ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR 2021-2022

A component unit of Washington County, Oregon for the fiscal year ended June 30, 2022

Clean Water Services
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Hillsboro, Oregon 97123
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Clean Water Services

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CLEAN WATER SERVICES

A Component Unit of Washington County, Oregon

Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2022

Prepared by CWS's Business Services Department

Clean Water Services

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INTRODUCTORY SECTION

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December 22, 2022

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, 2022, 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, 2022. This report should be read in conjunction with Management's Discussion and Analysis which begins on page 27.

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 ninth 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, 2022. 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% 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 (18%), wholesale/retail trade (15%), healthcare and social services (11%), computer and electronic equipment manufacturing (10%), leisure and hospitality (8%), government services (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. Unemployment rates have decreased to 2.9% in June 2022, falling from a high of over 9.1% in April and May 2020. Washington County's per capita personal income has consistently outpaced state average and the unemployment rate remains among the lowest in the region.

Washington County, the second most populous county in Oregon, continues to grow at a modest and steady pace. Although official population estimates are not available for special districts, Clean Water Services estimates the population of its service area at approximately 605,000 based on 2020 estimates. Population growth within the District's service area has consistently outpaced population growth within the region over the past decade or more and the county is expected to add an add 90,000 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 10 years to less than 3.4%.

MAJOR NEW AND ONGOING INITIATIVES

Delivering Value to Customers

Clean Water Services is in an era of transformation. We have aligned our people, our processes, and our programs to more effectively deliver on key strategic outcomes and respond to future challenges and opportunities. We've established our foundation; over the next three years we'll work to build and strengthen our resilience for the important work we need to do.

CWS faces a number of challenges — replacing aging infrastructure, population growth, increasingly stringent regulatory requirements, water resource limitations, climate change impacts, maintaining a sustainable rate structure, growing our workforce and managing our culture equitably, and a competitive job market. We're meeting these challenges head on.

In FY 2021-22 we created a new senior leadership position, a Chief Strategy Officer, and created a Strategist team whose members can identify, evaluate, and recommend new or updated processes and procedures in areas that require policy change or action across the organization that advance our Strategic Approach. It is the Strategic Approach that defines the philosophy of CWS, identifies our key strategic outcomes and roadmaps, and lays the groundwork for how we address the historic challenges we face today and in the next 20 years.

We also created the Culture, Equity & Learning program to create and manage strategies that make CWS a place where every employee can learn, grow, and thrive, and to provide, positive equity benefits to our region. We are investing in our people, and one of the initiatives that staff in this group will oversee is equity, diversity, and inclusion learning for our workforce as well as peer-to-peer learning where more experienced employees share knowledge with staff who are new to the workforce or the organization.

To help address the challenges of population growth, increasing regulatory requirements, and aging infrastructure, we developed an East Basin Master Plan, a comprehensive examination of the 20-year infrastructure needs of the Durham Water Resource Recovery Facility and the collection system that serves more than 200,000 residents of Sherwood, Tigard, Tualatin, King City, Durham, Metzger, and portions of Beaverton, Portland, and Lake Oswego. The plan includes recommendations to prepare for challenges such as climate adaptation and seismic resilience, while planning for necessary improvements to the East Basin collection and treatment systems assets. We have started a similar assessment for the West Basin and expect to complete it in 2024.

Staff from Regional Utility Services (RUSD), which was created in FY 2021-22 and manages regional governmental relationships and agreements, met with representatives from Washington County and affected cities to share the East Basin Master Plan. They presented information including regulatory and climate change forecasts, resilience and operational recommendations, development and growth forecasts, and recommended conveyance and facility capital improvements. RUSD staff also initiated conversations with our partner cities to develop new intergovernmental agreements that set the framework for how we work together.

We work hard to build and maintain strong relationships with our city, community, and regional partners. The RUSD team is leading this work and helping create the kind of positive economic and environmental impact that the region needs and expects from Clean Water Services.

We are accountable to those who are struggling economically and we are committed to equity in providing services. We strive to keep our rates stable and to spend money wisely, but it's imperative that we maintain adequate funding for operating, maintenance, and capital investment needs in the future. We're conducting a comprehensive financial review and cost of service study so we can develop a strategy for adjusting the sanitary sewer and surface water management rates and System Development Charges. This is a collaborative effort where we engage our stakeholders throughout the course of the study for input on the direction of our work and outcomes.

Clean Water Services is focused on updating the Scoggins Dam to better withstand a major earthquake by supporting the federal Bureau of Reclamation's Safety of Dams program. Clean Water Services will no longer pursue options to increase the water storage capacity of Hagg Lake. After a technical feasibility study for three dam options was completed in 2020, we found that the cost estimates were too high for our ratepayers. Instead, CWS has identified new ways to meet future temperature and flow needs in the Tualatin River.

We worked for many years to find a solution that would result in seismic safety as well as increased water supply — an issue that has come under increased scrutiny given the realities of climate change — through raising Scoggins Dam or building a new dam downstream. New modeling shows we can meet our DEQ permit requirements and support river health more efficiently and affordably by expanding water reuse, increasing the Tree for All riparian shade program, optimizing water management, and other mechanical technologies.

Thanks to new funding from the Bipartisan Infrastructure Law, which includes increased dam safety funding, there is a unique opportunity to modify Scoggins Dam now. We support the decision to make seismic updates as soon as possible. This strategy will protect the public and secure our region's primary water supply, while cost-effectively meeting water quality needs to support a growing region. We will remain closely involved with the project.

The Pandemic

The Clean Water Services team has shown remarkable dedication since the COVID-19 pandemic emerged in 2020. The threat to public health and the resulting economic impact of the pandemic challenged us all — the families in our community, large and small businesses, and local and state governments.

Our 423 employees found ways to work together while staying apart, but we never stopped delivering the round-the-clock, essential services that our community depends on. Our team:

- Delivered reliable and efficient essential services by agilely and innovatively shifting the way we perform our work.
- Extended economic relief to our customers.
- Distributed PPE to local people in need.
- Led wastewater-based epidemiology research to track community spread of COVID-19 by analyzing weekly composite samples at each of the CWS water resource recovery facilities providing data to county and state public health officials.
- Established procedures to implement emergency procurements during events such as severe weather, labor shortages, and manufacturing and transportation disruptions.
- Completed critical infrastructure projects.
- Conducted ecological enhancement at the watershed scale.

The pandemic is not over, but there is no going back to "before." Throughout the pandemic, staff worked remotely as much as appropriate, taking advantage of virtual resources to conduct business. We are now piloting a telecommuting policy, which is subject to the business needs of our organization, for staff who are eligible.

We will continue to encourage employees to take commonsense precautions to protect themselves and their families from serious illness by getting vaccinated, practicing good hand sanitation, monitoring themselves for COVID-19 symptoms, and staying home if they are sick so they can heal and protect others. We will continue to provide masks to employees who choose to wear them.

We will continue to serve as the fiscal manager for all city and regional water utilities in Washington County for the distribution of American Rescue Plan Act funds to assist utility customers with pandemic-related outstanding balances.

As we have learned, the virus sets the schedule and it is critical that we remain alert and adaptable. We won't be caught off guard. Should we experience a surge in cases at our workplace or public health conditions warrant, we may return to mask requirements or other strategies that protect employee health and safety.

What won't change, of course, is our commitment to protecting the health of employees and the public. Ensuring our water is safe and clean requires vigilance, and our vigilance to serve our community is unwavering.

Priorities

The FY 2022-23 budget supports our dedication to public health, the environment, our employees, and our infrastructure assets by:

- Continuing to prioritize and sequence capital investments.
- Managing inflation, pricing, and economic factors.
- Investing in talented people to join our accomplished staff. We will continue to prioritize and sequence hiring for current vacancies and new positions.
- Addressing equity in our organization.

We Believe in the Tualatin Basin

CWS' commitment to the Tualatin Basin is apparent in the budget with advanced water resource recovery and comprehensive stormwater management. Our conveyance and treatment of wastewater produce billions of gallons of clean water, with millions of gallons applied to parks, schools, and golf courses. We produce biosolids that help grow grass seed and forage crops. Recovering resources in the wastewater includes recovering energy. We generate nearly 15 million kilowatts of renewable energy at the Durham and Rock Creek facilities.

Recovering nutrients also allows Clean Water Services to create a unique slow-release fertilizer that is better for plants and helps protect our streams and the Tualatin River. It's available as a retail product called Clean Water Grow®. GROW was created in 2012 and is produced and sold by the Clean Water Institute in collaboration with Clean Water Services. The slow-release fertilizer contains Crystal Green® recovered from used water at the Durham and Rock Creek water resource recovery facilities through Ostara's nutrient recovery system. The result is a high-performing retail product that benefits the environment, improves operation and maintenance of the resource recovery process, and provides the community with a thriving plant food for their gardens. This product is made possible by the ratepayers' investment in building water resource recovery facilities at the Durham and Rock Creek facilities that are among the most advanced in the nation.

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 605,000 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 $582 million to expand, replace, and upgrade our community's four water resource recovery facilities, 44 pump stations, sewer lines, and storm sewers. CWS is responsible for 866 miles of the 1,879 miles of sewer lines and 529 miles of the 1,565 miles of storm sewers.

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.

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.

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 CWS' vision, mission, and goals.

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.

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.

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.

Regulatory Climate

Clean Water Services operates under a municipal watershed-based permit that integrates the four municipal water resource recovery facilities and the stormwater program. In 2004, CWS was the first in the nation to receive this kind of integrated, watershed-based permit that provided opportunity for us to take advantage of creative approaches and new solutions, such as:

- Implementing a water quality credit trading program for temperature 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.
- Creation and implementation of a long-term integrated compliance plan associated with the new permit providing greater opportunity for cost effective compliance strategies.
- Establishing performance benchmarks for the sanitary and stormwater management activities of Clean Water Services, its co-implementer cities, and Washington County as a whole.

CWS faces a challenging regulatory environment due to the relative size of its discharges from the municipal water resource recovery facilities and the size and characteristics of the Tualatin River. The Tualatin is a small, slow moving river with summer flows of 100 cubic feet per second (cfs) at Hillsboro. Much of the flow in the river can be attributed to CWS, which releases stored water to provide sustainable base flows. The lower segment of the river is essentially a reservoir; it takes more than 10 days for a parcel of water to make it from Hillsboro to the Oswego dam at the lower end of the reservoir reach.

The river is very sensitive to inputs and the associated regulatory issues are quite complex. As a result, CWS provides a high level of treatment at its facilities, including nutrient removal and filtration, and implements a water quality credit trading program to offset the temperature loads of the water discharged from the water resource recovery facilities. The permit maximizes the flexibility we have under the regulatory framework, which results in a highly complex permit.

Planning and innovation are key. If we do not plan and innovate, if we do not give ourselves enough time to bring strategies to fruition, we will default to the more expensive options to get the job done, a strategy that may not provide the greatest environmental benefit and will significantly affect rates. An integrated plan associated with the permit provides opportunity for innovation and interaction with our regulatory partner

CWS is operating under a permit that became effective June 1, 2016. The permit expired May 31, 2021, and has been extended until DEQ issues a new permit. The 2016 permit expanded opportunities to respond to growth, maintain current infrastructure investments, provide new discharges, and achieve water quality standards. CWS applied for a new permit in December 2020, submitting an application that included EPA and DEQ forms for the four water resource recovery facilities and specific stormwater elements that are identified in the permit. We also updated plans for biosolids, recycled water, thermal load management, and mercury minimization; the nondomestic waste ordinance; and the pretreatment manual. An updated permit is in its final draft for issuance by early 2023. The draft permit provides innovative integration of the trading program restoration and stormwater program, greater opportunities for thermal management, enhanced reuse opportunities, and facilitates the expanded use of green infrastructure including natural treatment systems.

CWS faces a number of challenges — replacing aging infrastructure, population growth, increasingly strict regulatory requirements, water resource limitations, climate change impacts, and maintaining a sustainable rate structure. The long-term efforts focus on improving watershed health and resilience, responding to growth and the anticipated impacts of climate change on our basin, continuing to provide a high level of treatment, and improving watershed health and resilience. 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, 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.
- 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 phosphorus Total Maximum Daily Load to focus on biological processes to remove phosphorus and reduce chemical usage at the water resource recovery facilities.

Historically, the Environmental Protection Agency requires an “integrated plan” as a response to an enforcement action. That’s not the case with CWS, which is in compliance with existing permits. CWS and DEQ agree to plan more strategically, to remain in compliance, and look ahead to adjust to population growth and climate change. CWS is the first entity in the state and one of the first in EPA Region 10 to take this approach.

While water quality has improved in the Tualatin River and its tributaries in the past decade, new and more complex challenges have arisen that cannot be solved through pollution control alone. These challenges to the health of the Tualatin 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.

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% 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 average residential, commercial and industrial Sanitary Sewer fees for fiscal year 2022 increased by approximately 4.5% from fiscal year 2021. The District's SWM fees for fiscal year 2022 increased by 5.4% from fiscal year 2021.

