



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

**FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2022**

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

**FOR THE YEARS ENDED JUNE 30, 2021 and 2022**

**FINANCIAL REPORT**

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

JUNE 30, 2022

**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**

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**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, 2022 and 2021, 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, 2022 and 2021, 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.

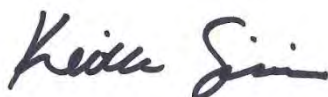
*Other Information*

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

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

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

In accordance with the *Minimum Standards for Auditors of Oregon Municipal Corporations*, we have also issued our report dated January 24, 2023, 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  
January 24, 2023

**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, 2021, and 2022. 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, 2022, the Commission's assets and deferred outflows exceeded its liabilities and deferred inflows by \$31.3 million; of this amount, \$24.9 million represents investment in capital assets, net of related debt; while \$6.4 million represents unrestricted net position, which may be used to satisfy ongoing obligations to members and creditors.
- Net position increased \$0.5 million or 1.5% with revenues of \$2.8 million exceeding expenses of \$2.3 million.
- The Commission has \$24.9 million invested in capital assets, net of accumulated depreciation; of this amount, \$9.9 million is comprised of water rights. Net capital assets decreased by \$0.4 million (or 1.5%) for the year as a result of scheduled 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 information that is essential to a complete understanding of the data provided in the basic financial statements.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)**

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)**

	2020	2021	2022
Operating Revenues	\$ 2,452	\$ 2,855	\$ 2,765
Operating Expenses	2,435	2,392	2,334
Operating Income	17	463	431
Non-operating revenue	82	34	32
Change in Net Position	99	497	463
Beginning Net Position	30,201	30,300	30,797
Ending Net Position	\$ 30,300	\$ 30,797	\$ 31,260

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. Operating revenues decreased in fiscal 2021-22, and operating expenses decreased 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 2020-21 reflects a small drop in personnel services costs of 3% is due to vacancies offsetting annual increases in salary and benefits cost. 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 benefits and salary increases.

Materials and services increased 8% for fiscal 2020-21 due to cost increases for equipment, chemicals, and energy. Fiscal 2021-22 decreased by 0.8% as operations returned to historic levels. Professional services, contracted services, utilities, and chemicals are the primary drivers within this category.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**

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,		
	2020	2021	2022
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current Assets	\$ 5,073	\$ 6,230	\$ 6,874
Non-Current Assets			
Capital Assets (Net)	25,831	25,286	24,898
Other Assets	5	4	0
Total Non-Current Assets	<u>25,836</u>	<u>25,290</u>	<u>24,898</u>
Total Assets	<u>30,909</u>	<u>31,520</u>	<u>31,772</u>
Deferred Outflows	140	162	174
<b>Total Assets and Deferred Outflows</b>	<u><u>\$ 31,049</u></u>	<u><u>\$ 31,682</u></u>	<u><u>\$ 31,946</u></u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>			
Current Liabilities:	\$ 224	\$ 352	\$ 152
Long-Term Liabilities:			
Proportionate Share of Net Pension Liability	406	503	291
Bond Payable, Less Current Portion	75	0	0
Total Long-Term Liabilities	<u>481</u>	<u>503</u>	<u>291</u>
Total Liabilities	<u>704</u>	<u>855</u>	<u>443</u>
Deferred Inflows	45	30	243
Total Liabilities and Deferred Inflows	<u>749</u>	<u>885</u>	<u>686</u>
Net Position:			
Net Investment in Capital Assets	25,681	25,211	24,898
Restricted	82	82	0
Unrestricted	4,537	5,504	6,362
Total Net Position	<u>30,300</u>	<u>30,797</u>	<u>31,260</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u><u>\$ 31,049</u></u>	<u><u>\$ 31,682</u></u>	<u><u>\$ 31,946</u></u>

Net position serves as one useful indicator of a government's financial condition. At the close of the fiscal year ended June 30, 2022 the Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.3 million (Net Position). The largest portion of net position (80%) reflects the Commission's investment in capital assets, net of related debt. The Commission uses these capital assets to provide water to its members; consequently, these assets are not available for future spending. In prior fiscal year ended June 30, 2021 a small portion of net position was restricted because of legal bond reserve requirements. As of fiscal year 2021-22 the remaining portion of net position (20%) 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 \$350,000. These expenditures capitalized, increasing total capital assets, which were then reduced by depreciation expense of approximately \$695,000. Total net capital assets decreased by almost \$388,000 or 1.5%. At June 30, 2022, the Commission had \$24.9 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**

