



NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2023

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**NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON**

FOR THE YEARS ENDED JUNE 30, 2022 and 2023

FINANCIAL REPORT

NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON

JUNE 30, 2023

Board of Commissioners

Chris Hawes - Chair

Paul Gornick – Vice Chair

Kevin Williams

Matt Tracey

Kevin Bailey

Registered Agent

Wade Hathhorn
14496 S.E. River Road
Oak Grove, OR 97267

NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON

TABLE OF CONTENTS

FINANCIAL SECTION:

REPORT OF INDEPENDENT AUDITORS i-iii

MANAGEMENT'S DISCUSSION & ANALYSIS 1-5

BASIC FINANCIAL STATEMENTS:

Statements of Net Position 7
Statements of Revenues, Expenses, and Changes in Net Position 8
Statements of Cash Flows 9
Notes to Basic Financial Statements 10-29

REQUIRED SUPPLEMENTARY INFORMATION:

Required Pension Information –
Schedule of the Proportionate Share of the Net Pension Liability and
Schedule of Contributions 30-31

SUPPLEMENTARY INFORMATION:

Budgetary Reporting
Combining Balance Sheet – All Funds (Budgetary Basis) 34
Combining Schedule of Revenues, Expenditures, Other Financing Sources and Uses
and Changes in Fund Balance – Actual and Budget (Budgetary Basis) 35
Schedule of Revenues, Expenditures, Other Financing Sources and Uses
and Changes in Fund Balance – Actual and Budget (Budgetary Basis)
General Fund 36
Plant Reserve Fund 37
Revenue Bond Debt Service Reserve Fund 38
Revenue Bond Debt Redemption Fund 39

OTHER INFORMATION:

Report of Independent Auditors Required by Oregon State Regulations 40

FINANCIAL SECTION

Report of Independent Auditors

The Board of Commissioners
North Clackamas County Water Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Clackamas County Water Commission (the “Commission”), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 the Commission as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years 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 the Commission 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 the Commission’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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 management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining schedules 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 combining schedules and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with the *Minimum Standards for Auditors of Oregon Municipal Corporations*, we have also issued our report dated August 5, 2024, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Keith Simovic, Partner
for Moss Adams LLP

Portland, Oregon
August 5, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the North Clackamas County Water Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ended June 30, 2022, and 2023. We encourage readers to consider the information presented here in conjunction with additional information that are furnished in the notes to the financial statements.

Financial Highlights

- At June 30, 2023, the Commission's assets and deferred outflows exceeded its liabilities and deferred inflows by \$31.7 million; of this amount, \$25.2 million represents investment in capital assets, net of related debt; while \$6.5 million represents unrestricted net position, which may be used to satisfy ongoing obligations to members and creditors.
- Net position increased \$0.4 million or 1.4% with revenues of \$4.6 million exceeding expenses of \$4.2 million.
- The Commission has \$25.2 million invested in capital assets, net of accumulated depreciation; of this amount, \$9.9 million is comprised of water rights. Net capital assets increased by \$0.3 million (or 1.1%) for the year as a result of new additions more than depreciation.

Overview of the Financial Statements

These discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of the following: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Basic Financial Statements. All statements are presented as comparative to the prior year.

The basic financial statements are intended to provide a broad overview of the Commission's finances. The Statements of Net Position present information on assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Position present information on the Commission's operating and non-operating activities and resulting change in net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for items that will only result in cash flows in future fiscal periods (i.e., uncollected fees, unused vacation leave, future pension expense, etc.). The Statements of Cash Flows present information indicating how the Commission's cash changed as a result of current year operations. The notes to the basic financial statements provide additional

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)

information that is essential to a complete understanding of the data provided in the basic financial statements.

The Commission provides wholesale water to its members and recovers its costs through service charges and sundry fees. Accordingly, the Commission is an enterprise entity, and its finances are accounted for using proprietary fund accounting. Proprietary activities report using accrual accounting and provide that revenue is recorded when it is earned, and expenses are recorded when they are incurred.

Financial Summary

The following schedule presents a summary of revenues, expenses and change in net position for the Commission for the last two fiscal years.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands)**

	2021	2022	2023
Operating Revenues	\$ 2,855	\$ 2,765	\$ 4,487
Operating Expenses	2,392	2,334	4,224
Operating Income	463	431	263
Non-operating revenue	34	32	181
Change in Net Position	497	463	444
Beginning Net Position	30,300	30,797	31,260
Ending Net Position	\$ 30,797	\$ 31,260	\$ 31,705

The Commission’s General Fund accounts for all revenues and related costs of providing water to the members. Actual operating revenue exceeded expenses, yielding positive operating income, in both fiscal years. Starting in fiscal 2022-23, the Commission executed an intergovernmental supply agreement. This represents a pass-through of equivalent wholesale water purchase and sales. Operating revenues increased in fiscal 2022-23, and operating expenses increased in both personal services and materials & services.

Water revenues each year reflect sales to the members, while costs are driven by actual production, treatment, and delivery of water to those same members. Water rates are initially calculated on budgeted costs based on budgeted demand of all members. Following the close of each year, a true-up is established by reconciling actual costs and actual demand. Also included in the true-up are any sundry revenues received by the Commission. In the event amounts are refunded to the members, water sales are reduced.

Personnel services expense for fiscal 2021-22 reflects a decrease in personnel services costs (10.2%) due to continued vacancies at the beginning of the fiscal year, offsetting increases in annual salary and benefits increases. Fiscal 2022-23 reflects an increase in personnel services costs 40.6% due to an additional full-time position along with annual salary and benefits increases.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)

Materials and services decreased by 0.8% for fiscal 2021-22 as operations returned to historic levels. Fiscal 2022-23 increased by 129.4% primarily due to wholesale water purchased, \$1.3 million. Professional services, contracted services, utilities, and chemicals are the primary drivers within this category.