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, 2021. This was the 35th 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 2021-22 received the Distinguished Budget Presentation Award from GFOA. This was the 34th 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	Kathleen Leader
Chief Executive Officer	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, 2022

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

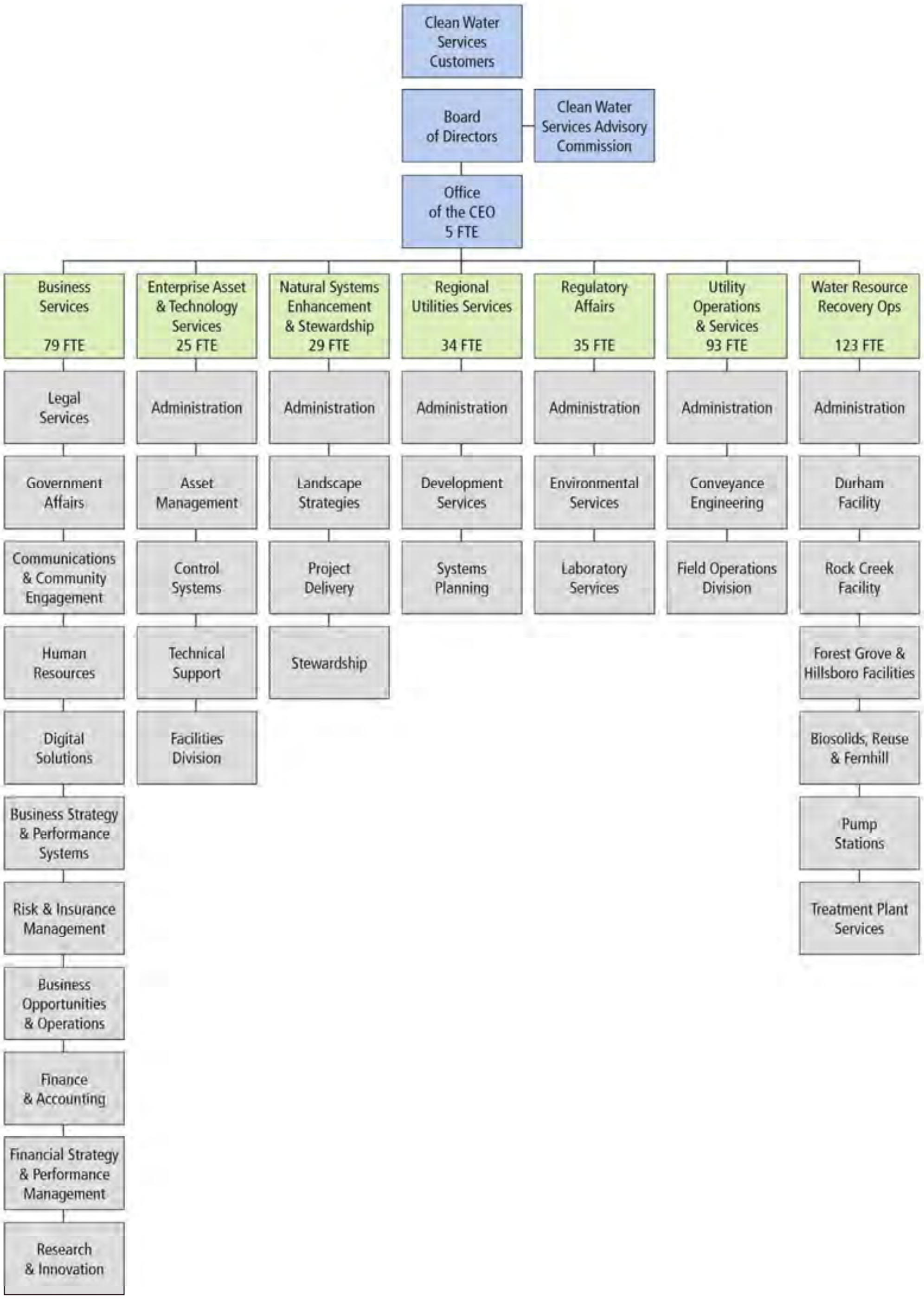
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

District Organizational Chart



FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

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MOSSADAMS

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clean Water Services (the District), which comprise the statement of net position as of June 30, 2022 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Clean Water Services as of June 30, 2022 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clean Water Service's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 opinions on the financial statements that collectively comprise the Clean Water Service's basic financial statements. The combining and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 22, 2022, on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Julie Desimone

Julie Desimone, Partner, for
Moss Adams, LLP
December 22, 2022

Clean Water Services

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2022. 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 3-13 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 $1.05 billion (net position). Of this amount, $292.5 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 $40.7 million mainly due to net proceeds from current year operations and capital contributions from developers.

- The District's total net capital assets increased $12.6 million primarily due to capital assets constructed and purchased in the current year totaling $69.7 million, and contributions of infrastructure systems and easements by developers totaling $10.8 million less loss on asset disposals totaling $25.9 million and current year depreciation and amortization of $42 million.

- Debt service coverage for senior debt was 4.9, which exceeded the 1.2 required by the bond covenants. The District had no subordinate debt outstanding during the year.

- Operating revenues total $169.6 million, an increase of $9.2 million. This is primarily attributed to a rate increase for sanitary and storm service charges during the year and customer growth.

- Operating expenses total $123.6 million, a decrease of $0.9 million. The primary contributing factor was a decrease in the net pension liability valuation of $22.7 million that reduced pension expense by $7.9 million in the current year.

- Long-term debt decreased by $18.5 million due to payment of outstanding bonds and amortization of related premium. The District had $137.7 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.

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 87-89 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 42-78 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 81-84 of this report.

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 $1.05 billion at the close of the most recent fiscal year, an increase of $40.7 million. The table below provides a summary of net position at fiscal year-end.

Net Position
(in thousands)

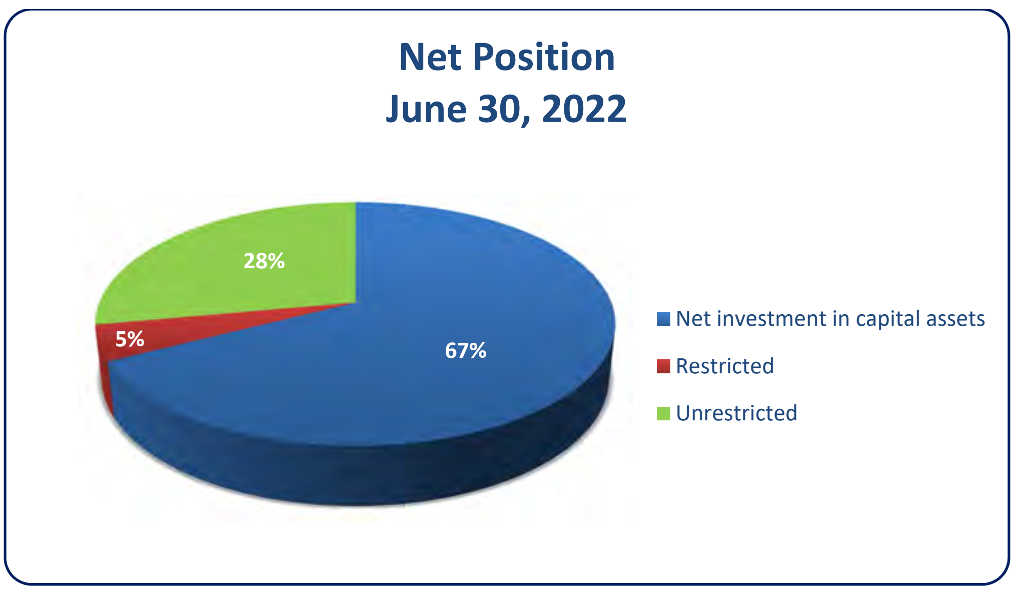
			Change	
	2022	**2021**	**Amount**	**%**
ASSETS				
Current assets	$ 345,677	$ 329,556	$ 16,121	4.9%
Noncurrent assets				
Cash and investments – restricted	47,847	49,399	(1,552)	-3.1%
Capital assets, net	843,073	830,456	12,617	1.5
Investment in joint venture	2,057	2,136	(79)	-3.7%
Other noncurrent assets	2,720	1,839	881	47.9%
Total assets	1,241,374	1,213,386	27,988	2.3%
Deferred outflows of resources	25,314	29,649	(4,335)	-14.6%
LIABILITIES				
Current liabilities	38,780	39,490	(710)	-1.8%
Noncurrent liabilities	155,159	193,042	(37,513)	-19.6%
Total liabilities	193,939	232,532	(38,593)	-16.6%
Deferred inflows of resources	25,762	4,264	21,498	504.2%
NET POSITION				
Net investment in capital assets	705,381	678,270	27,111	4.0%
Restricted	49,056	49,162	(106)	-0.2%
Unrestricted	292,549	278,807	13,742	4.9%
Total net position, end of year	$ 1,046,987	$ 1,006,239	$ 40,747	4.0%

Net Position

By far the largest portion of Clean Water Services' net position ($705.4 million or 67%) 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 5%) 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 ($292.5 million or 28%) may be used to meet the District's ongoing obligations to ratepayers and creditors.



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:

Net Position
(in thousands)

	2022	2021	Change Amount	Change %
REVENUES				
Operating revenues:				
Service fees	$ 160,896	$ 151,288	$ 9,608	6.4%
Other revenues	8,708	9,076	(368)	-4.1%
Total operating revenues	169,604	160,364	9,240	5.8%
Nonoperating revenues:				
Interest income (loss)	(10,301)	(123)	(10,178)	8274.0%
Total revenues	159,303	160,241	(938)	-0.6%
EXPENSES				
Operating expenses	123,597	124,530	(933)	-0.7%
Nonoperating expenses:				
Interest	5,820	7,019	(1,199)	-17.1%
Loss on disposal of capital assets	25,699	827	24,872	3007.5%
Loss on equity in joint venture	79	77	2	2.6%
Lease revenue	(120)	-	(120)	100.0%
Capital donations	-	2,957	(2,957)	-100.0%
Total expenses	155,075	135,410	19,665	14.5%
Income before contributions	4,228	24,831	(20,603)	-83.0%
Capital contributions	36,520	28,346	8,174	28.8%
Change in net position	40,748	53,177	(12,429)	-23.4%
Net position, beginning of year	1,006,239	953,062	53,177	5.6%
Net position, end of year	$ 1,046,987	$ 1,006,239	$ 40,748	4.0%

Revenues

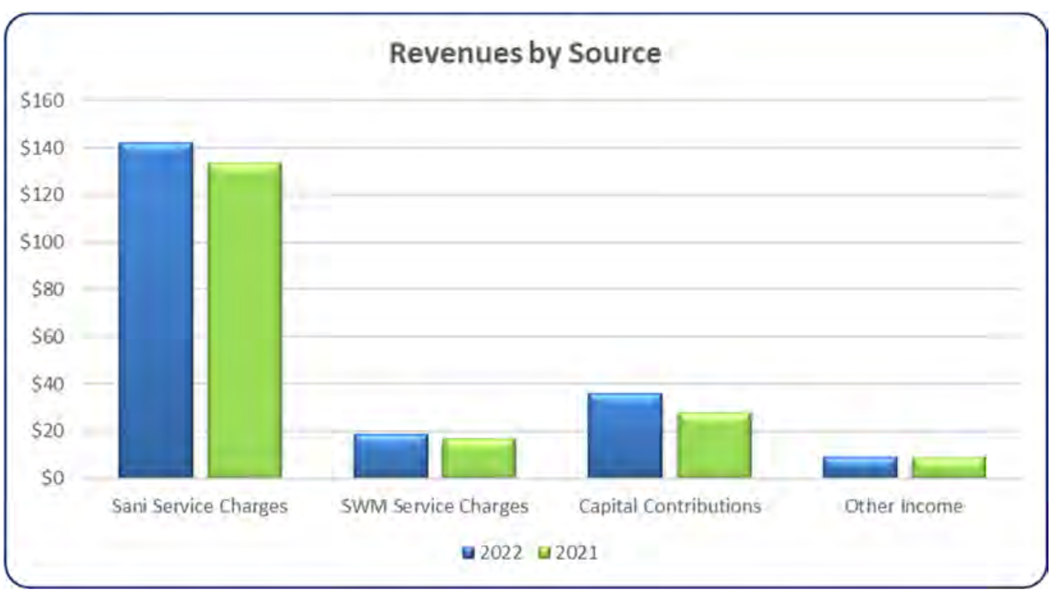
Total revenues for FY 2022, including operating revenues, non-operating revenues and contributed capital, totaled $195.9 million, an increase of approximately 3.9% from FY 2021. The increase in total revenues was primarily due to an increase in service fees. The net increase was reduced by the impact of investment losses in the current year.

Sanitary & SWM Service Charges: Operating revenue consists mainly of user charges for sewage and storm services. Monthly service charge revenues increased by 6.4% totaling $160.9 million. This increase was primarily related to the sanitary sewer rate increase of 4.5% and a corresponding rate increase for the SWM service charge of 5.4% along with customer growth.

Capital Contributions: This revenue source includes System Development Charges (SDC's), developer donated infrastructure, donated easements and third-party contributions for District projects. Capital contributions totaled $36.5 million, an increase of $8.2 million, or 28.8% compared to the prior year. The increase is due to an increase in connections to the system (customer growth) of $5.2 million and developer donated infrastructure and easements of $2.9 million.

Other Income: This revenue source includes all other fees, grant revenues, subsidy payments and refunds. Other income totaled $8.7 million, a decrease of $0.4 million, or 4.1%, as compared to the prior year. Fluctuations in this revenue type year-to-year relates to the one-time nature of these revenue sources.

Investment Income: Investment loss totaled $10.3 million in 2022, a decrease of $10.2 million compared to 2021, attributed to lower investment earnings and investment valuation at year-end.



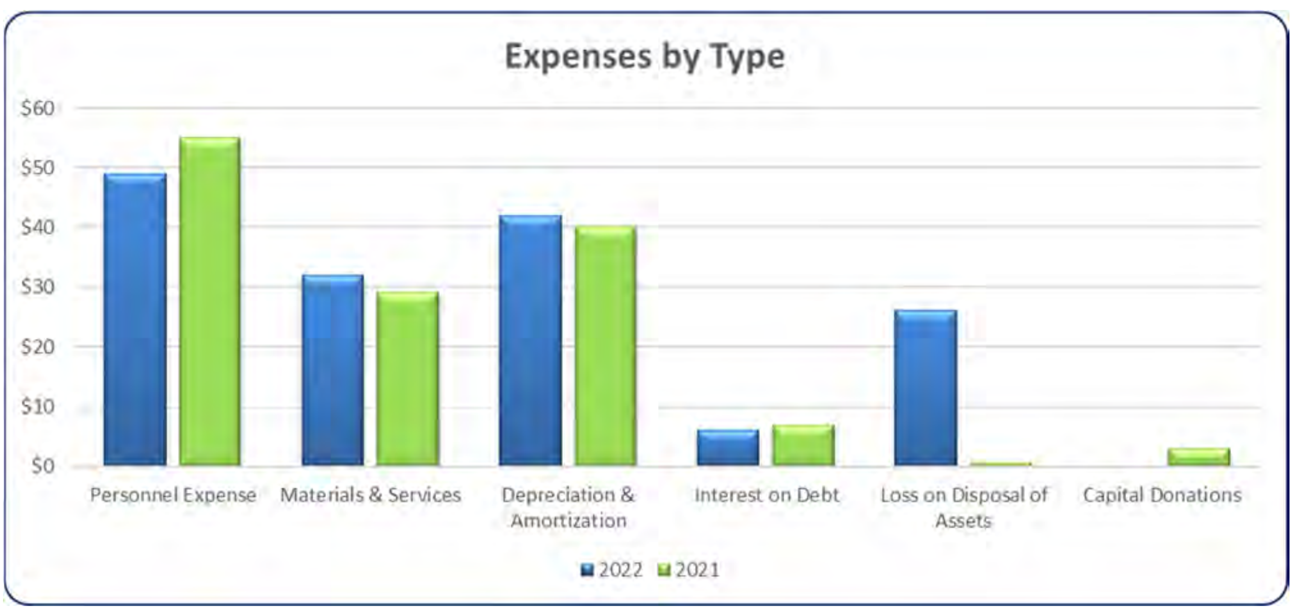
Expenses

Total expenses for FY 2022, including operating expenses, non-operating expenses and donated capital, totaled $155.1 million, an increase of approximately 14% over FY 2021. The increase in total expenses was primarily due to a reported loss on disposal of assets of $25 million related to the Water Supply Project.