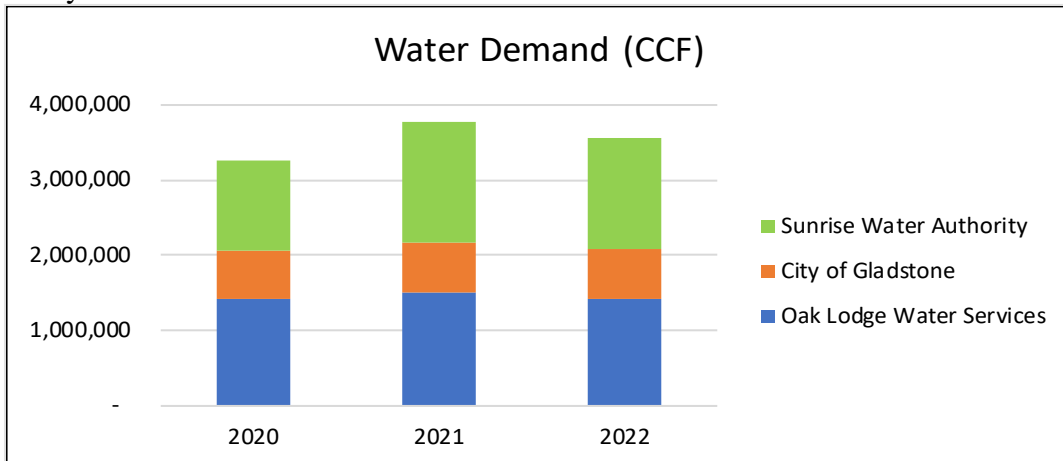
The Commission’s long-term debt at June 30, 2022, has been paid in full. Please refer to Note 6 in the Notes to Basic Financial Statements for additional detail.

**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 a decline in demand for fiscal year 2021-22 overall. The reduced demand in fiscal year 2021-22 is attributable to lower summer temperatures compared to the summer months in fiscal year 2020-21.

Both Oak Lodge and Gladstone rely solely on the Commission for their water. The two agencies are looking to improve the management of their demands by 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 decrease 6% from 2021 to 2022 following an increase of 6% from 2020 to 2021, whereas demand from Sunrise Water decreased 8% from 2021 to 2022 following an increase of 34% from 2020 to 2021. City of Gladstone remains consistent year over year.

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 \$6.2 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, 2021 and 2022**

	<u>2021</u>	<u>2022</u>
<b>Assets:</b>		
Current:		
Cash and Investments	\$ 5,612,745	\$ 6,573,398
Cash and Investments - Restricted	82,318	-
Accounts Receivable	16,345	14,254
Intergovernmental Receivables	483,253	238,056
Prepaid Assets	35,779	48,577
<b>Total Current Assets</b>	<b>6,230,440</b>	<b>6,874,285</b>
Non-Current:		
Capital Assets (Net)	25,285,757	24,897,968
OPEB Asset - GASB 75 Implicit Rate Subsidy	3,729	-
<b>Total Non-Current Assets</b>	<b>25,289,486</b>	<b>24,897,968</b>
<b>Total Assets</b>	<b>31,519,926</b>	<b>31,772,253</b>
<b>Deferred Outflows of Resources:</b>		
Net Pension Related Deferrals	161,012	171,531
OPEB Related Deferrals	1,326	2,661
<b>Total Deferred Outflows of Resources</b>	<b>162,338</b>	<b>174,192</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 31,682,264</b>	<b>\$ 31,946,445</b>
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable	\$ 265,464	\$ 123,595
Accrued Compensated Absences	9,366	28,625
Accrued Interest	2,014	-
Long-Term Debt - Current Portion	75,000	-
<b>Total Current Liabilities</b>	<b>351,844</b>	<b>152,220</b>
Long-Term Liabilities:		
Proportionate Share of Net Pension Liability	503,384	291,099
<b>Total Long-Term Liabilities</b>	<b>503,384</b>	<b>291,099</b>
<b>Total Liabilities</b>	<b>855,228</b>	<b>443,319</b>
<b>Deferred Inflows of Resources:</b>		
Net Pension Related Deferrals	29,467	242,687
OPEB Related Deferrals	585	-
<b>Total Deferred Inflows of Resources</b>	<b>30,052</b>	<b>242,687</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>885,280</b>	<b>686,006</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	25,210,757	24,897,968
Restricted	82,318	-
Unrestricted	5,503,909	6,362,471
<b>Total Net Position</b>	<b>30,796,984</b>	<b>31,260,439</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 31,682,264</b>	<b>\$ 31,946,445</b>