The following schedule presents a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**STATEMENTS OF NET POSITION
(in thousands)**

	Fiscal year ended June 30,		
	2021	2022	2023
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	\$ 6,230	\$ 6,874	\$ 7,277
Non-Current Assets			
Capital Assets (Net)	25,286	24,898	25,163
Other Assets	4	0	0
Total Non-Current Assets	<u>25,290</u>	<u>24,898</u>	<u>25,163</u>
Total Assets	<u>31,520</u>	<u>31,772</u>	<u>32,440</u>
Deferred Outflows	162	174	374
Total Assets and Deferred Outflows	<u>\$ 31,682</u>	<u>\$ 31,946</u>	<u>\$ 32,814</u>
 LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current Liabilities:	\$ 352	\$ 152	\$ 349
Long-Term Liabilities:			
Proportionate Share of Net Pension Liability	503	291	555
Total Long-Term Liabilities	<u>503</u>	<u>291</u>	<u>555</u>
Total Liabilities	<u>855</u>	<u>443</u>	<u>904</u>
Deferred Inflows	30	243	205
Total Liabilities and Deferred Inflows	<u>885</u>	<u>686</u>	<u>1,109</u>
Net Position:			
Net Investment in Capital Assets	25,211	24,898	25,163
Restricted	82	0	0
Unrestricted	5,504	6,362	6,542
Total Net Position	<u>30,797</u>	<u>31,260</u>	<u>31,705</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 31,682</u>	<u>\$ 31,946</u>	<u>\$ 32,814</u>

Net position serves as one useful indicator of a government's financial condition. At the close of the fiscal year ended June 30, 2023, the Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.7 million (Net Position). The largest portion of net position (79%) reflects the Commission's investment in capital assets. The Commission uses these capital assets to provide water to its members; consequently, these assets are not available for future spending. As of fiscal year 2022-23, the remaining portion of net position (21%) is unrestricted and may be used to meet the Commission's ongoing obligations to members and creditors.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)

Capital Assets

The Commission’s capital assets include investments in land, buildings, machinery and equipment, and water treatment and distribution systems. Current period capital expenditures totaled \$1,245,000. These expenditures capitalized, increasing total capital assets, which were then reduced by depreciation expense of approximately \$963,000. Total net capital assets increased by almost \$265,000 or 1.1%. At June 30, 2023, the Commission had \$25.2 million invested in a broad range of capital assets, net of accumulated depreciation, including \$9.9 million invested in water rights. See Note 1 Subsection H as well as Note 4 of the Notes to Basic Financial Statements for additional information on capital assets.

Debt Administration

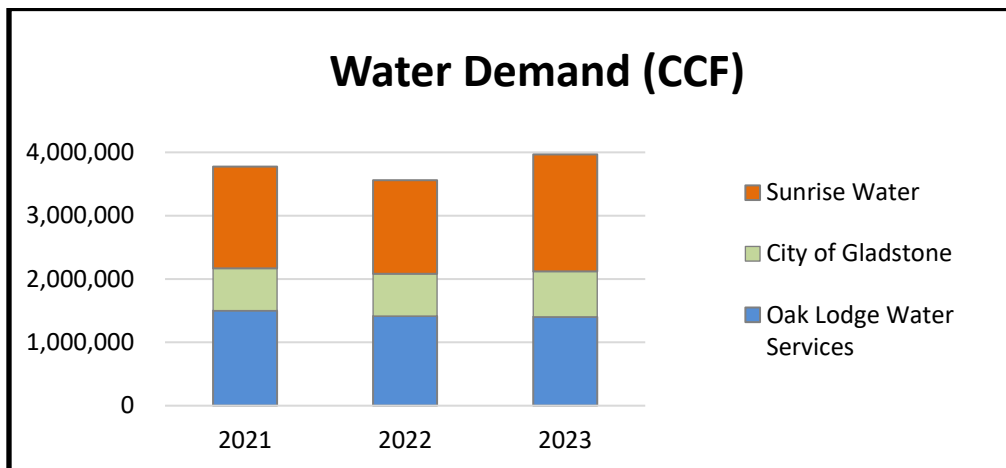
As of June 30, 2023, the Commission has no long-term debt.

Economic Factors and Next Year’s Budget and Rates

The Commission’s commitment and obligation to provide safe, public water for drinking and other purposes is the driver to its business decisions and corresponding financial results. Moreover, these outcomes are achieved through collaboration among its member agencies. The Commission’s water rates are, in turn, established under an "equal unit cost of water" model which is set to recover the total cost of operations based on total production. Members are charged an "equal unit price" for water and operating costs based on their respective annual consumption plus any additional costs incurred for delivery to set points of use.

The cost of operations is expected to continue to increase as the cost of labor, materials, energy, and capital investment also escalate. As such, next year’s water sales are expected to change in line with increases in the costs of water production relative to demand.

The chart below illustrates changes in water demand by the Commission’s members over the last three fiscal years:



NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)

The chart illustrates an increase in demand for the fiscal year 2022-23 overall. The increased demand in fiscal year 2022-23 is attributed to increased demand by Sunrise Water Authority due to increased growth in their number of customers.

Both Oak Lodge and Gladstone rely solely on the Commission for their water. The two agencies have been reducing water loss within their respective distribution (delivery) systems. Each agency either has or is in the process of conducting water audits intended to close the gap between water purchased from the Commission and water sold to customers. Water demand for Oak Lodge decreased 1% from 2022 to 2023 following a decrease of 6% from 2021 to 2022. Water demand for Sunrise Water increased 25% from 2022 to 2023 following a decrease of 8% from 2021 to 2022. City of Gladstone demand increased 8% from 2022 to 2023 following a flat demand from 2021 to 2022.

The Commission's water treatment plant is now over 20 years old and as such is requiring repair and replacement of key capital elements. The existing capital plan estimates an additional \$7.3 million in capital investment is required in the next six years. This amount is planned to be funded by existing reserves within the Plant Reserve Fund. Notwithstanding, the Board has authorized the continued funding of future capital through annual reserves created from water sales (subject to transfer to the Plant Reserve Fund). The plan expects to create an additional \$750 thousand each year through wholesale service charges. Hence, in the next six years, the Commission is expected to accumulate \$5 million in additional capital reserves, thus adequately funding its future capital requirements. Unless there are unforeseen conditions, the Commission has no plans to issue debt of any kind.