Operating costs decreased by $0.9 million or 0.7%. This decrease was primarily due to a decrease in labor costs with the reduction in the actuarially valued net pension liability of $22.7 million which resulted in a reduction in pension expense of $7.9 million in the current year. All other operating costs increased by $5 million, an increase of 7.3%. The main increases in costs include depreciation expense ($2.3 million) as more assets are brought into operation, chemicals ($0.6 million), insurance ($0.6 million), software licenses ($0.4 million), electricity ($0.4 million) and fuel ($0.3 million).

Non-operating costs increased by $20.7 million or 190.4%. The increase is primarily due to the $25 million loss with the write-off of the Scoggins Dam Water Supply project which focused on safety of dams and increased water storage capacity at Hagg Lake. See a further discussion in the Letter of Transmittal at the top of page 7. Bond debt interest decreased by $1.2 million as outstanding debt is paid off.

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 strong liquidity also allows the District to better withstand any economic impacts due to inflation and supply chain issues and avoid immediate distress due to these financial effects.



Capital assets

As of year-end, the District has $843.1 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 $69.7 million. The net change in capital assets from current year activity was an increase of $12.6 million over FY 2021.

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

			Change	
	2022	**2021**	**Amount**	**%**
Land	$ 17,347	$ 17,347	$ -	0.0%
Easements	28,383	25,490	2,893	11.3%
Construction in progress	175,535	159,008	16,527	10.4%
Buildings and improvements	71,305	66,452	4,853	7.3%
Land improvements	80,638	79,022	1,616	2.0%
Treatment plants	229,885	239,520	(9,635)	-4.0%
Sewer lines	210,531	211,801	(1,270)	-0.6%
Plant equipment	21,388	22,233	(845)	-3.8%
Automotive equipment	2,468	3,451	(983)	-28.5%
Plans and studies	2,734	2,938	(204)	-6.9%
Office equipment	2,773	3,096	(323)	-10.4%
Temporary easements	37	37	-	0.0%
Patents	61	61	-	0.0%
Total capital assets	$ 843,085	$ 830,456	$ 12,629	1.5%

Capital additions by category during FY 2022 included the following:

Treatment plant facilities	$ 34,482,524
Sanitary conveyance systems	18,253,681
Stormwater conveyance systems	765,982
Pump stations	5,161,569
Watershed	5,035,793
Other (facilities, fleet, digital solutions)	6,030,614
	$ 69,730,163

Additional information on Clean Water Services' capital assets can be found in note 5 on page 54 of this report.

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)

						Change	
		2022		**2021**		**Amount**	**%**
Sewer revenue bonds	$	128,719	$	146,092	$	(17,373)	-11.9%
Revenue pension bonds		9,030		10,155		(1,125)	-11.1%
Total capital assets	$	137,749	$	156,247	$	(18,498)	-11.8%

As of year-end, the District had total net bonded debt outstanding of $137.7 million versus $156.2 million at the end of fiscal year 2021, and of that amount $12.1 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 55-58 of this report.

Economic Factors and Next Year's Budgets and Rates

- The adopted budget for 2023 reflects a 5.7% increase in operating expenses. Labor costs increased by $2 million or 3.5% due to requested position adds. Materials and services are expected to increase by $3.2 million or 9.5% due primarily to an increase in software costs and added operating and maintenance costs for significant capital projects brought on-line in the operating budget.

- Budgeted positions for fiscal year 2023 increased by 13 FTE, or 3% from the prior year. This includes 10 new positions and the conversion of three long-term temporary staff to full-time regular.

- Adopted sanitary sewer fees increased by 4% for fiscal year 2023. This will add an estimated $1.90 per month to the average residential customer's bill. Storm water maintenance fees are increasing by 4%, which will add an estimated $0.39 per month to the average residential customer bill.

- The District has budgeted for an estimated $93.6 million in new sanitary sewer system improvements and $4 million in new surface water management system improvements in FY 2023. 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 2023 reflects a reduction in debt service by $4.5 million, or 20.9% from the prior year. This is due to the savings found in refunding the Series 2011B as well as the final debt service payment on the Series 2011A in FY 2022.

- 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 increase by $1.2 million, or 16.2% from the prior year due to an anticipated increase in uncollectible utility billing as bad debts based on current trends, equipment replacement, and mid-year personnel adjustments.

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 is currently preforming a cost-of-service study which will result in an updated financial forecast, proposed rates, and reserve policy for both utilities.

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

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CLEAN WATER SERVICES
Statement of Net Position
June 30, 2022

Assets and Deferred Outflows of Resources	
Current assets (unrestricted):	
Cash and investments	$ 259,184,649
Cash and investments (dedicated to capital construction)	57,375,804
Accounts receivable (net of allowance for uncollectibles)	21,434,265
Investment interest receivable	936,748
Contracts receivable	93,668
Lease receivable	87,782
Materials and supplies inventory	2,121,533
Prepaid expenses	1,213,410
Current assets (restricted):	
Connection fees receivable	2,495,031
Contributions receivable from local governments	506,808
Build America Bonds (BABs) subsidy receivable	314,680
Total current assets	345,764,378
Noncurrent assets (unrestricted):	
Contracts receivable	772,623
Capital assets, not being depreciated or amortized:	
Land	17,347,235
Permanent easements	28,383,214
Construction in progress	175,535,234
Capital assets, net of accumulated depreciation	621,722,032
Intangible assets, net of accumulated amortization	85,352
Investment in joint venture	2,056,583
Lease receivable	183,750
Prepaid expenses	371,056
Net OPEB asset	856,272
Noncurrent assets (restricted)	
Cash and investments	47,846,928
Contracts receivable	449,016
Total noncurrent assets	895,609,295
Total assets	1,241,373,673
Deferred outflows of resources:	
Deferred loss on refunding	2,073,031
Pension related	22,781,067
OPEB related	459,556
Total deferred outflows of resources	25,313,654
Total assets and deferred outflows of resources	$ 1,266,687,327
Liabilities, Deferred Inflows of Resources, and Net Position	
Current liabilities (unrestricted):	
Accounts payable	$ 6,801,877
Accrued payroll	8,518,116
Accrued self-insurance	57,764
Accrued interest payable	1,583,308
Current portion of bonds payable, net	12,029,446
Current liabilities (restricted):	
Accounts payable	9,739,670
Accrued interest payable	49,942
Total current liabilities	38,780,123
Noncurrent liabilities (unrestricted):	
Bonds payable, net	125,719,588
Net pension liability	27,923,306
Postemployment benefits other than pensions	1,320,537
Accrued self-insurance	195,517
Total noncurrent liabilities	155,158,948
Total liabilities	193,939,071
Deferred inflows of resources:	
Pension related	23,881,240
OPEB related	695,354
Deferred gain on refunding	913,169
Leases	271,532
Total deferred inflows of resources	25,761,295
Total liabilities and deferred inflows of resources	219,700,366
Net position:	
Net investment in capital assets	705,381,485
Restricted for:	
Capital construction	33,177,652
Debt service	15,628,724
Captive Insurance	250,000
Unrestricted	292,549,100
Total net position	1,046,986,961
Total liabilities, deferred inflows of resources and net position	$ 1,266,687,327

See notes to basic financial statements

CLEAN WATER SERVICES
Statement of Revenues, Expenses
and Changes in Net Position
For the year ended June 30, 2022

Operating revenues:	
Service fees	$ 160,895,990
Other	8,708,336
Total operating revenues	169,604,326
Operating expenses:	
Labor and fringe benefits	49,471,873
Utilities	4,821,311
Professional services	10,819,231
Supplies	5,268,978
Administrative costs	3,207,129
Repairs and maintenance	592,637
Insurance	3,264,046
Chemicals	4,176,432
Depreciation and amortization expense	41,975,579
Total operating expenses	123,597,216
Operating income	46,007,110
Nonoperating revenues (expenses):	
Investment income	(10,322,991)
Interest on assessments, contracts and leases	22,442
Net loss on disposal of capital assets	(25,699,219)
Lease income	119,515
Loss on equity in joint venture	(79,217)
Interest expense	(5,820,199)
Total nonoperating expense	(41,779,669)
Income before contributions	4,227,441
Capital contributions:	
System development charges	24,870,489
Infrastructure donated by developers	11,649,461
Total capital contributions	36,519,950
Change in net position	40,747,391
Net position, beginning of year	1,006,239,570
Net position, end of year	$ 1,046,986,961

See notes to basic financial statements

CLEAN WATER SERVICES
Statement of Cash Flows
For the year ended June 30, 2022

Cash flows from operating activities:	
Received from customers	$ 162,252,538
Payments to suppliers	(31,675,674)
Payments to employees for services	(48,000,934)
Other operating revenue	7,224,943
Net cash provided by (used for) operating activities	89,800,873
Cash flows from noncapital financing activities:	
Principal paid on pension bonds	(1,125,000)
Interest paid on pension bonds	(610,884)
Grants receivable	145,407
Net cash provided by (used for) noncapital financing activities	(1,590,477)
Cash flows from capital and related financing activities:	
Proceeds from issuance of debt	25,405,000
Proceeds from issuance of debt - premium	5,984,124
Acquisition and construction of capital assets	(68,650,520)
Lease payments received	119,515
Principal paid on bonds	(45,845,000)
Interest paid on bonds	(7,067,627)
Principal paid on assessments and contracts	(809,373)
Interest received on assessments and contracts	27,494
Capital contributed by customers and cities	25,427,319
Proceeds from sale of capital assets	247,859
Net cash provided by (used for) capital related financing activities	(65,161,209)
Cash flows from investing activities:	
Interest (paid) received on investments	(11,263,991)
Net cash provided by (used for) investing activities	(11,263,991)
Net increase (decrease) in cash and cash equivalents	11,785,196
Cash and cash equivalents, beginning of year	352,622,185
Cash and cash equivalents, end of year	$ 364,407,381
Unrestricted cash and investments	259,184,649
Dedicated cash and investments	57,375,804
Restricted cash and investments	47,846,928
Total cash and investments	$ 364,407,381
Reconciliation of operating income to net cash from operating activities:	
Operating income	46,007,110
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	41,975,579
Amortization of prepaid electric	27,522
BABs subsidy	14,623
Changes in assets and liabilities:	
Accounts receivable	(141,468)
Net pension liability	957,242
Net OPEB asset and related deferrals	(59,705)
Materials and supplies inventory	(344,354)
Prepaid expenses	(311,573)
Accrued expenses	454,267
Accounts payable	1,221,630
Total adjustments	43,793,763
Net cash from operating activities	$ 89,800,873
Schedule of non-cash capital and related financing activities:	
Contributions of capital assets by developers	$ 10,809,027
Loss on equity in joint venture	79,217

See notes to basic financial statements

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 Annual Comprehensive 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, 2022, 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.

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

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The District maintains a cash and investment pool that is available for use by all funds. Investments consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP), U.S. Government obligations and corporate bonds. Investments are presented on the statement of net position in the basic financial statements 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. In general, interest earned from pooled investments is allocated to each fund based on the average earnings rate and daily cash balance of each fund.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is comingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

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 to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable. Level 3 inputs are significant unobservable inputs.

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. The allowance for uncollectible accounts for the year ended June 30, 2022 was $707,939.

G. Leases

Leases are recognized in accordance with GASB Statement No. 87 Leases.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the District, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments related to a future period which were received prior to the lease commencement; these deferred inflows of resources are amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and an intangible right-to-use lease asset. A lease payable is recognized at the net present value of future lease payments, and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees. The right-to-use asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease. The District currently has no lease payables or right-to-use lease assets for the fiscal year ended June 30, 2022.

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 10 to 20 years at interest rates ranging from 3.39% to 6.22%.

I. 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.

J. 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.

K. 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.

L. 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

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

N. 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).

O. 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.

P. 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.

Q. 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.

R. 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.

S. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in this category, the District has the deferred charge on refunding of debt reported in the Statement of Net Position and deferred outflows related to pensions and other post-employment benefits. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Included in this category, the District has deferred pension and OPEB differences, and deferred lease resources.

For the purpose 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.

T. 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.

U. 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.

V. 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.

W. 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.

X. Adoption of new GASB pronouncements

During the fiscal year ended June 30, 2022 the District implemented the following GASB pronouncements:

GASB Statement No. 87, Leases. This statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments, and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date of this statement was postponed in May 2020 with GASB Statement No. 95, Postponement of Effective Dates, to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. GASB Statement No. 87 was implemented by the District for the fiscal year ended June 30, 2022.

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, 2022, the Board approved one appropriation transfer.

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

3. Cash and Investments

The District maintains a common cash and investment pool for all District funds, except the Captive Insurance. The types of investments in which the 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 Insurance cash is held in bank demand deposits with the Bank of Hawaii.

Cash and investments for the District at June 30, 2022 are as follows:

Petty cash	$	3,850
Cash with fiscal agents		744,459
Bank of Hawaii – Captive Insurance/CWIC		3,313,223
Cash with custodial bank		5,724,704
Investments		354,621,146
Total cash and investments	$	364,407,381

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

Unrestricted cash and investments	$	259,184,649
Dedicated cash and investments – capital construction		57,375,804
Restricted cash and investments		47,846,928
Total cash and investments	$	364,407,381

Investments at June 30, 2022 were as follows:

State of Oregon Treasurer's Local Government Investment Pool	$	37,930,343
Custodial bank		316,690,803
Total investments	$	354,621,146

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. The Districts deposit policy is in accordance with Oregon Revised Statues (ORS) 295. As required by ORS 295, 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 $3,313,223. 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.

Fair value hierarchy:

Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

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

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

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

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

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has recorded its investments at fair value, and primarily uses the Market Approach to valuing each security. Security pricing is provided by a third-party and is reported daily to the District by its custodian bank. Assets are categorized by asset type, which is a key component of determining hierarchy levels. Asset types allowable per the District's investment policy generally fall within hierarchy *Level 1* and *2*.

