen Demand Charge (per pound over 800 mg/L)	\$ 0.173	\$ 0.173	\$ 0.168	\$ 0.163	\$ 0.158	\$ 0.153	\$ 0.149	\$ 0.145	\$ 0.141	\$ 0.136
Suspended Solids Charge (per pound over 400 mg/L)	\$ 0.264	\$ 0.264	\$ 0.256	\$ 0.249	\$ 0.242	\$ 0.235	\$ 0.228	\$ 0.221	\$ 0.215	\$ 0.199
Surface / Storm Water Rates										
Service Charge (per Equivalent Service Unit)	\$ 9.25	\$ 9.25	\$ 8.75	\$ 8.25	\$ 7.75	\$ 7.25	\$ 6.75	\$ 6.25	\$ 5.75	\$ 5.25

(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

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)
2021	\$ 560	\$ 49,285	(65.48) %	\$	5,800	\$ 18,159,164	(13.24) %	\$	6,360	\$ 18,208,449	(13.60) %
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

Source: District records

CLEAN WATER SERVICES

Ten Largest Individual Ratepayers

Current Year and Ten Years Ago

	Fiscal Year 2021			Fiscal Year 2012	
	Amount	%		Amount	%
<u>Customer</u>			<u>Customer</u>		
Intel Corporation - Ronler Acres & Aloha Campus	\$ 9,623,759	7.18%	Intel Corporation - Ronler Acres	\$ 4,149,462	4.49%
Pacific Foods of Oregon	836,162	0.62%	Intel Corporations - Aloha Campus	685,563	0.74%
Maxim Integrated Products	766,324	0.57%	Maxim Integrated Products	509,387	0.55%
Jireh Semiconductor, Inc.	750,217	0.56%	Pacific Foods of Oregon	503,218	0.54%
Resers Fine Foods - Century Blvd Plant	718,819	0.54%	SolarWorld Industries America LP	451,299	0.49%
Old Traper Smoked Products	489,649	0.37%	Jireh Semiconductor	376,051	0.41%
Providence Health Systems - St. Vincent	470,055	0.35%	Resers Fine Foods - Jenkins Rd	371,968	0.40%
Heritage Village Mobile Park	245,588	0.18%	Triquint Semiconductor	180,605	0.20%
Nike Inc.	248,138	0.19%	Viasystems	161,274	0.17%
TTM Technologies North America, LLC	227,154	0.25%	Hillsboro Landfill	108,474	0.12%
Subtotal (10 largest sewer ratepayers)	14,375,865	10.81%	Subtotal (10 largest industrial ratepayers)	7,497,301	8.11%
Balance from other customers ⁽¹⁾	119,669,008	89.19%	Balance from other customers ⁽¹⁾	85,001,058	91.89%
Grand Totals	\$ 134,044,873	100.00%	Grand Totals	\$ 92,498,359	100.00%

(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		
						Amount	Per Capita	As a Share of Personal Income
2021	\$ -	\$ -	\$ 146,092,058	\$ 10,155,000	\$ -	\$ 156,247,058	252	N/A
2020	-	-	160,063,183	11,145,000	-	171,208,183	279	0.44%
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%

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
GROSS REVENUES⁽¹⁾:										
Rate revenue	\$ 134,044,873	\$ 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
System development charges	18,159,164	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
Interest income	(188,644)	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
Other revenue	3,947,755	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
Total gross revenue	<u>155,963,148</u>	<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>
OPERATING EXPENSES⁽¹⁾:										
Labor and fringe benefits (2)	48,808,757 ⁽⁶⁾	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
Utilities	4,256,749	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
Professional services	9,093,022	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
Supplies	4,242,672	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
Administrative costs	2,435,816	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
Repair and maintenance	660,134	377,221	396,970	305,106	340,005	419,775	292,129	393,193	454,727	415,946
Insurance	2,134,455	2,181,745	1,335,044	1,038,827	930,535	753,061	758,030	710,448	575,899	584,027
Chemicals	3,583,314	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
Total operating expenses	<u>75,214,919</u>	<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>
TOTAL AVAILABLE FOR DEBT SERVICE	<u>\$ 80,748,229</u>	<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>
DEBT SERVICE										
SENIOR BONDS										
1997 Revenue Bonds-Series A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,205,200	\$ 10,199,500
2001 Revenue Bonds-Series 2001	-	-	-	-	-	-	-	-	-	2,654,750
2004 Revenue Bonds-Series 2004	-	-	-	-	3,961,325	3,958,725	3,961,800	3,961,550	3,952,800	3,966,300
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
2010 Revenue Bonds-Series 2010A	-	-	-	-	-	3,157,000	3,163,475	3,149,950	356,950	356,950
2010 Revenue Bonds-Series 2010B	7,800,447	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
2011 Revenue Bonds-Series 2011A	3,814,500	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	3,694,825	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	4,761,750	1,661,250	1,661,250	1,661,250	775,250	-	-	-	-	-
Total Senior Debt Service	<u>\$ 20,071,522</u>	<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>
Senior Debt Service Coverage	<u>4.02</u>	<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>
JUNIOR BONDS										
1997 Revenue Bonds-Series One	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,046,938	\$ 7,049,888
Total Junior Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,046,938</u>	<u>\$ 7,049,888</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>0.00</u>	<u>7.82</u>	<u>4.27</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.