Requests for Information

This financial report is designed to provide a general overview of the North Clackamas County Water Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 14496 SE River Road, Milwaukie, Oregon, 97267.

BASIC FINANCIAL STATEMENTS

North Clackamas County Water Commission
Clackamas County, Oregon

Statements of Net Position
June 30, 2022 and 2023

	<u>2022</u>	<u>2023</u>
Assets:		
Current:		
Cash and Cash Equivalents	\$ 6,573,398	\$ 6,404,483
Accounts Receivable, net	14,254	85,023
Intergovernmental Receivables	238,056	726,336
Prepaid Expenses	48,577	61,420
Total Current Assets	6,874,285	7,277,262
Non-Current:		
Capital Assets (Net)	24,897,968	25,162,976
Total Non-current Assets	24,897,968	25,162,976
Total Assets	31,772,253	32,440,238
Deferred Outflows of Resources:		
Net Pension Related Deferrals	171,531	373,366
OPEB Related Deferrals	2,661	925
Total Deferred Outflows of Resources	174,192	374,291
Total Assets and Deferred Outflows	\$ 31,946,445	\$ 32,814,529
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 123,595	\$ 330,536
Accrued Compensated Absences	28,625	18,484
Total Current Liabilities	152,220	349,020
Long-term Liabilities:		
Proportionate Share of Net Pension Liability	291,099	555,487
Total Long-term Liabilities	291,099	555,487
Total Liabilities	443,319	904,507
Deferred Inflows of Resources:		
Net Pension Related Deferrals	242,687	205,284
Total Deferred Inflows of Resources	242,687	205,284
Total Liabilities and Deferred Inflows	686,006	1,109,791
Net Position:		
Net Investment in Capital Assets	24,897,968	25,162,976
Unrestricted	6,362,471	6,541,762
Total Net Position	31,260,439	31,704,738
Total Liabilities, Deferred Inflows and Net Position	\$ 31,946,445	\$ 32,814,529

The accompanying notes are an integral part of these statements.

North Clackamas County Water Commission
Clackamas County, Oregon

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2023

	2022	2023
Operating Revenue:		
Water Sales	\$ 2,723,149	\$ 4,424,025
Miscellaneous	42,137	63,471
Total Operating Revenues	2,765,286	4,487,496
Operating Expenses:		
Personnel Services	452,471	636,244
Materials and Services	1,144,370	2,625,318
Depreciation and Amortization	737,436	962,649
Total Operating Expenses	2,334,277	4,224,211
Net Income From Operations	431,009	263,285
Non-operating Revenues (Expenses)		
Earnings on Investments	32,457	181,014
Interest Expense	(11)	-
Total Non-operating Revenues	32,446	181,014
Change in Net Position	463,455	444,299
Beginning Net Position	30,796,984	31,260,439
Ending Net Position	\$ 31,260,439	\$ 31,704,738

The accompanying notes are an integral part of these statements.

North Clackamas County Water Commission
Clackamas County, Oregon

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2023

	<u>2022</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 3,012,574	\$ 3,928,447
Cash Paid to Suppliers	(1,299,037)	(2,431,220)
Cash Paid to Employees	(440,987)	(619,499)
Net Cash Provided (Used) By Operating Activities	<u>1,272,550</u>	<u>877,728</u>
Cash Flows From Capital Related Financing Activities:		
Purchase of Capital Assets	(349,647)	(1,227,657)
Principal Payments on Debt	(75,000)	-
Interest Payments on Debt	(2,025)	-
Net Cash Provided, (Used) By Financing Activities	<u>(426,672)</u>	<u>(1,227,657)</u>
Cash Flows From Investing Activities:		
Earnings on Investments	32,457	181,014
Net Cash Provided, (Used) By Investing Activities	<u>32,457</u>	<u>181,014</u>
Net Increase in Cash	878,335	(168,915)
Beginning Cash and Cash Equivalents	5,695,063	6,573,398
Ending Cash and Cash Equivalents	<u>\$ 6,573,398</u>	<u>\$ 6,404,483</u>
(1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:		
Cash and Investments	\$ 6,573,398	\$ 6,404,483
Cash and Investments - Restricted	-	-
Subtotal	<u>\$ 6,573,398</u>	<u>\$ 6,404,483</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities		
Net Income, (Loss) From Operations	\$ 431,009	\$ 263,285
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	695,210	962,649
Loss on Asset Disposal	42,226	
Proportional Pension Estimate, Inflows/Outflows	(9,584)	25,150
OPEB Estimate and Net Outflow/Inflow of Resources	1,809	1,736
Decrease, (Increase) In:		
Accounts Receivable, net	2,091	(70,769)
Intergovernmental Receivables	245,197	(488,280)
Prepaid Expenses	(12,798)	(12,843)
Increase, (Decrease) In:		
Accounts Payable	(141,869)	206,941
Accrued Vacation Payable	19,259	(10,141)
Net Cash Provided, (Used) By Operating Activities	<u>\$ 1,272,550</u>	<u>\$ 877,728</u>

The accompanying notes are an integral part of these statements.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the North Clackamas County Water Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

A. The Financial Reporting Entity

The North Clackamas County Water Commission, an ORS Chapter 190 Organization, was formed in February of 1996 through an Intergovernmental Agreement (the IGA), which allowed Damascus Water District, Mt. Scott Water District and Oak Lodge Water District to complete capital construction, improvements, and purchase equipment, useful or convenient for the water system. In September 1998, the IGA was first revised, after which the members formally adopted the IGA by ordinance and began construction of the Slow Sand Filter Plant (the Plant). Construction of the Plant was completed and went into operation in August 1999. On May 14, 2001, the IGA was revised for the second time to incorporate the combining of Damascus and Mt. Scott Water District into the Sunrise Water Authority and to accommodate debt financing. On July 18, 2005, the IGA was again revised to add the City of Gladstone as a member of the Commission. The role of the Commission is to be the water supply agency for operating the Plant to provide water for the members. A Board of Commissioners with representatives of all members governs the Commission. In September 2018, the IGA was again amended and restated. The most notable change was reducing the Board of Directors from a seven-member Board to a five-member board.