The District has the following fair value measurements at June 30, 2022:

		Fair Value Measurements Using			
Investments Measured at Fair Value ($ in millions):	Total	**Quoted Prices in Active Markets for Identical Assets** Level One	**Significant Other Observable Inputs** Level Two	**Significant Unobservable Inputs** Level Three	**Amortized Cost not Measured** at Fair Value
U.S. Agency	$ 111,543,702	$ -	$ 111,543,702	$ -	$ -
U.S. Treasury	171,385,808	171,385,808	-	-	-
Commercial Paper	23,417,547	-	23,417,547	-	-
Corporate Bonds	9,299,204	-	9,299,204	-	-
Municipal Bonds	1,044,284	-	1,044,284	-	-
Money Market Fund	247	-	-	247	-
Currency	11	11	-	-	-
Local Government Investment Pool	37,930,343	-	-	-	37,930,343
Total Investments	$ 354,621,146	$ 171,385,819	$ 145,304,737	$ 247	$ 37,930,343

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 District 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's investment advisors monitor the interest rate risk inherent in its portfolio by comparing the maturity dates of its investments to the minimum maturity dates outlined in the investment policy.

The table below outlines the investment maturity limitations and the actual maturities of the Districts investments at June 30, 2022:

			Fair Value Investment Maturity (Years)		
Investment Type	**Book Value**	**Fair Market Value**	**Less Than 1**	**1-5**	**Weighted Avg Maturity**
U.S. Agency	$ 114,541,415	$ 111,543,702	$ 49,390,418	$ 62,153,284	1.54
U.S. Treasury	178,580,630	171,385,808	21,411,529	149,974,279	2.62
Corporate bonds	9,833,176	9,299,204	1,637,276	7,661,928	3.10
Municipal Bonds	1,135,000	1,044,284	-	1,044,284	3.10
Commercial paper	23,461,811	23,417,547	23,417,547	-	0.14
Bank deposits	258	258	258	-	-
Local Government Investment Pool	37,930,343	37,930,343	37,930,343	-	-
Total Investments	$ 365,482,633	$ 354,621,146	$ 133,787,371	$ 220,833,775	10.50

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**	**Not Rated**	**Invested Value**	**Percent Allocation**	**Maturity (Years)**
U.S. Agency	$ -	$ 111,543,702	$ -	$ -	$ 111,543,702	31.5%	1.5
U.S. Treasury	-	171,385,808	-	-	171,385,808	48.3%	2.6
Commercial Paper	-	-	23,417,547	-	23,417,547	6.6%	0.1
Corporate Bonds	-	-	9,299,204	-	9,299,204	2.6%	3.1
Municipal Bonds	1,044,284	-	-	-	1,044,284	0.3%	3.1
Money Market Fund	-	-	-	247	247	-	-
Currency	-	-	-	11	11	-	-
Local Government Investment Pool	-	-	-	37,930,343	37,930,343	10.7%	-
Total Investments	$ 1,044,284	$ 282,929,510	$ 32,716,751	$ 37,930,601	$ 354,621,146	100.0%	10.5

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, 2022:

	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 Annual Comprehensive Financial Report for June 30, 2022.

4. Receivables

Accounts Receivable – Current

	SANI	SWM	Total
Service receivable	$ 19,547,677	$ 2,554,841	$ 22,102,518
Interest receivable	936,748	-	936,748
Other	39,686	-	39,686
Unrestricted accounts receivable	20,524,111	2,554,841	23,078,952
Less: Allowance for doubtful accounts	(584,678)	(123,261)	(707,939)
Net unrestricted accounts receivable	19,939,433	2,431,580	22,371,013
Connection fees receivable	2,495,031	-	2,495,031
Contributions receivable from local governments	480,368	26,440	506,808
Build America Bonds subsidy receivable	314,680	-	314,680
Restricted accounts receivable	3,290,079	26,440	3,316,519
Total net accounts receivable	$ 23,229,512	$ 2,458,020	$ 25,687,532

Contracts Receivable

	Current	Non-current	Total
City of Forest Grove 19th & Maple St.	$ 93,668	$ 772,623	$ 866,291
Unrestricted contracts receivable	93,668	772,623	866,291
System development charges	-	203,587	203,587
Local Improvement District Assessments	-	245,429	245,429
Restricted contracts receivable	-	449,016	449,016
Total contracts receivable	$ 93,668	$ 1,221,639	$ 1,315,307

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.

Lessor lease receivables

The District is involved in various leasing arrangements for land, buildings, and land use rights which are leased mainly to commercial and retail customers. With the implementation of GASB Statement No. 87, effective June 30, 2022 all existing contracts and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation, a receivable has been recognized.

Leases receivable for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Building	$ -	$ 185,644	$ (112,673)	$ 72,971
Cell tower	-	205,403	(6,842)	198,561
Total	$ -	$ 391,047	$ (119,515)	$ 271,532

Future maturities of lease receivables are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2023	$ 87,782	$ 11,602
2024	15,608	9,275
2025	16,448	8,435
2026	17,332	7,551
2027	19,839	6,605
2028-2033	114,523	14,309
Total	$ 271,532	$ 57,777

Deferred inflow of resources mirrors the principal payment maturities described above.

5. Capital Assets

Activity in capital assets for the year ended June 30, 2022 is as follows:

	Balance 6/30/21	Additions	Transfers	Retirements	Balance 6/30/22
Non-depreciable capital assets:					
Land	$ 17,347,235	$ -	$ -	$ -	$ 17,347,235
Easements	25,490,074	2,894,789	-	(1,649)	28,383,214
Construction in progress	159,008,385	69,730,163	(27,332,850)	(25,870,464)	175,535,234
Total non-depreciable capital assets	201,845,694	72,624,952	(27,332,850)	(25,872,113)	221,265,683
Depreciable capital assets:					
Building and improvements	121,878,314	-	10,209,488	-	132,087,802
Land improvements	210,894,727	5,335,644	1,405,170	-	217,635,541
Treatment plants	722,996,900	-	8,875,154	-	731,872,054
Sewer lines	322,090,372	2,578,595	2,331,395	(214,969)	326,785,393
Plant equipment	112,722,858	-	3,922,761	(121,664)	116,523,955
Automotive equipment	15,581,826	-	283,515	(596,204)	15,269,137
Plans and studies	16,689,865	-	-	-	16,689,865
Office equipment	15,723,319	-	305,367	(72,776)	15,955,910
Total depreciable capital assets	1,538,578,181	7,914,239	27,332,850	(1,005,613)	1,572,819,657
Less accumulated depreciation for:					
Building and improvements	(55,426,407)	(5,356,117)	-	-	(60,782,524)
Land improvements	(131,873,142)	(5,124,924)	-	-	(136,998,066)
Treatment plants	(483,476,729)	(18,510,706)	-	-	(501,987,435)
Sewer lines	(110,289,594)	(6,124,511)	-	159,668	(116,254,437)
Plant equipment	(90,489,382)	(4,747,814)	-	101,999	(95,135,197)
Automotive equipment	(12,130,551)	(1,267,141)	-	596,204	(12,801,488)
Plans and studies	(13,751,856)	(203,720)	-	-	(13,955,576)
Office equipment	(12,627,600)	(628,078)	-	72,776	(13,182,902)
Total accumulated depreciation	(910,065,261)	(41,963,011)	-	930,647	(951,097,625)
Total depreciable assets, net	628,512,920	(34,048,772)	27,332,850	(74,966)	621,722,032
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	(27,584)	(3,245)	-	-	(30,829)
Patents	(94,653)	(9,323)	-	-	(103,976)
Total accumulated amortization	(122,237)	(12,568)	-	-	(134,804)
Total amortizable assets, net	97,920	(12,568)	-	-	85,352
Total capital assets, net	$ 830,456,534	$ 38,563,612	$ -	$ (25,947,079)	$ 843,073,067

6. Joint Venture

Investment in Joint Venture

Investment in joint venture at June 30, 2021	$	2,135,800
Income (loss) for the year		(79,217)
Investment in joint venture at June 30, 2022	$	2,056,583

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.

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

7. Bonds Payable

The details of the individual bond issues are as follows:

Bonds	Issue Date	Original Issue	Installment Payments	Pledged for Repayment	Purpose	Percent Allocation
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%
2016 Series A Senior Lien	10/13/16	33,225,000	Annually through 2028	Net sewer revenue	Refunding	5.00%
2021 Series A Senior Lien	07/13/21	25,405,000	Annually through 2032	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%
		$ 164,880,000				

Net bond principal transactions for the year ended June 30, 2022 are as follows:

Bonds	Outstanding June 30, 2021	Issued	Matured and Paid	Outstanding June 30, 2022	Due within one year	Long-term portion
Sewer Revenue:						
2010 Series B	$ 72,845,000	$ -	$ 3,790,000	$ 69,055,000	$ 3,905,000	$ 65,150,000
2011 Series A	3,720,000	-	3,720,000	-	-	-
2011 Series B	34,995,000	-	34,995,000	-	-	-
2016 Series A	30,045,000	-	3,340,000	26,705,000	3,515,000	23,190,000
2021 Series A	-	25,405,000	-	25,405,000	1,780,000	23,625,000
Revenue Pension:						
2004 Series	10,155,000	-	1,125,000	9,030,000	1,265,000	7,765,000
Unamortized premiums	4,487,058	5,984,124	2,917,148	7,554,034	1,564,446	5,989,588
	$ 156,247,058	$ 31,389,124	$ 49,887,148	$ 137,749,034	$ 12,029,446	$ 125,719,588

Future maturities of bond principal and interest at June 30, 2022 are as follows:

Fiscal year	2010B	2016	2021	Total Sewer Revenue Bonds	2004 Revenue Pension Bonds	Total Principal
Principal						
2023	$ 3,905,000	$ 3,515,000	$ 1,780,000	$ 9,200,000	$ 1,265,000	$ 10,465,000
2024	4,030,000	3,690,000	1,870,000	9,590,000	1,415,000	11,005,000
2025	4,160,000	3,880,000	1,965,000	10,005,000	1,585,000	11,590,000
2026	4,295,000	4,080,000	2,070,000	10,445,000	1,765,000	12,210,000
2027	4,445,000	4,290,000	2,175,000	10,910,000	1,960,000	12,870,000
2028-2032	24,815,000	7,250,000	12,645,000	44,710,000	1,040,000	45,750,000
2033-2037	23,405,000	-	2,900,000	26,305,000	-	26,305,000
	69,055,000	26,705,000	25,405,000	121,165,000	9,030,000	130,195,000
Bond premium	-	2,261,402	5,292,632	7,554,034	-	7,554,034
Bonds payable, net	$ 69,055,000	$ 28,966,402	$ 30,697,632	$ 128,719,034	$ 9,030,000	$ 137,749,034

Legal Debt Margin

The District's legal debt limitation, as defined by Oregon Revised Statutes 451.545, shall not exceed 13% 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 $18.1 billion at June 30, 2022, 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 require 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 2010A and 2010B issued in fiscal year 2010. No reserves were required for the Series 2016A refunding bonds issued in

October 2016, and the Series 2021 refunding bonds issued in July 2021 respectively. 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, 2022.

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, 2022	For the Year Ended June 30, 2022 Debt (P&I) Payments
2010 Series B	Sewer capital replacement	Net sewer revenue	2036	$ 69,055,000	$ 90,981,098 *	$ 7,735,697
2016 Series A	Refunding	Net sewer revenue	2029	26,705,000	*	4,758,750
2021 Series A	Refunding	Net sewer revenue	2029	25,405,000	*	868,779
				$ 121,165,000	$ 90,981,098	$ 13,363,226

*same revenue source pledged for all three bond series outstanding

Current refunding

On July 13, 2021, the District issued $25,405,000 in Senior Lien Sewer Revenue Refunding Bonds and released $1,847,425 in Debt Service Reserves for a current refunding of $34,995,000 of the Series 2011B Senior Lien Sewer Revenue Bonds. The bonds were issued at a premium of $5,984,124. The refunding was undertaken to reduce total future debt service payments and results in a net present savings of $6.1 million. The acquisition price was less than the net carrying amount of the old debt by $1,032,476. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

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 future pledged revenues table 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 5.7% for the October 1, 2021 and April 1, 2022 bond interest payments, respectively, which reduced the subsidy by approximately $78,717. The total reduction in subsidy payments to-date has been $947,776. 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 $10.5 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, 2022, $27,685,000 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 2022 were $2,218,526.

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.

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 result.

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 an 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 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% 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, 2022 were 16.58% for Tier One/Tier Two member and 12.34% for OPSRP General Service members. The District's total contributions were $8,647,737.

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. Effective January 1, 2022, the District has elected to pay the Executive employees' 6% contribution to the plan. Non-executive employees pay the 6% contribution to the plan. For the fiscal year ending June 30, 2022 the District paid $66,370.

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

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

At June 30, 2022, the District reported a liability of $27,923,306 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. 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, 2022, and June 30, 2021 was .2333% and .2320%, respectively.

For the year ended June 30, 2022, the District recognized pension expense of $6,147,701. At June 30, 2022, 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 Outflows/ (Inflows) of Resources
Differences between expected and actual experience	$ 2,613,804	$ -	$ 2,613,804
Changes of assumptions	6,990,044	73,488	6,916,556
Net difference between projected and actual earnings on investments	-	20,671,407	(20,671,407)
Change in proportionate share	1,056,577	2,724,209	(1,667,632)
Differences between District contributions and proportionate share of contributions	6,891,250	412,136	6,479,114
Total (prior to post-measurement date contributions)	17,551,675	23,881,240	(6,329,565)
District contributions made subsequent to the measurement date	5,229,392	-	5,229,392
Total deferred outflows/(inflows) of resources	$ 22,781,067	$ 23,881,240	$ (1,100,173)

Deferred outflows of resources related to pensions of $5,229,392 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, 2023. 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:	
2023	$ 336,933
2024	(57,827)
2025	(2,293,791)
2026	(4,929,870)
2027	614,990
Total	$ (6,329,565)

Actuarial Methods and Assumptions

The employer contribution rates effective July 1, 2021, through June 20, 2023, 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 net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.4%
Long-term expected rate of return	6.9%
Discount rate	6.9%
Projected salary increases	3.4%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
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 2020 Experience Study, which reviewed experience for the four-year period ended on December 31, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 6.9% for the Defined Benefit Pension Plan, a reduction approved by the PERS Board from 7.2% in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion Date Projections

GASB 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair value of investment assets, all others at cost) is projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgement.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	Target
Debt Securities	15.0 %	0.3 %	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			100.0 %

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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.