(6) Pension expense increased by \$9.3 million resulting from a net pension liability of \$50.6 million at year-end.

Source: District records

DEMOGRAPHICS AND 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
2021	620,080	N/A	N/A	4.8%
2020	613,410	\$ 38,527,576	\$ 64,043	8.9%
2019	606,280	36,978,789	61,951	3.1%
2018	595,860	34,429,415	58,223	3.3%
2017	583,595	32,195,324	55,043	3.4%
2016	570,510	30,788,998	53,765	4.2%
2015	560,465	28,410,088	50,523	4.6%
2014	550,990	25,944,765	46,725	5.5%
2013	542,845	25,788,385	47,014	6.2%
2012	536,370	24,026,099	44,413	7.1%

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

	2021 *		2012	
	Annual Average	% of Total	Annual Average	% of Total
Manufacturing:				
Wood and Lumber	972		1,073	
Metals	3,733		2,888	
Food	2,433		1,581	
Rubber/Plastic	2,915		1,558	
Computer and Electronic Equipment/Instruments	29,762		26,839	
Machinery	5,111		3,574	
Other	6,059		5,622	
Total Manufacturing	50,985	18%	43,135	18%
Trade, Transportation, and Utilities:				
Wholesale Trade	13,609		16,554	
Retail Trade	30,303		28,122	
Transportation and Utilities	6,331		3,366	
Total Trade, Transportation, and Utilities	50,243	18%	48,042	20%
Information:				
Publishing	3,345		3,322	
Telecommunications	1,456		2,039	
Other (broadcasting, ISP's, etc.)	2,767		2,669	
Total Information	7,568	3%	8,030	3%
Financial Activities:				
Finance and Insurance	10,704		10,454	
Real Estate	4,186		3,075	
Total Financial Activities	14,890	5%	13,529	6%
Professional and Business Services	53,306	19%	36,586	15%
Construction	16,687	6%	11,526	5%
Educational Services	4,975	2%	4,984	2%
Healthcare and Social Assistance	31,830	11%	24,599	10%
Leisure and Hospitality	21,234	7%	20,059	8%
Other Services (agriculture, repairs, private homes, misc.)	12,406	4%	10,587	4%
Government (federal, state, and local)	21,399	7%	22,117	9%
TOTAL EMPLOYMENT	285,523	100%	243,194	100%

* Fiscal Year 2021 information includes data through 12/31/20

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
2021	36	9%	72	18%	235	58%	63	16%	406	100%
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%

Source: District records

CLEAN WATER SERVICES

Summary of Treatment Plant Capacities Fiscal Year Ending June 30, 2021

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	22.4	18.7	33.0	26.1	51.1	83.3	140.0
Rock Creek	34.2	27.2	45.0	41.1	70.0	111.7	150.0
Forest Grove	4.6	3.9	8.0	5.3	20.0	21.5	20.0
Hillsboro	4.2	3.3	—	5.1	16.0	16.8	16.0
District totals	65.4	53.1	86.0	77.6	157.1	233.3	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>2021</u>	<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>
Wastewater Treatment										
Number of Treatment Plants	4	4	4	4	4	4	4	4	4	4
Number of Pump Stations	43	43	42	42	42	40	40	40	40	41
Dry Weather Design Capacity (MGD)	86	86	86	86	86	78	78	78	75	75
Average Dry Weather Flow (MGD)	53.1	58.3	60.8	62	64.8	55.5	53.3	55.5	56.3	54.1
Unused capacity(millions of gallons)	33	28	25	24	21	23	25	23	19	21
Percentage of capacity utilized	62%	68%	71%	72%	75%	71%	68%	71%	75%	72%
Conveyance Systems										
Number of System Development permits	72	47	65	62	80	99	84	78	59	34
Number of Connections	861	869	1,062	1,074	1,410	1,593	1,176	1,033	793	804
Total miles of sewer line	872	859	858	853	851	838	839	840	832	837
Total miles of storm water line	551	549	545	537	529	516	495	503	491	490
District-Wide										
Estimated Number of EDU's serviced	292,817	289,458	285,543	280,984	277,277	271,884	267,558	263,733	259,095	253,286
Other Programs										
River Rangers program										
# of Students	N/A ⁽¹⁾	1,631	4,286	2,624	3,295	2,620	2,024	3,673	4,258	3,251
# of Schools	N/A ⁽¹⁾	22	52	39	42	38	33	49	58	47
Storm drain Stenciling										
# of drains stenciled	330	178	297	243	413	346	936	105	603	1,191

⁽¹⁾ Due to the COVID Pandemic the River Ranger Program went virtual. 500 elementary educators received the River Ranges virtual lesson plan and 150 students from three schools attended. 1,125 visitors interacted with our Treatment Process virtual tour.

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, 2021, and have issued our report thereon dated December 23, 2021. 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. However, material weaknesses may exist that have not been identified.

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 23, 2021