The accompanying financial statements present all activities of the Commission. The Commission has no component units.

B. Basis of Presentation - Fund Accounting

The Commission's accounting records are maintained on a fund accounting basis for budgetary purposes. For financial reporting purposes, the basic financial statements are presented as a unitary enterprise operation, and as such, are reported as a single column in the basic financial statements.

Financial operations of the Commission are accounted for in the following funds:

General Fund

This fund accounts for all revenues and expenditures of the Commission except those required to be accounted for in another fund. The principal revenue source is water sales.

Plant Reserve Fund

This fund accounts for future capital replacements. The principal resource is operating transfers.

Revenue Bond Debt Service Reserve Fund

This fund accounts for all revenues and expenditures related to reserves to repay the 2001 revenue bonds of the Commission. The principal revenue source is interest earnings.

Revenue Bond Debt Redemption Fund

This fund accounts for all revenues and expenditures related to repayment of principal and interest on the 2001 revenue bond. The principal resource is transfers from other funds.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The Commission's financial statements are prepared on the accrual basis of accounting using the "economic resources" measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets, deferred outflows of resources, and liabilities and deferred inflows of resources are reflected within the statements of net position with the equity section representing "net position."

Proprietary funds (enterprise) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission is water charges. Water revenue is recorded when the service is rendered. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Budget

As an entity formed under ORS Chapter 190, the Commission is not subject to Oregon Local Budget Law but chooses to follow the process for adopting and amending budgets as provided for therein. A budget is prepared and adopted for each fund on the accrual basis of accounting in the main program categories identified by Oregon Local Budget Law, as listed below. The budgets for all funds are adopted on a basis consistent with GAAP, except depreciation expense is not recorded in budgetary statements. The Commission begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted, and appropriations are made no later than June 30th. Expenditure budgets are appropriated at the following levels for each fund: Personnel Services, Materials and Services, Debt Service, Transfers, Capital Outlay, and Contingency.

Expenditures cannot legally exceed the adopted appropriation levels. Appropriations lapse at fiscal year-end. Supplemental appropriations may occur if the Board approves them due to a need. There were no supplemental appropriations during the period July 1, 2022 to June 30, 2023. Expenditures of the various funds were within authorized appropriations for the period July 1, 2022 through June 30, 2023.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both:

- (1) readily convertible to known amounts of cash.
- (2) and, so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less meet this definition.

G. Investments

Current investments are investments that mature within twelve months. Non-current investments are investments that mature after twelve or more months. Investments are reported at fair market value, generally based on market prices.

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

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each participant 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 participant'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 various 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.

H. Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated capital assets are stated at acquisition value at the time received. Maintenance and repairs are expended as incurred. Replacements that improve or extend the lives of property are capitalized. The Commission capitalizes items over \$5,000 with an estimated useful life greater than one year.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water rights (an intangible asset) consist of rights to the use of water from the Clackamas River. Amortization is not recorded since the intangible has an indefinite life. The recorded amount of such asset is based upon the fair value of the water rights when they were transferred by respective members to the Commission.

Depreciation of capital assets has been recognized and reflected in the basic financial statements. Depreciation is calculated on the straight-line method based upon the estimated useful lives of the assets:

Water Piping Systems	30-75 years
Buildings & Improvements	5-50 years
Equipment	5-20 years

I. Compensated Absences

Vacation pay is vested when earned. Employees earn annual leave based on length of service to the Commission. Unpaid vested vacation is shown in accrued compensated absences on the Statements of Net Position and recorded as an expense when earned. The Commission provides vesting of one-fourth (1/4) or twenty-five percent (25%) of sick pay for employees with ten (10) years of service.

J. Retirement Plans

Substantially all the Commission's employees are participants in the State of Oregon Public Employees Retirement System (PERS). 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 fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as PERS reports them. 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.

K. Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is made up of the following three categories.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources

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

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

2. CASH AND INVESTMENTS

Cash and cash equivalents

The cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes govern the Commission's cash management policies because the Commission does not have an official investment policy. Statutes authorize the Commission to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool (LGIP or Pool).

Investments

The Commission participates in the LGIP, which is an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill, and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2022, was unmodified and may be obtained at the Oregon State Treasury, 350 Winter St. NE, Ste 100, Salem, OR 97310.

Amounts in the LGIP are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx). If the link has expired, please contact the Oregon Short Term Fund directly.

Cash and investments at June 30, 2022 and 2023, (recorded at fair value) consisted of the following:

	<u>2022</u>	<u>2023</u>
Cash on hand	\$ 135	\$ 500
Demand deposits	588,656	288,362
Investments	<u>5,984,607</u>	<u>6,115,621</u>
Total cash and investments	<u>\$ 6,573,398</u>	<u>\$ 6,404,483</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

2. CASH AND INVESTMENTS (CONTINUED)

The Commission had the following investments and maturities at June 30, 2023:

<u>Investment Type</u>	<u>Amortized Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 6,115,621	\$ 6,115,621	\$ -0-
Total investments	<u>\$ 6,115,621</u>	<u>\$ 6,115,621</u>	<u>\$ -0-</u>

The Commission had the following investments and maturities at June 30, 2022:

<u>Investment Type</u>	<u>Amortized Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 5,984,607	\$ 5,984,607	\$ -0-
Total investments	<u>\$ 5,984,607</u>	<u>\$ 5,984,607</u>	<u>\$ -0-</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by Oregon State Treasury (OST). The Commission does not have any investments that have a maturity date in excess of 18 months.

Concentration of Credit Risk

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies. The LGIP is not rated.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Commission's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides Insurance for the Commission's deposits with financial institutions up to \$250,000 each for the aggregate of all noninterest-bearing accounts and the aggregate of all interest-bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program. Oregon Revised Statutes and Commission policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. As of June 30, 2023, the total bank balance per bank statement was \$349,409. Of these deposits, \$250,000 was covered by federal depository insurance while the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP).