Long-Term Expected Rate of Return [1]

Asset Class	Target Allocation	Annual Arithmetic Return [2]	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62 %	7.11 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 [3]	1.77	1.76	1.20
Assumed Inflation - Mean			2.40	1.65

[1] Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

[2] The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

[3] Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

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 6.9%, 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 (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension liability	$ 54,834,693	$ 27,923,306	$ 5,408,242

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, 2020 valuation are described briefly below. Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the System, which was published in July 2021, and can be found at: https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.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, 2018 and December 31, 2019 valuations, the Money Match was weighted 10% for General Service members. For the December 31, 2020 valuations, this weighting has been adjusted to 9% 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 $59 million per year combined for Tier 1/Tier 2 and OPSRP. Previously these were assumed to be $32.5 million per year and $8.0 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 by the Affordable Care Act. The Further Consolidated Appropriations Act passed in December 2019 repealed the excise tax, and as a result no adjustment is required for the proposed trend assumption. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

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.

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). For the fiscal year ended June 30, 2022 the District recognized net OPEB income of $67,208.

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	$ -	$ 856,272	$ 856,272
Deferred Outflows of Resources			
Contributions after the measurement date	-	6,298	6,298
Difference between expected and actual experience	275,439	-	275,439
Change in assumptions	44,471	16,848	61,319
Difference in earnings	-	-	-
Change in proportionate share	-	116,500	116,500
Total Deferred Outflows of Resources	319,910	139,646	459,556
Total OPEB Liability	(1,320,537)	-	(1,320,537)
Deferred Inflows of Resources			
Difference between expected and actual experience	(270,251)	(23,823)	(294,074)
Change ins assumptions	-	(203,496)	(203,496)
Differences in earnings	-	(12,738)	(12,738)
Change in proportional share	-	(185,046)	(185,046)
Total deferred outflows/(inflows) of resources	$ (270,251)	$ (425,103)	$ (695,354)

(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 2022, the District contributed $130,531 consisting of retiree payments. The District has elected to not prefund the actuarially determined future cost amount of $1,320,537.

As of the valuation date of July 1, 2021, the following employees were covered by the benefit terms:

Participant Counts	
Number of active participants	223
Number of inactive participants	9
	232
Participant Statistics	
Active Participants	
Average age	47.5
Average service	10.5
Inactive Participants	
Average age	63.0

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 $1,320,537 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021. For the fiscal year ended June 30, 2022, the District recognized OPEB expense from this plan of $62,217.

Changes in the Total OPEB Liability

Balance at 6/30/21	$ 1,362,150
Changes for the year:	
Service cost	87,557
Interest	31,918
Differences between expected and actual experience	216,422
Change in assumptions or other inputs	(315,293)
Benefit payments	(62,217)
Net changes	(41,613)
Balance at 6/30/22	$ 1,320,537

For the fiscal year ended June 30, 2022, the District reported deferred outflows 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	$ 275,439	$ -	$ 275,439
Changes of assumptions	44,471	270,251	(225,780)
Total deferred outflows/(inflows) of resources	$ 319,910	$ 270,251	$ 49,659

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

Year ended June 30:	
2023	$ 19,476
2024	19,476
2025	19,476
2026	19,477
2027	(14,125)
Thereafter	(14,121)
Total	$ 49,659

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 (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	$ 1,418,175	$ 1,320,537	$ 1,228,111

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 (5.50%, Graded Down to 3.50%)	Current Trend Rate (6.50%, Graded Down to 4.50%)	1% Increase (7.50%, Graded Down to 5.50%)
Total OPEB Liability	$ 1,171,932	$ 1,320,537	$ 1,494,922

Actuarial Assumptions and Other Input

The total OPEB liability in the July 1, 2021 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, 2021 Data was collected as of May 1, 2022, and benefits were valued as if the data was representative of data on July 1, 2021.
Measurement Date	June 30, 2022 and June 30, 2023
Fiscal Year Ends	June 30, 2022 and June 30, 2023
Actuarial Cost Method	Entry Age Normal, level percent of salary
Interest Rate for Discounting Future Liabilities	3.5% per year, based on all years discounted at municipal bond rate (based on Bond Buyer 20-Bond General Obligation Index as of June 30, 2022).
General Inflation	2.0% per year.
Payroll Growth	3.0% per year.
Annual Premium Rate Increase	Declining rates starting at 6.40% in 2023 and ending at 4.5% in 2041 and beyond.
Mortality Rates	General Service and Beneficiary table: Pub-2010 Employee Tables for General Employees, sex distinct, projected generationally. 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.
Lapse	Of the current and future retirees assumed to enroll in coverage, 5% are assumed to drop coverage each year.
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	2021-22 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.
- Lapse rates were introduced.
- Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for OPERS.

(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, 2022, 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, 2022 was $6,298. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2022, the District reported an asset of $856,272 for its proportionate share of the OPERS RHIA net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. 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, 2022, and June 30, 2021 was 0.2494% and 0.0993%, respectively.

For the year ended June 30, 2022, the District recognized OPEB income from this plan of $129,425. At June 30, 2022, 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	$ -	$ 23,823	$ (23,823)
Changes of assumptions	16,848	12,738	4,110
Net difference between projected and actual earnings on investments	-	203,496	(203,496)
Change in proportionate share	116,500	185,046	(68,546)
Total (prior to post-measurement date contributions)	133,348	425,103	(291,755)
District contributions made subsequent to the measurement date	6,298	-	6,298
Total deferred outflows/(inflows) of resources	$ 139,646	$ 425,103	$ (285,457)

Deferred outflows of resources related to OPEB of $6,298 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, 2023. 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:	
2023	$ (64,192)
2024	(116,822)
2025	(46,459)
2026	(64,282)
Total	$ (291,755)

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and assumptions:

Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.4%
Long-term expected rate of return	6.9%
Discount rate	6.9%
Projected salary increases	3.4%
Retiree healthcare participation	Healthy retirees 32%; Disabled retirees 20%
Healthcare cost trend rate	Not applicable

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 ending on December 31, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 was 6.9% 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 %	0.3 %	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			100.0 %

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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.

Long-Term Expected Rate of Return [1]

Asset Class	Target Allocation	Annual Arithmetic Return [2]	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62 %	7.11 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 [3]	1.77	1.76	1.20
Assumed Inflation - Mean			2.40 %	1.65 %

[1] Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

[2] The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

[3] Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

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 (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Net OPEB Liability/(Asset)	$ (757,247)	$ (856,272)	$ (940,863)

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 $5.3 million of its unrestricted net assets for future uninsured risks at June 30, 2022. 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.

Changes in the balances of the District's accrued self-insurance during fiscal years 2022 and 2021 are as follows:

	2022	2021
Balance as of July 1	$ 372,416	$ 474,806
Incurred related to		
Current period	354,157	465,830
Total incurred	354,157	465,830
Paid related to		
Current period	(473,292)	(568,220)
Total paid	(473,292)	(568,220)
Balance at June 30	$ 253,281	$ 372,416

12. Net Position

Net position represents the difference between assets and liabilities. The components of net position at June 30, 2022 were as follows:

Net Investment in Capital Assets:	
Net capital assets in service	$ 843,073,067
Less:	
Revenue bonds payable, net	(127,559,173)
Accounts payable for capital assets	(10,132,409)
	$ 705,381,485
Restricted for Capital Acquisition and Debt Service:	
Total Restricted Net Position-due to enabling legislation	$ 33,177,652
Total Restricted Net Position-other	17,261,974
Total Restricted Net Position-CWIC captive insurance	250,000
	50,689,626
Deductions	
Liabilities payable from restricted net position proceeds-other	(1,633,250)
Liabilities payable from restricted net position proceeds	(1,633,250)
Restricted Net Position-due to enabling legislation	33,177,652
Restricted Net Position-other	15,628,724
Total Restricted Net Position-CWIC captive insurance	250,000
Restricted Net Position	$ 49,056,376

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, 2022, the Captive was in compliance with the minimum capital and surplus requirements of the State of Hawaii.

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 $379,910 during fiscal 2022.

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 $6,000 for such services under the Operating Agreement for fiscal year ended June 30, 2022.

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 $28,828 to the District in fiscal year 2022.

Clean Water Insurance Company began operations July 1, 2016. The District paid dental premiums of $323,591, vision premiums of $41,339 and auto, general liability and property insurance premiums totaling $1,135,743 during fiscal year 2022. CWIC reimbursed the District for claims filed totaling $52,762 during fiscal year 2022.

14. Commitments and Contingencies

The District is committed for approximately $54.5 million for various construction projects and other significant commitments at June 30, 2022. The District plans to finance these projects using existing resources.

15. 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, 2022 is as follows:

Condensed Statements of Net Position

		Sanitary Sewer
Assets:		
Current assets	$	297,845,499
Noncurrent assets		780,155,550
Total assets		1,078,001,049
Deferred outflow of resources		25,313,654
Total assets and deferred outflow of resources		1,103,314,703
Liabilities:		
Current liabilities		38,507,559
Noncurrent liabilities		154,963,431
Total liabilities		193,470,990
Deferred inflow of resources		25,761,295
Total liabilities and deferred inflow of resources		219,232,285
Net position:		
Net investment in capital assets		593,627,801
Restricted net assets		44,967,852
Unrestricted		245,486,765
Total net position	$	884,082,418

Condensed Statements of Revenue, Expenses and Changes in Net Position

Operating revenues	$	148,203,800
Depreciation and amortization		36,514,988
Other operating expenses		69,689,201
Operating income (loss)		41,999,611
Nonoperating revenues (expenses):		
Investment income (loss)		(9,137,908)
Interest on assessment contracts		22,442
Net loss on disposal of capital assets		(25,722,570)
Lease revenue		119,515
Loss on equity in joint venture		(79,217)
Interest expense		(5,820,199)
Total nonoperating revenues (expenses)		(40,617,937)
Capital contributions		28,041,803
Change in net position		29,423,477
Net position, beginning of year		854,658,941
Net position, end of year	$	884,082,418

Condensed Statements of Cash Flows

Cash flows from:		
Operating activities	$	80,434,523
Non-capital financing activities		(1,590,477)
Capital and related financing activities		(65,168,220)
Investment activities		(10,081,907)
Net increase		3,596,919
Beginning cash and investments		311,916,226
Ending cash and investments	$	315,513,145

16. Subsequent Events

Management has evaluated subsequent events through December 22, 2022, the date on which the financial statements were available to be issued and determined there are no qualifying subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 87,557	$ 84,596	$ 52,349	$ 50,579	$ 50,579
Interest	31,918	30,631	39,934	38,571	38,476
Differences between expected and actual experience	216,422	-	157,383	-	-
Changes in assumptions	(315,293)	-	77,825	-	-
Benefit payments	(62,217)	(59,675)	(66,898)	(92,814)	(80,238)
Net change in total OPEB liability	(41,613)	55,552	260,593	(3,664)	8,817
Total OPEB liability – beginning	1,362,150	1,306,598	1,046,005	1,049,669	1,040,852
Total OPEB liability – ending	$ 1,320,537	$ 1,362,150	$ 1,306,598	$ 1,046,005	$ 1,049,669
Covered employee payroll	$ 34,885,045	$ 33,446,831	$ 31,726,791	$ 29,275,000	$ 28,354,391
Total OPEB liability as a percentage of covered employee payroll	3.79%	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.
- Lapse rates were introduced.
- Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for OPERS.

Schedule of Proportionate Share of the Net RHIA OPEB Liability (Asset)
Oregon Public Employees 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 covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.24935072%	$ (856,272)	$ 36,161,011	-2.37%	183.90%
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 Employees 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
2022	$ 6,298	$ 6,298	$ -	$ 38,455,858	0.02%
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%

Notes to Required Supplementary Information

Changes of assumptions: the assumed average annual future long-term investment return was 6.9%. 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.

Schedule of Proportionate Share of the Collective Net Pension Liability (Asset)

Oregon Public Employees 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 covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.23334603%	$ 27,923,306	$ 36,161,011	77.22%	87.60%
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 arrear from the District's fiscal year end.

Schedule of Contributions

Oregon Public Employees 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
2022	$ 8,647,737	$ 8,647,737	$ -	$ 38,455,858	22.49%
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.

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, 2020 valuation are described briefly below. Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the System, which was published in July 2021, and can be found at: https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.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, 2018 and December 31, 2019 valuations, the Money Match was weighted 10% for General Service members. For the December 31, 2020 valuations, this weighting has been adjusted to 9% 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 $59 million per year combined for Tier 1/Tier 2 and OPSRP. Previously these were assumed to be $32.5 million per year and $8.0 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 by the Affordable Care Act. The Further Consolidated Appropriations Act passed in December 2019 repealed the excise tax, and as a result no adjustment is required for the proposed trend assumption. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

Changes in Demographic Assumptions:

Healthy Annuitant Mortality Base Tables. The Pub-2010 generational Healthy Retiree mortality tables with group-specific job category and setback adjustments were continued to be used as the underlying abase mortality tables for generational mortality assumptions.

Disabled Mortality Base Tables. The Pub-2010 generational Disabled Retiree mortality tables with group-specified job category and setback adjustments were continued to be used as the starting point for setting disabled mortality assumptions.

Non-Annuitant Mortality Base Tables. The 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 were continued to be used as the starting point for setting mortality assumptions for this group.