3. ACCOUNTS RECEIVABLE

Accounts receivables consist of amounts due from the Commission's members for water consumption. An allowance for uncollectible accounts is not considered necessary as historically there are no delinquent accounts.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

Capital Assets and the related changes for the year ended June 30, 2023, are summarized below:

	Balance			Balance
	June 30, 2022	Additions	Disposals	June 30, 2023
Capital Assets not being Depreciated:				
Land	\$ 701,351	\$ -	\$ -	\$ 701,351
Intangibles	9,915,662	-	-	9,915,662
Construction in Progress	64,727	90,423	16,925	138,225
Total Capital Assets not being Depreciated	<u>10,681,740</u>	<u>90,423</u>	<u>16,925</u>	<u>10,755,238</u>
Capital Assets being Depreciated:				
Water Treatment Plant	27,282,493	1,072,093	457,263	27,897,323
Equipment	1,433,447	82,066	31,307	1,484,206
Transmission Line	1,970,274	-	-	1,970,274
Total Capital Assets being Depreciated	<u>30,686,214</u>	<u>1,154,159</u>	<u>488,570</u>	<u>31,351,803</u>
Total Capital Assets	<u>41,367,954</u>	<u>1,244,582</u>	<u>505,495</u>	<u>42,107,041</u>
Less Accumulated Depreciation:				
Water Treatment Plant	14,914,827	869,329	457,263	15,326,893
Equipment	999,252	67,049	31,307	1,034,994
Transmission Line	555,907	26,271	-	582,178
Total Accumulated Depreciation	<u>16,469,986</u>	<u>962,649</u>	<u>488,570</u>	<u>16,944,065</u>
Total Net Capital Assets being Depreciated	<u>14,216,228</u>	<u>191,510</u>	<u>-</u>	<u>14,407,738</u>
Total Net Capital Assets	<u>\$ 24,897,968</u>	<u>\$ 281,933</u>	<u>\$ 16,925</u>	<u>\$ 25,162,976</u>

Capital Assets and the related changes for the year ended June 30, 2022, are summarized below:

	Balance			Balance
	June 30, 2021	Additions	Disposals	June 30, 2022
Capital Assets not being Depreciated:				
Land	\$ 701,351	\$ -	\$ -	\$ 701,351
Intangibles	9,915,662	-	-	9,915,662
Construction in Progress	8,470	56,257	-	64,727
Total Capital Assets not being Depreciated	<u>10,625,483</u>	<u>56,257</u>	<u>-</u>	<u>10,681,740</u>
Capital Assets being Depreciated:				
Water Treatment Plant	27,162,612	227,390	107,509	27,282,493
Equipment	1,367,447	66,000	-	1,433,447
Transmission Line	1,970,274	-	-	1,970,274
Total Capital Assets being Depreciated	<u>30,500,333</u>	<u>293,390</u>	<u>107,509</u>	<u>30,686,214</u>
Total Capital Assets	<u>41,125,816</u>	<u>349,647</u>	<u>107,509</u>	<u>41,367,954</u>
Less Accumulated Depreciation:				
Water Treatment Plant	14,368,289	611,821	65,283	14,914,827
Equipment	942,134	57,118	-	999,252
Transmission Line	529,636	26,271	-	555,907
Total Accumulated Depreciation	<u>15,840,059</u>	<u>695,210</u>	<u>65,283</u>	<u>16,469,986</u>
Total Net Capital Assets being Depreciated	<u>14,660,274</u>	<u>(401,820)</u>	<u>42,226</u>	<u>14,216,228</u>
Total Net Capital Assets	<u>\$ 25,285,757</u>	<u>\$ (345,563)</u>	<u>\$ 42,226</u>	<u>\$ 24,897,968</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

5. ACCRUED COMPENSATORY LEAVE ABSENCES

Changes in Accrued Compensated Absences Liability

The Commission estimates one hundred percent of its total accrued compensated absences leave liability, including salary and related payroll expenses, is current and due within one fiscal year, and accordingly, reports total accrued compensated absences leave liability as a current liability.

The Commission's accrued compensated absences leave liability balance changed as follows:

	Balance			Balance
	June 30, 2022	Increases	Decreases	June 30, 2023
Accrued Compensated Absences	\$ 28,625	\$ 22,314	\$ 32,455	\$ 18,484

	Balance			Balance
	June 30, 2021	Increases	Decreases	June 30, 2022
Accrued Compensated Absences	\$ 9,366	\$ 27,879	\$ 8,620	\$ 28,625

6. LONG-TERM DEBT

At June 30, 2022 and June 30, 2023, there are no outstanding debt obligations.

7. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Annual Comprehensive Financial Report (ACFR) which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

If the link is expired, please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **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 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2021. The limit will be equal to \$210,582 in 2022 and will be indexed with inflation in later years.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a 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.

ii. **Death Benefits.** Upon the death of a nonretired 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 on or more of the following contributions are met:

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

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

iv. **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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0%.

b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent are 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.

General service: 1.5 percent 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.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit will be equal to \$210,582 in 2022 and will be indexed with inflation in later years.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A member of the 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.

- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **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.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits over \$60,000.

c. OPSRP Individual Account Program (OPSRP IAP).

- i. **Pension Benefits.** The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. 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.

- ii. **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.
- iii. **Recordkeeping.** OPERS Contracts with VOYA Financial to Maintain IAP Participant records.

d. Contributions

- i. Employer 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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2020 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2022. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Re-employed retirees do not accrue additional benefits while they work after retirement. Employer contributions for the year ended June 30, 2023 were \$77,144 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2023 were 30.57 percent for Tier One/Tier Two General Service Member, 24.27 percent for OPSRP Pension Program General Service Members.

ii. Employee Contributions

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$3,333 per month, 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

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

At June 30, 2022 and June 30, 2023, the Commission reported a liability of \$291,099 and \$555,487, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Commission's proportion was 0.003628 percent, which was an increase from its proportion of 0.002433 measured as of June 30, 2021.

For the year ended June 30, 2023, the Commission's recognized pension expense of \$104,421. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred outflows and inflows as of June 30, 2023 comprised as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 26,964	\$ 3,464
Changes of assumptions	87,159	796
Net difference between projected and actual earnings on investments	-	99,310
Changes in proportion	181,878	2,391
Differences between employer contributions and employer's proportionate share of contributions	221	99,323
Total (prior to post-measurement date (MD) contributions)	296,222	205,284
Contributions subsequent to the MD	77,144	-
Subtotal	<u>\$ 373,366</u>	<u>\$ 205,284</u>

Deferred outflows and inflows as of June 30, 2022 comprised as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 27,249	\$ -
Changes of assumptions	72,871	766
Net difference between projected and actual earnings on investments	-	215,498
Changes in proportion	26,528	5,644
Differences between employer contributions and employer's proportionate share of contributions	1,313	20,779
Total (prior to post-measurement date (MD) contributions)	127,961	242,687
Contributions subsequent to the MD	43,570	-
Subtotal	<u>\$ 171,531</u>	<u>\$ 242,687</u>

Commission's contributions subsequent to the measurement date of \$77,144 and \$43,570 in years ended June 30, 2023 and 2022 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 26,274
2025	9,190
2026	(21,184)
2027	66,589
2028	10,069
Thereafter	-
Total	<u>\$ 90,938</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

<u>Actuarial Methods and Assumptions</u>	
	Pension
Valuation date	December 31, 2020
Measurement date	June 30, 2022
Experience Study	2020, published July 20, 2021
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost-of-living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<i>Healthy retirees and beneficiaries:</i> 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. <i>Active members:</i> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <i>Disabled retirees:</i> 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 ending on December 31, 2020.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 is 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.

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>Target Allocation</u>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0%	35.0%	30.0%
Real Estate	7.5%	17.5%	12.5%
Private Equity	15.0%	27.5%	20.0%
Risk Parity	0.0%	3.5%	2.5%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Total			<u>100.0%</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	<u>-2.50%</u>	1.76%
Total	<u>100.00%</u>	

Assumed Inflation - Mean 2.40%

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Depletion Date Projection

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

The following circumstances justify an alternative evaluation of sufficiency for PERS:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension 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 pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Commission's proportionate share of the net pension liability (asset)	\$ 985,109	\$ 555,487	\$ 195,914

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2022 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2022 measurement period that require disclosure.

8. OTHER POST-EMPLOYMENT BENEFITS (RHIA)

Plan Description:

The Commission contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at <https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>

Benefits Provided:

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. 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. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS 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 PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions:

PERS funding policy provides for 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, 2020 actuarial valuation and a percentage of payroll that first became effective July 1, 2023. The Commission contributed 0.00% of PERS-covered salaries for Tier One/Tier Two members to fund the normal cost portion of RHIA benefits and 0.00% of

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

8. OTHER POST-EMPLOYMENT BENEFITS (RHIA) (CONTINUED)

all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. The Commissions total for the year ended June 30, 2023 contributions was \$0.

At June 30, 2023, the Commission held no post-employment benefit asset its proportionate share of the net post-employment benefit asset for the RHIA. The post-employment benefit asset was measured as of June 30, 2022, and the total post-employment benefit asset used to calculate the net post-employment benefit asset was determined by an actuarial valuation dated December 31, 2020.

The Commission's proportion of the net post-employment benefit asset was based on a projection of the Commission's long-term share of contributions to the RHIA relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2022, the Commission's proportion was zero. The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

Deferred outflows and inflows as of June 30, 2023 comprised as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	-
Changes in proportion	925	-
Differences between employer contributions and employer's proportionate share of contributions	-	-
Total (prior to post-measurement date (MD) contributions)	925	-
Contributions subsequent to the MD	-	-
Subtotal	<u>\$ 925</u>	<u>\$ -</u>

Deferred outflows and inflows as of June 30, 2022 comprised as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	-
Changes in proportion	2,661	-
Differences between employer contributions and employer's proportionate share of contributions	-	-
Total (prior to post-measurement date (MD) contributions)	2,661	-
Contributions subsequent to the MD	-	-
Subtotal	<u>\$ 2,661</u>	<u>\$ -</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

8. OTHER POST-EMPLOYMENT BENEFITS (RHIA) (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 925
2025	-
2026	-
2027	-
2028	-
Thereafter	-
Total	<u>\$ 925</u>

9. DEFERRED COMPENSATION PLAN

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the Commission for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the Commission.

10. RISK MANAGEMENT

The Commission is subject to the risk of loss related to torts, theft, or damage to and destruction of assets, errors and omissions and natural disasters. The Commission purchases commercial insurance for all significant risks of loss. There was no significant reduction in the Commission's major categories of insurance coverage and settlements have not exceeded insurance coverage for each of the past three years. Note the Commission's insurance company has the right to assess additional amounts.

11. NET POSITION

The balance of net position utilizing the accounting methods and principles of the Commission is comprised of the following:

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Ending fund balance	\$ 6,750,690	\$ 6,946,726
Revenue bond liability and other	(28,625)	(18,484)
Capital assets, net of accumulated depreciation	24,897,968	25,162,976
GASB 68 net pension asset/(liability) and related deferred inflows/outflows	(362,255)	(387,405)
GASB 75 net pension asset/(liability) and related deferred inflows/outflows	2,661	925
Net Position	<u>\$ 31,260,439</u>	<u>\$ 31,704,738</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. NET POSITION (CONTINUED)

Member investments in net position comprised the following:

Investment in NCCWC	Member Share	June 30, 2022	June 30, 2023
Oak Lodge Water Services District	42%	\$ 13,129,384	\$ 13,315,990
Sunrise Water Authority	48%	15,005,011	15,218,274
City of Gladstone	10%	3,126,044	3,170,474
Subtotal	100%	\$ 31,260,439	\$ 31,704,738

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Commission did not have any significant commitments at the close of the fiscal year ended June 30, 2023.

13. RELATED PARTY

Revenue – In the fiscal years ended June 30, 2022 and June 30, 2023, the Commission earned a total of \$2,710,413 and \$3,148,596, respectively, from Oak Lodge Water Services District, Sunrise Water Authority, and the City of Gladstone.