SUPPLEMENTARY INFORMATION

Combining Schedules

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CLEAN WATER SERVICES

Combining Schedule of Net Position

June 30, 2022

Assets and Deferred Outflows of Resources	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Current assets (unrestricted):				
Cash and investments	$ 220,350,518	$ 35,770,908	$ 3,063,223	$ 259,184,649
Cash and investments (dedicated to capital construction)	50,836,787	6,539,017	-	57,375,804
Accounts receivable (net of allowance for uncollectibles)	19,002,685	2,431,580		21,434,265
Investment Interest receivable	936,748	-	-	936,748
Contracts receivable	93,668	-	-	93,668
Lease receivable	87,782	-	-	87,782
Materials and supplies inventory	2,121,533	-	-	2,121,533
Prepaid expenses	1,213,410	-	-	1,213,410
Current assets (restricted):				
Connection fees receivable	2,495,031	-	-	2,495,031
Contributions receivable from local governments	480,368	26,440	-	506,808
BABs subsidy receivable	314,680	-	-	314,680
Total current assets	297,933,210	44,767,945	3,063,223	345,764,378
Noncurrent assets (unrestricted):				
Contracts receivable	772,623	-	-	772,623
Capital assets, not being depreciated or amortized:				
Land	17,347,235	-	-	17,347,235
Permanent easements	6,979,494	21,403,720	-	28,383,214
Construction in progress	167,207,695	8,327,539	-	175,535,234
Capital assets, net of accumulated depreciation	539,541,998	82,180,034	-	621,722,032
Intangible assets, net of accumulated amortization	51,277	34,075	-	85,352
Investment in joint venture	2,056,583	-	-	2,056,583
Prepaid expenses	296,056	75,000	-	371,056
Net OPEB asset	856,272	-	-	856,272
Noncurrent assets (restricted):				
Cash and investments	44,325,840	3,271,088	250,000	47,846,928
Contracts receivable	449,016	-	-	449,016
Lease receivable	183,750	-	-	183,750
Total noncurrent assets	780,067,839	115,291,456	250,000	895,609,295
Total assets	1,078,001,049	160,059,401	3,313,223	1,241,373,673
Deferred outflows of resources:				
Deferred loss on refunding	2,073,031	-	-	2,073,031
Pension related	22,781,067	-	-	22,781,067
OPEB related	459,556	-	-	459,556
Total deferred outflows of resources	25,313,654	-	-	25,313,654
Total assets and deferred outflows of resources	$ 1,103,314,703	$ 160,059,401	$ 3,313,223	$ 1,266,687,327
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities (unrestricted):				
Accounts payable	$ 6,754,081	$ 2,568	$ 45,228	$ 6,801,877
Accrued payroll	8,518,116	-	-	8,518,116
Accrued self-insurance	24,681	-	33,083	57,764
Accrued interest payable	1,583,308	-	-	1,583,308
Current portion of bonds payable, net	12,029,446	-	-	12,029,446
Current liabilities (restricted):				
Accounts payable- from restricted assets	9,547,985	191,685	-	9,739,670
Accrued interest payable-from restricted assets	49,942	-	-	49,942
Total current liabilities	38,507,559	194,253	78,311	38,780,123
Noncurrent liabilities (unrestricted):				
Bonds payable, net	125,719,588	-	-	125,719,588
Net pension liability	27,923,306	-	-	27,923,306
Postemployment benefits other than pensions	1,320,537	-	-	1,320,537
Accrued self-insurance	-	-	195,517	195,517
Total noncurrent liabilities	154,963,431	-	195,517	155,158,948
Total liabilities	193,470,990	194,253	273,828	193,939,071
Deferred inflows of resources:				
Pension related	23,881,240	-	-	23,881,240
OPEB related	695,354	-	-	695,354
Deferred gain on refunding	913,169	-	-	913,169
Leases	271,532	-	-	271,532
Total deferred inflows of resources	25,761,295	-	-	25,761,295
Total liabilities and deferred inflows of resources	219,232,285	194,253	273,828	219,700,366
Net position:				
Net investment in capital assets	593,627,801	111,753,684	-	705,381,485
Restricted net assets	44,967,852	3,838,524	250,000	49,056,376
Unrestricted	245,486,765	44,272,940	2,789,395	292,549,100
Total net position	884,082,418	159,865,148	3,039,395	1,046,986,961
Total liabilities, deferred inflows of resources and net position	$ 1,103,314,703	$ 160,059,401	$ 3,313,223	$ 1,266,687,327

CLEAN WATER SERVICES
Combining Schedule of Revenues, Expenses
and Changes in Net Position
For the year ended June 30, 2022

	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Operating revenues:				
Service fees	$ 141,934,325	$ 18,961,665	$ -	$ 160,895,990
Other	6,269,475	940,845	1,498,016	8,708,336
Total operating revenues	148,203,800	19,902,510	1,498,016	169,604,326
Operating expenses:				
Labor and fringe benefits	40,864,866	8,607,007	-	49,471,873
Utilities	4,730,864	90,447	-	4,821,311
Professional services	9,367,720	1,420,656	30,855	10,819,231
Supplies	4,872,434	396,544	-	5,268,978
Administrative costs	2,457,103	605,049	144,977	3,207,129
Repairs and maintenance	552,133	40,504	-	592,637
Insurance	2,667,649	266,920	329,477	3,264,046
Chemicals	4,176,432	-	-	4,176,432
Depreciation and amortization	36,514,988	5,460,591	-	41,975,579
Total operating expenses	106,204,189	16,887,718	505,309	123,597,216
Operating income (loss)	41,999,611	3,014,792	992,707	46,007,110
Nonoperating revenues (expenses):				
Investment income (loss)	(9,137,908)	(1,186,189)	1,106	(10,322,991)
Interest on assessments, contracts and leases	22,442	-	-	22,442
Net gain/(loss) on disposal of capital assets	(25,722,570)	23,351	-	(25,699,219)
Lease income	119,515		-	119,515
Loss on equity in joint venture	(79,217)	-	-	(79,217)
Interest expense	(5,820,199)	-	-	(5,820,199)
Total nonoperating revenues (expenses)	(40,617,937)	(1,162,838)	1,106	(41,779,669)
Income (loss) before contributions	1,381,674	1,851,954	993,813	4,227,441
Capital contributions:				
System development charges	23,732,839	1,137,650	-	24,870,489
Infrastructure donated by developers	4,308,964	7,340,497	-	11,649,461
Total capital contributions	28,041,803	8,478,147	-	36,519,950
Change in net position	29,423,477	10,330,101	993,813	40,747,391
Net position, beginning of year	854,658,941	149,535,047	2,045,582	1,006,239,570
Net position, end of year	$ 884,082,418	$ 159,865,148	$ 3,039,395	$ 1,046,986,961

CLEAN WATER SERVICES

Combining Schedule of Cash Flows
For the year ended June 30, 2022

	Sanitary Sewer	Surface Water Management	CWIC Captive Insurance	Total
Cash flows from operating activities:				
Received from customers	$ 141,897,052	$ 18,856,665	$ 1,498,821	$ 162,252,538
Payments to suppliers	(28,352,700)	(2,819,810)	(503,164)	(31,675,674)
Payments to employees for services	(39,393,927)	(8,607,007)	-	(48,000,934)
Other operating revenue	6,284,098	940,845	-	7,224,943
Net cash provided by (used for) operating activities	80,434,523	8,370,693	995,657	89,800,873
Cash flows from noncapital financing activities:				
Principal paid on pension bonds	(1,125,000)	-	-	(1,125,000)
Interest paid on pension bonds	(610,884)	-	-	(610,884)
Grants receivable	145,407	-	-	145,407
Net cash provided by (used for) noncapital financing activities	(1,590,477)	-	-	(1,590,477)
Cash flows from capital and related financing activities:				
Proceeds from issuance of debt	25,405,000	-	-	25,405,000
Proceeds from issuance of debt-premium	5,984,124	-	-	5,984,124
Acquisition and construction of capital assets	(67,223,270)	(1,427,250)	-	(68,650,520)
Lease payments received	119,515	-	-	119,515
Principal paid on bonds	(45,845,000)	-	-	(45,845,000)
Interest paid on bonds	(7,067,627)	-	-	(7,067,627)
Principal paid on assessments and contracts	(809,373)	-	-	(809,373)
Interest received on assessments and contracts	27,494	-	-	27,494
Capital contributed by customers and cities	24,018,058	1,409,261	-	25,427,319
Proceeds from sale of capital assets	222,859	25,000	-	247,859
Net cash provided by (used for) capital related financing activities	(65,168,220)	7,011	-	(65,161,209)
Cash flows from investing activities:				
Interest (paid) received on investments	(10,078,907)	(1,186,190)	1,106	(11,263,991)
Net cash provided by (used for) investing activities	(10,078,907)	(1,186,190)	1,106	(11,263,991)
Net increase (decrease) in cash and cash equivalents	3,596,919	7,191,514	996,763	11,785,196
Cash and cash equivalents, beginning of year	311,916,226	38,389,499	2,316,460	352,622,185
Cash and cash equivalents, end of year	$ 315,513,145	$ 45,581,013	$ 3,313,223	$ 364,407,381
Unrestricted cash and investments	$ 220,350,518	$ 35,770,908	$ 3,063,223	$ 259,184,649
Dedicated cash and investments	50,836,787	6,539,017	-	57,375,804
Restricted cash and investments	44,325,840	3,271,088	250,000	47,846,928
Total cash and investments	$ 315,513,145	$ 45,581,013	$ 3,313,223	$ 364,407,381
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	$ 41,999,611	$ 3,014,792	$ 992,707	$ 46,007,110
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	36,514,988	5,460,591	-	41,975,579
Amortization of prepaid electric	27,522	-	-	27,522
BABs subsidy	14,623	-	-	14,623
Changes in assets and liabilities:				
Accounts receivable	(37,273)	(105,000)	805	(141,468)
Net pension liability	957,242	-	-	957,242
Net OPEB asset and related deferrals	(59,705)	-	-	(59,705)
Materials and supplies inventory	(344,354)	-	-	(344,354)
Prepaid expenses	(311,573)	-	-	(311,573)
Accrued expenses	447,142	-	7,125	454,267
Accounts payable	1,226,300	310	(4,980)	1,221,630
Total adjustments	38,434,912	5,355,901	2,950	43,793,763
Net cash from operating activities	$ 80,434,523	$ 8,370,693	$ 995,657	$ 89,800,873
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets by developers	$ 3,568,673	$ 7,240,354	$ -	$ 10,809,027
Loss on equity in joint venture	79,217	-	-	79,217

Clean Water Services

SUPPLEMENTARY INFORMATION

Budgetary Schedules

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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.

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, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Sewer service fees	$ 141,232,200	$ 141,232,200	$ 144,262,614	$ 3,030,414
Interest earned	2,411,300	2,411,300	1,982,065	(429,235)
Septage charges	1,282,200	1,282,200	1,484,456	202,256
Plan check fees	242,400	242,400	229,433	(12,967)
Grants, contributions, & assessments	300,000	300,000	1,250	(298,750)
Other	1,706,400	1,706,400	3,641,135	1,934,735
Total revenues	147,174,500	147,174,500	151,600,952	4,426,452
Expenditures:				
Departmental:				
Business Services Department	22,916,600	23,626,700	20,172,516	(3,454,184)
Enterprise Asset & Tech Services	5,743,000	5,743,000	4,908,199	(834,801)
Regional Utilities Services	5,746,600	6,086,600	5,385,356	(701,244)
Utility Operations & Services Department	13,030,100	13,247,400	10,286,269	(2,961,131)
Regulatory Affairs Department	7,308,600	7,419,400	6,040,964	(1,378,436)
Natural Systems Enhancement & Stewardship Dept.	7,001,400	7,401,400	4,946,296	(2,455,104)
Water Resource Recovery Operations & Services Dept.	27,127,600	27,602,600	25,908,607	(1,693,993)
	88,873,900	91,127,100	77,648,208	(13,478,892)
Non-Departmental:				
Capital construction	4,276,000	5,026,000	3,601,693	(1,424,307)
Materials and services	5,105,500	5,305,500	2,557,722	(2,747,778)
Contingency	19,651,100	16,447,900	-	(16,447,900)
Total expenditures	117,906,500	117,906,500	83,807,623	(34,098,877)
Excess of revenues over expenditures	29,268,000	29,268,000	67,793,329	38,525,329
Other financing sources (uses):				
Transfers from other funds	13,000,000	13,000,000	11,403,720	(1,596,280)
Transfers to other funds	(67,001,700)	(67,001,700)	(54,501,700)	12,500,000
Total other financing sources (uses)	(54,001,700)	(54,001,700)	(43,097,980)	10,903,720
Net change in fund balance	(24,733,700)	(24,733,700)	24,695,349	49,429,049
Fund balance, beginning of year	152,602,045	152,602,045	194,447,368	41,845,323
Fund balance, end of year	$ 127,868,345	$ 127,868,345	219,142,717	$ 91,274,372
Reconciliation to net postion - GAAP Basis				
Adjust for accrued performance bonus			(2,019,243)	
Adjust for prepaid electricity - current			27,522	
Adjust for prepaid electricity - long term			273,913	
Adjust for net OPEB asset			(464,265)	
Adjust for net pension liability			(27,923,306)	
Adjust for deferred outflows - pension			22,781,067	
Adjust for deferred inflows - pension			(23,881,240)	
Adjust for deferred outflows - OPEB			459,556	
Adjust for deferred inflows - OPEB			(695,354)	
Adjust for lease receivable			72,970	
Adjust for deferred inflows - leases			(72,970)	
Adjust for investment in joint venture			2,056,583	
Adjust for capital assets not being depreciated			29,173,654	
Adjust for capital assets , net of accumulated depreciation			539,593,275	
Investment Valuation			(5,897,384)	
Net position - GAAP Basis			$ 752,627,495	

CLEAN WATER SERVICES

Surface Water Management (SWM) Operating Fund (201)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Stormwater service fees	$ 18,088,900	$ 18,088,900	$ 18,766,394	$ 677,494
Regional stormwater management charge	-	-	441,815	441,815
Erosion control fees	272,300	272,300	261,321	(10,979)
Plan check fees	242,400	242,400	229,433	(12,967)
Interest earned	328,600	328,600	287,393	(41,207)
Other	500,700	500,700	735,934	235,234
Total revenues	19,432,900	19,432,900	20,722,289	1,289,389
Expenditures:				
Other	135,600	285,600	34,161	(251,439)
Contingency	1,750,000	1,600,000	-	(1,600,000)
Total expenditures	1,885,600	1,885,600	34,161	1,851,439
Excess of revenues over expenditures	17,547,300	17,547,300	20,688,128	3,140,828
Other financing (uses):				
Transfers to other funds	(18,250,000)	(18,250,000)	(12,903,720)	5,346,280
Net change in fund balance	(702,700)	(702,700)	7,784,408	8,487,108
Fund balance, beginning of year	20,796,885	20,796,885	27,377,532	6,580,647
Fund balance, end of year	$ 20,094,185	$ 20,094,185	35,161,940	$ 15,067,755

Reconciliation to net postion - GAAP Basis	
Adjust for capital assets not being depreciated	21,403,720
Adjust for capital assets , net of accumulated depreciation	82,214,109
Investment Valuation	(864,003)
Net position - GAAP Basis	$ 137,915,765

CLEAN WATER SERVICES
Master Plan Update Debt Service Fund (111)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget	
Revenues:					
Interest earned	$ 323,800	$ 323,800	$ 188,965	$ (134,835)	
Build America Bonds subsidy	1,380,900	1,380,900	1,287,654	(93,246)	
Total revenues	1,704,700	1,704,700	1,476,619	(228,081)	
Expenditures:					
Debt payments	20,001,400	20,001,400	13,874,090	(6,127,310)	
Bond issuance costs	-	-	199,464	199,464	1
Contingency	1,050,000	1,050,000	-	(1,050,000)	
Total expenditures	21,051,400	21,051,400	14,073,553	6,977,847	
Excess of expenditures over revenues	(19,346,700)	(19,346,700)	(12,596,935)	6,749,765	
Other financing sources (uses):					
Refunding bond issue	-	-	25,405,000	25,405,000	1
Premium on refunding bonds issued			5,984,124	5,984,124	1
Payment to refunded bond escrow agent			(39,032,386)	(39,032,386)	1
Transfers from other funds	17,120,500	17,120,500	17,120,500	-	
Total other financing sources	17,120,500	17,120,500	9,477,238	(7,643,262)	
Net change in fund balance	(2,226,200)	(2,226,200)	(3,119,696)	(893,496)	
Fund balance, beginning of year	20,488,974	20,488,974	20,319,606	(169,368)	
Fund balance, end of year	$ 18,262,774	$ 18,262,774	17,199,910	$ (1,062,864)	

Reconciliation to net postion - GAAP Basis	
Adjust for prepaid bond discount - current	331,685
Adjust for prepaid bond discount - long term	1,741,345
Adjust for bond premium - current	(1,654,128)
Adjust for bond premium - long term	(6,813,075)
Adjust for interest payable being accrued	(1,583,308)
Adjust for bonds payable - due within one year	(9,200,000)
Adjust for long term bonds payable	(111,965,000)
Investment Valuation	(555,316)
Net position - GAAP Basis	$ (112,497,887)

[1]Expenditures authorized under 294.338 (4) allows for exception to Oregon budget law for expenditures on bonds issued during the current budget year.