Expense – In the fiscal years ended June 30, 2022 and June 30, 2023, the Commission paid a total of \$52,000 and \$48,000 to Oak Lodge Water Services for financial services and the Commission paid a total of \$62,000 and \$66,000 to Sunrise Water Authority for management and engineering services, respectively.

14. NEW PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) issues new pronouncements from time to time. For copies of original pronouncements please visit the GASB's website www.gasb.org.

GASB Statement 91, “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This GASB was adopted and there are no current conduit debt obligations that are applicable. There is no impact on the financial reporting for the fiscal years ended June 30, 2022 and 2023.

GASB Statement 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The primary objective of this Statement is to address issues related to public-private and public-public partnership arrangements (PPPs). This GASB was adopted and there no current arrangements that are applicable. There is no impact on the financial reporting for the fiscal years ended June 30, 2022 and 2023.

GASB Statement 96, “Subscription-Based Information Technology Arrangements”. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This GASB was adopted and there no current arrangements that are applicable. There is no impact on the financial reporting for the fiscal years ended June 30, 2022 and 2023.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 99, “Omnibus 2022”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, “Accounting Changes and Error Corrections”—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. For fiscal years beginning after June 15, 2023.

GASB Statement No. 101, “Compensated Absences”. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, “Certain Risk Disclosures”. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, “Financial Reporting Model Improvements”. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.004%	\$ 555,487	\$ 232,852	239%	84.6%
2021	0.002%	291,099	270,166	108%	87.6%
2020	0.002%	503,384	261,892	192%	75.8%
2019	0.002%	405,570	255,438	159%	80.2%
2018	0.002%	330,549	246,762	134%	82.1%
2017	0.003%	289,598	268,100	108%	83.1%
2016	0.003%	392,862	198,044	198%	80.5%
2015	0.003%	182,899	200,489	91%	91.9%
2014	0.003%	(74,802)	195,400	-38%	103.6%

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2023	\$ 77,144	\$ 77,144	\$ -	\$ 409,676	18.8%
2022	43,570	43,570	-	232,852	18.7%
2021	36,995	36,995	-	270,166	13.7%
2020	41,538	41,538	-	261,892	15.9%
2019	38,297	38,297	-	255,438	15.0%
2018	36,177	36,177	-	246,762	14.7%
2017	18,083	18,083	-	267,100	6.7%
2016	20,808	20,808	-	198,044	10.5%
2015	12,653	12,653	-	200,489	6.3%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2022**

Changes in Plan Provisions

There were no changes in plan provisions occurred since the December 31, 2022 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2022 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2022 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Resources

Audited Schedules of Employer Allocations and Pension Amounts as well as documents explaining methods and assumptions on how amounts were developed from the PERS Consulting Actuary can be found at <https://www.oregon.gov/pers/emp/pages/GASB.aspx>.

SUPPLEMENTARY INFORMATION

This part of the Commission's Financial Report presents supplementary information to demonstrate and report on its compliance with finance-related legal requirements.

Budgetary Reporting – This section provides schedules that reconcile the differences between budgetary financial reports and financial statements prepared on the basis of Generally Accepted Accounting Principles (GAAP) as well as schedules that report on budget to actual financial performance.

Combining Balance Sheet – All Funds (Budgetary Basis)	34
Combining Schedule of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balance – Actual and Budget (Budgetary Basis)	35
Schedule of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual	
General Fund	36
Plant Reserve Fund	37
Revenue Bond Debt Service Reserve Fund	38
Revenue Bond Debt Redemption Fund	39

BUDGETARY REPORTING

**North Clackamas County Water Commission
Clackamas County, Oregon**

**Combining Balance Sheet
June 30, 2023**

	General Fund	Plant Reserve Fund	Revenue Bond Debt Service Reserve Fund	Revenue Bond Debt Redemption Fund	Total
Assets:					
Current:					
Cash and Investments	\$ 1,202,189	\$ 5,202,294	\$ -	\$ -	\$ 6,404,483
Accounts Receivable, net	76,063	8,960	-	-	85,023
Intergovernmental Receivables	726,336	-	-	-	726,336
Prepaid Asset	61,420	-	-	-	61,420
Total Current Assets	2,066,008	5,211,254	-	-	7,277,262
Total Assets	\$ 2,066,008	\$ 5,211,254	\$ -	\$ -	\$ 7,277,262
Liabilities and Fund Balances:					
Current Liabilities:					
Accounts Payable	\$ 299,140	\$ 25,032	\$ -	\$ -	\$ 324,172
Payroll Liabilities	6,364	-	-	-	6,364
Total Current Liabilities	305,504	25,032	-	-	330,536
Total Liabilities	305,504	25,032	-	-	330,536
Fund Balances	1,760,504	5,186,222	-	-	6,946,726
Total Liabilities and Fund Balances	\$ 2,066,008	\$ 5,211,254	\$ -	\$ -	\$ 7,277,262
Add/(deduct) to reconcile to GAAP basis statement of net position:					
Budgetary ending fund balance					\$ 6,946,726
Capital assets, net depreciation					25,162,976
Accrued compensated absences payable					(18,484)
Net pension liability					(555,487)
Deferred outflows of resources					374,291
Deferred inflows of resources					(205,284)
Ending net position					<u>\$ 31,704,738</u>

**North Clackamas County Water Commission
Clackamas County, Oregon**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Plant Reserve Fund</u>	<u>Revenue Bond Debt Service Reserve Fund</u>	<u>Revenue Bond Debt Redemption Fund</u>	<u>Total</u>
Revenues:					
Water Sales	\$ 4,424,025	\$ -	\$ -	\$ -	\$ 4,424,025
Interest	36,839	144,175	-	-	181,014
Miscellaneous	35,531	27,940	-	-	63,471
Total Revenues	4,496,395	172,115	-	-	4,668,510
Expenditures:					
Personnel Services	619,499	-	-	-	619,499
Materials and Services	2,608,393	-	-	-	2,608,393
Capital Outlay	-	1,244,582	-	-	1,244,582
Total Expenditures	3,227,892	1,244,582	-	-	4,472,474
Excess of Revenues Over, (Under) Expenditures	1,268,503	(1,072,467)	-	-	196,036
Other Financing Sources, (Uses):					
Transfers In	106,204	1,200,000	-	(3,302)	1,302,902
Transfers Out	(1,200,000)	-	(102,902)	-	(1,302,902)
Total Other Financing Sources	(1,093,796)	1,200,000	(102,902)	(3,302)	-
Net Change in Fund Balance	174,707	127,533	(102,902)	(3,302)	196,036
Beginning Fund Balance	1,585,797	5,058,689	102,902	3,302	6,750,690
Ending Fund Balance	\$ 1,760,504	\$ 5,186,222	\$ -	\$ -	\$ 6,946,726
Change in fund balance across all funds:					\$ 196,036
Add/(deduct) to reconcile to GAAP basis change in net position:					
Change in accrued compensated absences					10,141
Capital outlay expenditures capitalized					1,227,657
Depreciation					(962,649)
Change in deferred outflow of resources, adjustment to pension expense					201,835
Change in deferred inflow of resources, adjustment to pension expense					37,403
Change in deferred outflow of resources, adjustment to OPEB expense					(1,736)
Change in Net pension liability/(asset)					(264,388)
Change in net position					\$ 444,299

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2023

	<u>General Fund</u>		
	<u>ACTUAL</u>	<u>ORIGINAL AND FINAL BUDGET</u>	<u>VARIANCE POSITIVE, (NEGATIVE)</u>
Revenues:			
Water Sales	\$ 4,424,025	\$ 4,116,000	\$ 308,025
Interest Income	36,839	5,000	31,839
Miscellaneous	35,531	-	35,531
Total Revenues	<u>4,496,395</u>	<u>4,121,000</u>	<u>375,395</u>
Expenditures:			
Personnel Services	619,499	656,000	36,501
Materials and Services	2,608,393	2,648,450	40,057
Water Treatment	3,227,892	3,304,450	76,558
Capital Outlay	-	-	-
Debt Service	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Operating Contingency	-	310,000	310,000
Total Expenditures	<u>3,227,892</u>	<u>3,614,450</u>	<u>386,558</u>
Excess of Revenues Over, (Under) Expenditures	<u>1,268,503</u>	<u>506,550</u>	<u>761,953</u>
Other Financing Uses:			
Transfers In	106,204	107,277	(1,073)
Transfers Out	(1,200,000)	(1,200,000)	-
Total Other Financing Sources	<u>(1,093,796)</u>	<u>(1,092,723)</u>	<u>(1,073)</u>
Net Change in Fund Balance	174,707	(586,173)	760,880
Beginning Fund Balance	<u>1,585,797</u>	<u>1,380,050</u>	<u>205,747</u>
Ending Fund Balance	<u>\$ 1,760,504</u>	<u>\$ 793,877</u>	<u>\$ 966,627</u>

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2023

<u>Plant Reserve Fund</u>			
	ACTUAL	ORIGINAL AND FINAL BUDGET	VARIANCE POSITIVE, (NEGATIVE)
Revenues:			
Interest Income	\$ 144,175	\$ 25,000	\$ 119,175
Miscellaneous	27,940	-	27,940
Total Revenues	172,115	25,000	147,115
Expenditures			
Capital Outlay:			
Plant Expenditures	1,244,582	1,919,000	674,418
Total Capital Outlay	1,244,582	1,919,000	674,418
Contingency	-	350,000	350,000
Total Contingency	-	350,000	350,000
Total Expenditures	1,244,582	2,269,000	1,024,418
Excess of Revenues Over, (Under) Expenditures	(1,072,467)	(2,244,000)	1,171,533
Other Financing Uses			
Transfers In	1,200,000	1,200,000	-
Total Other Financing Sources	1,200,000	1,200,000	-
Net Change in Fund Balance	127,533	(1,044,000)	1,171,533
Beginning Fund Balance	5,058,689	4,952,018	106,671
Ending Fund Balance	\$ 5,186,222	\$ 3,908,018	\$ 1,278,204

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2023

Revenue Bond Debt Service Reserve Fund

	<u>ACTUAL</u>	<u>ORIGINAL AND FINAL BUDGET</u>	<u>VARIANCE POSITIVE, (NEGATIVE)</u>
Revenues:			
Interest Income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Contingency	-	-	-
Total Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over, (Under) Expenditures	-	-	-
Other Financing Uses			
Transfers Out	(102,902)	(102,049)	(853)
Total Other Financing Sources	<u>(102,902)</u>	<u>(102,049)</u>	<u>(853)</u>
Net Change in Fund Balance	(102,902)	(102,049)	(853)
Beginning Fund Balance	102,902	102,049	853
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2023

<u>Revenue Bond Debt Redemption Fund</u>			
	ACTUAL	ORIGINAL AND FINAL BUDGET	VARIANCE POSITIVE, (NEGATIVE)
Revenues:			
Interest Income	\$ -	\$ 115	\$ (115)
Total Revenues	-	115	(115)
Expenditures			
Total Expenditures	-	-	-
Excess of Revenues Over, (Under) Expenditures	-	115	(115)
Other Financing Sources			
Transfers Out	(3,302)	(5,228)	1,926
Total Other Financing Sources	(3,302)	(5,228)	1,926
Net Change in Fund Balance	(3,302)	(5,113)	1,811
Beginning Fund Balance	3,302	5,113	(1,811)
Ending Fund Balance	\$ -	\$ -	\$ -

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy; enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

Report of Independent Auditors Required by Oregon State Regulations

The Board of Commissioners
North Clackamas County Water Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of North Clackamas County Water Commission (the “Commission”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated August 5, 2024.

Compliance

As part of obtaining reasonable assurance about whether the Commission’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
- Insurance and fidelity bonds
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Commission 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 Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 commissioners and management of the Commission and the Oregon Secretary of State, and is not intended to be, and should not be, used by anyone other than these parties.



Keith Simovic, Partner,
for Moss Adams LLP
Portland, Oregon
August 5, 2024

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON MINIMUM
AUDITING STANDARDS**

End of Report