CLEAN WATER SERVICES
Revenue Pension Bond Debt Service Fund (114)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	$ 10,200	$ 10,200	$ 6,350	$ (3,850)
Total revenues	10,200	10,200	6,350	(3,850)
Expenditures:				
Debt payments	1,742,100	1,742,100	1,742,035	(65)
Contingency	75,000	75,000	-	(75,000)
Total expenditures	1,817,100	1,817,100	1,742,035	75,065
Excess of expenditures over revenues	(1,806,900)	(1,806,900)	(1,735,685)	71,215
Other financing sources (uses):				
Transfers from other funds	1,731,800	1,731,800	1,731,800	-
Net change in fund balance	(75,100)	(75,100)	(3,885)	71,215
Fund balance, beginning of year	643,894	643,894	640,356	(3,538)
Fund balance, end of year	$ 568,794	$ 568,794	636,471	$ 67,677

	Actual
Reconciliation to net postion - GAAP Basis	
Adjust for interest payable being accrued	(49,942)
Adjust for bonds payable - due within one year	(1,265,000)
Adjust for long term bonds payable	(7,765,000)
Investment Valuation	(19,091)
Net position - GAAP Basis	$ (8,462,562)

CLEAN WATER SERVICES

Liability Reserve Fund (102)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	$ 81,600	$ 81,600	$ 54,137	$ (27,463)
Insurance and third party reimbursements	38,900	38,900	173,333	134,433
Other	-	-	-	-
Total revenues	120,500	120,500	227,470	106,970
Expenditures:				
Claim costs	890,000	890,000	509,087	(380,913)
Contingency	100,000	100,000	-	(100,000)
Total expenditures	990,000	990,000	509,087	(480,913)
Net change in fund balance	(869,500)	(869,500)	(281,617)	587,883
Fund balance, beginning of year	5,161,832	5,161,832	5,577,786	415,954
Fund balance, end of year	$ 4,292,332	$ 4,292,332	5,296,169	$ 1,003,837

Reconciliation to net postion - GAAP Basis	
Investment Valuation	(162,754)
Net position - GAAP Basis	$ 5,133,415

CLEAN WATER SERVICES

Capital Expenditure Reserve Sanitary Sewer Fund (107)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Connection fees	$ 15,443,600	$ 15,443,600	$ 23,732,839	$ 8,289,239
Interest earned	363,900	363,900	264,343	(99,557)
Total revenues	15,807,500	15,807,500	23,997,182	8,189,682
Expenditures:				
Contingency	1,500,000	1,500,000	-	(1,500,000)
Excess of revenues over expenditures	14,307,500	14,307,500	23,997,182	9,689,682
Other financing sources (uses):				
Transfers to other funds	(19,878,600)	(19,878,600)	(19,878,600)	-
Net change in fund balance	(5,571,100)	(5,571,100)	4,118,582	9,689,682
Fund balance, beginning of year	23,031,722	23,031,722	26,577,559	3,545,837
Fund balance, end of year	$ 17,460,622	$ 17,460,622	30,696,141	$ 13,235,519

Reconciliation to net postion - GAAP Basis	
Investment Valuation	(789,577)
Net position - GAAP Basis	$ 29,906,564

CLEAN WATER SERVICES

Sanitary Capital Replacement Fund (106)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	$ 162,200	$ 162,200	$ 107,940	$ (54,260)
Total revenues	162,200	162,200	107,940	(54,260)
Expenditures:				
Capital outlay	9,826,500	9,826,500	4,485,295	(5,341,205)
Other	650,000	650,000	155,899	(494,101)
Contingency	1,500,000	1,500,000	-	(1,500,000)
Total expenditures	11,976,500	11,976,500	4,641,194	(7,335,306)
Excess of expenditures over revenues	(11,814,300)	(11,814,300)	(4,533,254)	(7,389,566)
Other financing sources (uses):				
Transfers from other funds	7,500,000	7,500,000	5,000,000	(2,500,000)
Net change in fund balance	(4,314,300)	(4,314,300)	466,746	4,781,046
Fund balance, beginning of year	10,264,913	10,264,913	10,303,236	38,323
Fund balance, end of year	$ 5,950,613	$ 5,950,613	10,769,982	$ 4,819,369

	Actual
Reconciliation to net postion - GAAP Basis	
Adjust for capital assets not being depreciated	1,750,276
Investment Valuation	(324,505)
Net position - GAAP Basis	$ 12,195,752

CLEAN WATER SERVICES

Sanitary Sewer LID Construction Fund (108)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Assessment liens, principal	$ 161,600	$ 161,600	$ 22,408	$ (139,192)
Interest earned	41,000	41,000	35,525	(5,475)
Total revenues	202,600	202,600	57,932	(144,668)
Expenditures:				
Capital outlay	850,000	850,000	-	(850,000)
Other	50,000	50,000	-	(50,000)
Contingency	200,000	200,000	-	(200,000)
Total expenditures	1,100,000	1,100,000	-	(1,100,000)
Net change in fund balance	(897,400)	(897,400)	57,932	955,332
Fund balance, beginning of year	2,593,775	2,593,775	2,809,249	215,474
Fund balance, end of year	$ 1,696,375	$ 1,696,375	2,867,181	$ 1,170,806

	Actual
Reconciliation to net postion - GAAP Basis	
Investment Valuation	(74,987)
Net position - GAAP Basis	$ 2,792,194

CLEAN WATER SERVICES

Surface Water Management LID Construction Fund (208)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	$ 10,200	$ 10,200	$ 6,402	$ (3,798)
Total revenues	10,200	10,200	6,402	(3,798)
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	150,000	150,000	-	150,000
Net change in fund balance	(139,800)	(139,800)	6,402	146,202
Fund balance, beginning of year	643,003	643,003	640,438	(2,565)
Fund balance, end of year	$ 503,203	$ 503,203	646,840	$ 143,637
Reconciliation to net postion - GAAP Basis				
Investment Valuation			(19,247)	
Net position - GAAP Basis			$ 627,593	

CLEAN WATER SERVICES

Sanitary Sewer Construction Fund (112)

Schedule of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Contributions from developers	$ 1,900,000	$ 1,900,000	$ 720,859	$ (1,179,141)
Interest earned	1,046,000	1,046,000	560,224	(485,776)
Other	50,000	50,000	31,195	(18,805)
Total revenues	2,996,000	2,996,000	1,312,279	(1,683,721)
Expenditures:				
Capital outlay	74,241,000	74,241,000	61,838,607	(12,402,393)
Other	100,000	100,000	-	(100,000)
Contingency	10,250,000	10,250,000	-	(10,250,000)
Total expenditures	84,591,000	84,591,000	61,838,607	22,752,393
Excess of expenditures over revenues	(81,595,000)	(81,595,000)	(60,526,328)	21,068,672
Other financing sources (uses):				
Transfers from other funds	60,528,000	60,528,000	50,528,000	(10,000,000)
Net change in fund balance	(21,067,000)	(21,067,000)	(9,998,328)	11,068,672
Fund balance, beginning of year	66,197,690	66,197,690	53,459,497	(12,738,193)
Fund balance, end of year	$ 45,130,690	$ 45,130,690	43,461,169	$ (1,669,521)

Reconciliation to net postion - GAAP Basis	
Adjust for capital assets not being depreciated	160,610,494
Investment Valuation	(1,684,231)
Net position - GAAP Basis	$ 202,387,432

CLEAN WATER SERVICES

Surface Water Management Capital Replacement Fund (206)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Interest earned	$ 46,300	$ 46,300	$ 31,414	$ (14,886)
Expenditures:				
Capital outlay	328,000	328,000	110,207	(217,793)
Other	10,000	10,000	-	(10,000)
Contingency	100,000	100,000	-	(100,000)
Total expenditures	438,000	438,000	110,207	(327,793)
Excess of expenditures over revenues	(391,700)	(391,700)	(78,793)	312,907
Other financing sources (uses):				
Transfers from other funds	750,000	750,000	500,000	(250,000)
Net change in fund balance	358,300	358,300	421,207	62,907
Fund balance, beginning of year	2,930,711	2,930,711	2,947,625	16,914
Fund balance, end of year	$ 3,289,011	$ 3,289,011	3,368,832	$ 79,821
Reconciliation to net postion - GAAP Basis				
Adjust for capital assets not being depreciated			110,165	
Investment Valuation			(94,442)	
Net position - GAAP Basis			$ 3,384,555	

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, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Connection fees	$ 145,000	$ 145,000	$ 51,428	$ (93,572)
Interest earned	35,600	35,600	30,362	(5,238)
Other	75,000	75,000	612,996	537,996
Total revenues	255,600	255,600	694,787	439,187
Expenditures:				
Contingency	30,000	30,000	-	(30,000)
Excess of revenues over expenditures	225,600	225,600	694,787	469,187
Other financing sources (uses):				
Transfers to other funds	(75,000)	(75,000)	(75,000)	-
Net change in fund balance	150,600	150,600	619,787	469,187
Fund balance, beginning of year	2,252,222	2,252,222	2,742,579	490,357
Fund balance, end of year	$ 2,402,822	$ 2,402,822	3,362,366	$ 959,544
Reconciliation to net postion - GAAP Basis				
Investment Valuation			(91,280)	
Net position - GAAP Basis			$ 3,271,086	

CLEAN WATER SERVICES

Surface Water Management Construction Fund (212)
Schedule of Revenues and Expenditures - Budget and Actual
For the year ended June 30, 2022

	Initial Budget	Final Budget	Actual	Variance from budget
Revenues:				
Reimbursement from developers	$ 850,000	$ 850,000	$ 100,143	$ (749,857)
Interest	139,300	139,300	66,380	(72,920)
Other	-	-	-	-
Total revenues	989,300	989,300	166,523	(822,777)
Expenditures:				
Capital outlay	4,089,900	4,089,900	1,218,705	(2,871,195)
Other	50,000	50,000	-	(50,000)
Contingency	1,000,000	1,000,000	-	(1,000,000)
Total expenditures	5,139,900	5,139,900	1,218,705	3,921,195
Excess of expenditures over revenues	(4,150,600)	(4,150,600)	(1,052,183)	3,098,417
Other financing sources (uses):				
Transfers from other funds	4,575,000	4,575,000	1,075,000	(3,500,000)
Net change in fund balance	424,400	424,400	22,817	(3,500,000)
Fund balance, beginning of year	8,818,456	8,818,456	6,625,517	(2,192,939)
Fund balance, end of year	$ 9,242,856	$ 9,242,856	6,648,334	$ (2,594,522)
Reconciliation to net postion - GAAP Basis				
Adjust for capital assets not being depreciated			8,217,374	
Investment Valuation			(199,561)	
Net position - GAAP Basis			$ 14,666,148	

CLEAN WATER SERVICES

Reconciliation of Revenues and Expenditures
(Budgetary Basis) to Increase in Net Position (GAAP Basis)
For the year ended June 30, 2022

Fund		Revenues	Expenditures	Net
101	Sanitary Sewer Operating Fund	$ 151,600,952	$ 83,807,623	$ 67,793,329
201	Surface Water Management (SWM) Operating Fund	20,722,289	34,161	20,688,128
111	Master Plan Update Debt Service Fund	1,476,619	14,073,553	(12,596,935)
114	Revenue Pension Bond Debt Service Fund	6,350	1,742,035	(1,735,685)
102	Liability Reserve Fund	227,470	509,087	(281,617)
107	Capital Expenditure Reserve Sanitary Sewer Fund	23,997,182	-	23,997,182
106	Sanitary Capital Replacement Fund	107,940	4,641,194	(4,533,254)
108	Sanitary Sewer LID Construction Fund	57,932	-	57,932
208	Surface Water Management LID Construction Fund	6,402	-	6,402
112	Sanitary Sewer Construction Fund	1,312,279	61,838,607	(60,526,328)
206	Surface Water Management Capital Replacement Fund	31,414	110,207	(78,793)
207	Capital Expenditure Reserve Storm and Surface Water Management Fund	694,787	-	694,787
212	Surface Water Management Construction Fund	166,523	1,218,705	(1,052,183)
		$ 200,408,138	$ 167,975,172	32,432,966
	Reconciliation to change in net postion - GAAP Basis			
	Expenditures capitalized			69,730,162
	Bond principal paid			8,255,000
	Contributions of capital assets			7,914,239
	Contributions of intangible assets			2,894,788
	Loss on disposal of capital assets			(25,947,079)
	Loss on equity in joint venture			(79,217)
	Net postemployment benefits costs other than pension			59,705
	Net accrued performance bonus			(154,264)
	Depreciation			(41,963,011)
	Amortization of intangibles			(12,568)
	Amortization of prepaid bond discount			(348,543)
	Amortization of prepaid bond premium			1,686,593
	Net pension expense			(957,242)
	Accrued bond interest payable			202,876
	Investment Valuation			(13,933,305)
	Amoritization of prepaid electric			(27,522)
	Net operations - CWIC, captive insurance			993,813
	Increase in net position - GAAP Basis			$ 40,747,391

STATISTICAL SECTION

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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.

Clean Water Services

FINANCIAL TRENDS

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CLEAN WATER SERVICES

Net Position by Component
Last Ten Fiscal Years

	Fiscal Year									
Primary government	2022	2021	2020 [1]	2019 [1]	2018 [1]	2017 [1]	2016 [1]	2015 [1]	2014 [1]	2013 [1]
Net investment in capital assets	$ 705,381,485	$ 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
Restricted	49,056,376	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
Unrestricted	292,549,100	278,807,495	255,584,809	257,247,019	247,145,645	211,413,946	185,655,103	161,614,714	69,427,719	74,981,633
Total primary	$ 1,046,986,961	$ 1,006,239,570	$ 953,061,606	$ 880,771,266	$ 802,170,474	$ 748,440,118	$ 687,162,028	$ 637,989,985	$ 580,996,264	$ 567,956,912

[1] Net position was reclassed to match current year presentation.

Source: District financial records

CLEAN WATER SERVICES

Changes in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2022	$ 169,604,326	$ 123,597,216	$ 46,007,110	$ (41,779,669)	$ 4,227,441	$ 36,519,950	$ 40,747,391
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

Source: District financial records

CLEAN WATER SERVICES

Operating Revenues by Source
Last Ten Fiscal Years

	Sanitary Sewer Funds			Storm/Surface Water Management Funds			CWIC	
Fiscal Year	**Service Fees**	**Other**	**Subtotal**	**Service Fees**	**Other**	**Subtotal**	**Captive Insurance**	**District Total**
2022	$ 141,934,325	$ 6,269,475	$ 148,203,800	$ 18,961,665	$ 940,845	$ 19,902,510	$ 1,498,016	$ 169,604,326
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

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
2022	$ 49,471,873	$ 4,821,311	$ 10,819,231	$ 4,176,432	$ 12,332,790	$ 81,621,637	$ 41,975,579	$ 123,597,216
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

(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

Total Nonoperating Revenues (Expenses)
Last Ten Fiscal Years

Fiscal Year	Investment Income/Loss	Gain/Loss on disposal of assets	Other	Interest Expense	Total Nonoperating Expenses
2022	$ (10,300,549)	$ (25,699,219)	$ 40,298	$ (5,820,199)	$ (41,779,669)
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)

Source: District financial records

Clean Water Services

REVENUE CAPACITY

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CLEAN WATER SERVICES

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

	Fiscal Year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Sewer Rates										
Residential Customers										
Base Charge (per Equivalent Dwelling Unit)	$ 31.38	$ 30.03	$ 30.03	$ 29.16	$ 28.31	$ 27.45	$ 26.63	$ 25.85	$ 25.10	$ 24.37
Usage Charge (per CCF = 748 gallons)	$ 2.08	$ 1.99	$ 1.99	$ 1.93	$ 1.87	$ 1.82	$ 1.77	$ 1.72	$ 1.67	$ 1.62
Total Average Monthly Charge (at 8,000 gallons average)	$ 48.02	$ 45.95	$ 45.95	$ 44.60	$ 43.27	$ 42.01	$ 40.79	$ 39.61	$ 38.46	$ 37.33
Industrial Customers										
Category II-Minor[1]										
Usage Charge-Per ccf metered discharge	$ 3.520	$ 3.370	$ 3.370	$ 3.270	$ 3.170	$ 3.080	$ 2.990	$ 2.900	$ 2.820	$ 2.740
Category III-Major[2]										
Usage Charge-Per ccf metered discharge	$ 3.520	$ 3.370	$ 3.370	$ 3.270	$ 3.170	$ 3.080	$ 2.990	$ 2.900	$ 2.820	$ 2.740
Chemical Oxygen Demand Charge (per pound over 800 mg/L)	$ 0.180	$ 0.173	$ 0.173	$ 0.168	$ 0.163	$ 0.158	$ 0.153	$ 0.149	$ 0.145	$ 0.141
Suspended Solids Charge (per pound over 400 mg/L)	$ 0.270	$ 0.264	$ 0.264	$ 0.256	$ 0.249	$ 0.242	$ 0.235	$ 0.228	$ 0.221	$ 0.215
Surface / Storm Water Rates										
Service Charge (per Equivalent Service Unit)	$ 9.75	$ 9.25	$ 9.25	$ 8.75	$ 8.25	$ 7.75	$ 7.25	$ 6.75	$ 6.25	$ 5.75

[1] Category II - Defined as a source of industrial waste or wastewater discharging less than 25,000 gallons per day with a strength of waste discharge less than 800 mg/L chemical oxygen demnd ("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 Connection fee	Storm/Surface Water Management Total amount	Storm/Surface Water Management Percent increase (decrease)	Sanitary Sewer Connection fee	Sanitary Sewer Total amount	Sanitary Sewer Percent increase (decrease)	Combined Connection fee	Combined Total amount	Combined Percent increase (decrease)
2022	$ 585	$ 51,428	4.35 %	$ 6,085	$ 21,237,808	16.95 %	$ 6,670	$ 21,289,236	16.92 %
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

Source: District records

CLEAN WATER SERVICES

Ten Largest Individual Ratepayers
Current Year and Ten Years Ago

	Fiscal Year 2022			Fiscal Year 2013	
Customer	Amount	%	Customer	Amount	%
Intel Corporation - Ronler Acres & Aloha	$ 9,869,773	6.95%	Intel Corporation - Ronler Acres Campus	$ 5,273,468	4.78%
Jireh Semiconductor, Inc.	857,562	0.60%	Pacific Foods of Oregon	829,037	0.75%
Analog Devices	816,149	0.58%	Intel Corporation - Aloha Campus	685,243	0.62%
Pacific Foods	747,525	0.53%	Resers Fine Foods - Jenkins Rd	591,965	0.54%
Resers Fine Foods - Century Blvd Plant	728,204	0.51%	Maxim Integrated Products	585,539	0.53%
Providence Health Systems - St. Vincent	505,064	0.36%	Jireh Semiconductor	391,050	0.35%
Heritage Village Mobile Park	321,401	0.23%	SolarWorld Industries America Inc.	349,448	0.32%
Nike Inc.	320,763	0.23%	Triquint Semiconductor	193,727	0.18%
TTM Technologies North America, LLC	241,541	0.17%	Viasystems	172,487	0.16%
Qorvo	220,840	0.16%	TOK America	94,187	0.09%
Subtotal (10 largest sewer ratepayers)	14,628,822	10.32%	Subtotal (10 largest industrial ratepayers)	9,166,151	8.31%
Balance from other customers(1)	127,305,503	89.68%	Balance from other customers(1)	101,139,413	91.69%
Grand Totals	$ 141,934,325	100.00%	Grand Totals	$ 110,305,564	100.00%

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

Source: District financial records

Clean Water Services

DEBT
CAPACITY

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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	Total Per Capita	Total As a Share of Personal Income
2022	-	-	$ 128,719,034	$ 9,030,000	-	$ 137,749,034	228	N/A
2021	-	-	146,092,058	10,155,000	-	156,247,058	260	0.39%
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	0.87%
2014	-	-	244,931,787	14,885,000	-	259,816,787	472	1.02%
2013	-	-	258,223,432	15,215,000	-	273,438,432	504	1.08%

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

	2022[8]	2021	2020	2019	2018	2017	2016	2015	2014	2013
GROSS REVENUES[1]:										
Rate revenue	$ 141,934,325	$ 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
System development charges	23,732,839	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
Interest income	(9,137,911)	(188,644)	10,498,566	11,627,879	732,007	1,270,784	2,190,486	1,814,026	1,595,791	506,964
Other revenue	4,786,080	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
Total gross revenue	$ 161,315,333	$ 155,963,148	$ 166,888,950	$ 167,786,121	$ 146,203,971	$ 147,318,735	$ 137,470,659	$ 131,506,633	$ 129,458,169	$ 135,336,650
OPERATING EXPENSES[1]:										
Labor and fringe benefits[2]	41,709,364	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
Utilities	4,730,864	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
Professional services	9,168,256	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
Supplies	4,872,434	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
Administrative costs	2,457,103	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
Repair and maintenance	552,133	660,134	377,221	396,970	305,106	340,005	419,775	292,129	393,193	454,727
Insurance	2,667,649	2,134,455	2,181,745	1,335,044	1,038,827	930,535	753,061	758,030	710,448	575,899
Chemicals	4,176,432	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
Total operating expenses	70,334,235	75,214,919	68,080,548	62,441,716	59,395,813	57,286,255	61,431,518	40,379,145	48,371,261	46,655,327
TOTAL AVAILABLE FOR DEBT SERVICE	$ 90,981,098	$ 80,748,229	$ 98,808,402	$ 105,344,405	$ 86,808,158	$ 90,032,480	$ 76,039,141	$ 91,127,488	$ 81,086,908	$ 88,681,323
DEBT SERVICE										
SENIOR BONDS										
1997 Revenue Bonds-Series A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,205,200
2004 Revenue Bonds-Series 2004	-	-	-	-	-	3,961,325	3,958,725	3,961,800	3,961,550	3,952,800
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
2010 Revenue Bonds-Series 2010A	-	-	-	-	-	-	3,157,000	3,163,475	3,149,950	356,950
2010 Revenue Bonds-Series 2010B	6,433,419	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
2011 Revenue Bonds-Series 2011A[7]	3,812,749	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
2011 Revenue Bonds-Series 2011B[7]	2,693,115	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
2016 Revenue Bonds-Series 2016A	4,758,750	4,761,750	1,661,250	1,661,250	1,661,250	775,250	-	-	-	-
2021 Revenue Bonds-Series 2021	868,779	-	-	-	-	-	-	-	-	-
Total Senior Debt Service	$ 18,566,812	$ 20,071,522	$ 20,412,865	$ 20,466,665	$ 20,529,807	$ 24,710,391	$ 24,780,511	$ 24,784,461	$ 24,814,298	$ 27,976,661
Senior Debt Service Coverage	4.90	4.02	4.84	5.15	4.23	3.64	3.07	3.68	3.27	3.17
JUNIOR BONDS										
1997 Revenue Bonds-Series One	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,046,938
Total Junior Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,046,938
Junior Debt Service Coverage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.82

[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

[7] 2011 A bonds defeased and 2011B bonds refunded with Series 2021 Revenue Bonds in FY 22

DEMOGRAPHICS AND ECONOMICS

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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
2022	605,036	N/A	N/A	2.9%
2021	600,895	$ 40,333,177	$ 66,831	4.5%
2020	613,410	38,114,149	63,425	9.1%
2019	606,280	36,418,083	60,999	3.1%
2018	595,860	34,039,632	57,502	3.3%
2017	583,595	31,920,648	54,532	3.4%
2016	570,510	30,564,330	53,345	4.2%
2015	560,465	28,206,372	50,140	4.6%
2014	550,990	25,791,604	46,434	5.5%
2013	542,845	25,645,393	46,743	6.2%

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

	2022 *		2013	
	Annual Average	**% of Total**	**Annual Average**	**% of Total**
Manufacturing:				
Wood and Lumber	1,007		1,031	
Metals	3,766		2,964	
Food	2,512		1,594	
Rubber/Plastic	2,764		1,601	
Computer and Electronic Equipment/Instruments	28,868		26,951	
Machinery	5,503		3,658	
Other	7,078		6,341	
Total Manufacturing	51,498	18%	44,140	18%
Trade, Transportation, and Utilities:				
Wholesale Trade	13,806		17,446	
Retail Trade	31,577		28,608	
Transportation and Utilities	7,516		3,664	
Total Trade, Transportation, and Utilities	52,899	18%	49,718	20%
Information:				
Publishing	3,317		3,166	
Telecommunications	1,066		2,006	
Other (broadcasting, ISP's, etc.)	3,032		2,415	
Total Information	7,415	3%	7,587	3%
Financial Activities:				
Finance and Insurance	10,621		10,948	
Real Estate	4,193		2,998	
Total Financial Activities	14,814	5%	13,946	6%
Professional and Business Services	53,769	18%	38,480	15%
Construction	17,750	6%	12,480	5%
Educational Services	5,238	2%	5,112	2%
Healthcare and Social Assistance	31,883	11%	24,515	10%
Leisure and Hospitality	22,567	8%	20,612	8%
Other Services (agriculture, repairs, private homes, misc.)	12,846	4%	11,217	4%
Government (federal, state, and local)	21,659	7%	21,759	9%
TOTAL EMPLOYMENT	292,338	100%	249,566	100%

* Fiscal Year 2022 information includes data through 12/31/21

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

OPERATING

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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
2022	36	9%	84	20%	251	59%	52	12%	423	100%
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%

Source: District records

CLEAN WATER SERVICES

Summary of Treatment Plant Capacities
Fiscal Year Ending June 30, 2022

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	25.4	21.9	42.1	28.8	64.5	67.0	140.0
Rock Creek	38.1	32.4	45.0	43.5	70.0	95.1	200.0
Forest Grove	5.0	4.8	8.0	5.1	20.0	15.9	20.0
Hillsboro	4.6	4.2	—	5.0	16.0	16.8	16.0
District totals	73.1	63.3	95.1	82.4	170.5	194.8	376.0

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									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Wastewater Treatment										
Number of Treatment Plants	4	4	4	4	4	4	4	4	4	4
Number of Pump Stations	43	43	43	42	42	42	40	40	40	40
Dry Weather Design Capacity (MGD)	95.1	86	86	86	86	86	78	78	78	75
Average Dry Weather Flow (MGD)	63.3	53.1	58.3	60.8	62	64.8	55.5	53.3	55.5	56.3
Unused capacity(millions of gallons)	32	33	28	25	24	21	23	25	23	19
Percentage of capacity utilized	67%	62%	68%	71%	72%	75%	71%	68%	71%	75%
Conveyance Systems										
Number of System Development permits	51	72	47	65	62	80	99	84	78	59
Number of Connections	808	861	869	1,062	1,074	1,410	1,593	1,176	1,033	793
Total miles of sewer line	883	872	859	858	853	851	838	839	840	832
Total miles of storm water line	565	551	549	545	537	529	516	495	503	491
District-Wide										
Estimated Number of EDU's serviced	296,426	292,817	289,458	285,543	280,984	277,277	271,884	267,558	263,733	259,095
Other Programs										
River Rangers program										
# of Students	652	N/A [1]	1,631	4,286	2,624	3,295	2,620	2,024	3,673	4,258
# of Schools	11	N/A [1]	22	52	39	42	38	33	49	58
Storm drain marking										
# of drains stenciled	398	330	178	297	243	413	346	936	105	603

[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

Clean Water Services

COMPLIANCE REPORT

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MOSSADAMS

Report of Independent Auditors Required by Oregon State Regulations

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

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of Clean Water Services, a component unit of Washington County, Oregon (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Clean Water Service's basic financial statements, and have issued our report thereon dated December 22, 2022.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements: However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe Clean Water Services was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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. Accordingly, this communication is not suitable for any other purpose.

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

Julie Desimone

Julie Desimone, Partner,
for Moss Adams LLP
Portland, Oregon
December 22, 2022