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, 2021 and 2022**

	<u>2021</u>	<u>2022</u>
<b>Operating Revenue:</b>		
Water Sales	\$ 2,841,457	\$ 2,723,149
Miscellaneous	13,705	42,137
<b>Total Operating Revenues</b>	<b><u>2,855,162</u></b>	<b><u>2,765,286</u></b>
<b>Operating Expenses:</b>		
Personnel Services	503,893	452,471
Materials and Services	1,153,541	1,144,370
Depreciation	735,201	695,210
<b>Total Operating Expenses</b>	<b><u>2,392,635</u></b>	<b><u>2,292,051</u></b>
<b>Net Income from Operations</b>	<b><u>462,527</u></b>	<b><u>473,235</u></b>
<b>Non-operating Revenues (Expenses)</b>		
Earnings on Investments	38,802	32,457
Interest Expense	(4,811)	(11)
Loss on Disposal	-	(42,226)
<b>Total Non-operating Revenues</b>	<b><u>33,991</u></b>	<b><u>(9,780)</u></b>
<b>Change in Net Position</b>	<b>496,518</b>	<b>463,455</b>
Beginning Net Position	30,300,466	30,796,984
<b>Ending Net Position</b>	<b><u>\$ 30,796,984</u></b>	<b><u>\$ 31,260,439</u></b>

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, 2021 and 2022**

	<u>2021</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 2,722,060	\$ 3,012,574
Cash Paid to Suppliers	(1,021,135)	(1,299,037)
Cash Paid to Employees	(446,139)	(440,987)
<b>Net Cash Provided by Operating Activities</b>	<b>1,254,786</b>	<b>1,272,550</b>
<b>Cash Flows from Capital Related Financing Activities:</b>		
Purchase of Capital Assets	(189,962)	(349,647)
Principal Payments on Debt	(75,000)	(75,000)
Interest Payments on Debt	(6,825)	(2,025)
<b>Net Cash Used by Financing Activities</b>	<b>(271,787)</b>	<b>(426,672)</b>
<b>Cash Flows from Investing Activities:</b>		
Earnings on Investments	38,802	32,457
<b>Net Cash Provided by Investing Activities</b>	<b>38,802</b>	<b>32,457</b>
Net Increase in Cash	1,021,801	878,335
Beginning Cash and Cash Equivalents	4,673,262	5,695,063
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 5,695,063</b>	<b>\$ 6,573,398</b>

(1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:

Cash and Investments	\$ 5,612,745	\$ 6,573,398
Cash and Investments - Restricted	82,318	-
<b>Subtotal</b>	<b>\$ 5,695,063</b>	<b>\$ 6,573,398</b>

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities		
Net Income from Operations	\$ 462,527	\$ 431,009
Adjustments to reconcile operating income to net cash		
Depreciation Expense	735,201	695,210
Loss on Disposal of Asset	-	42,226
Proportional Pension Estimate Inflows/Outflows	62,749	(9,584)
OPEB Estimate and Net Outflows/Inflows of Resources	(119)	1,809
Decrease (Increase) in:		
Accounts Receivable	(4,323)	2,091
Intergovernmental Receivables	(128,779)	245,197
Prepaid Assets	(2,800)	(12,798)
Increase (Decrease) in:		
Unearned Revenue	-	-
Accounts Payable	135,206	(141,869)
Accrued Compensated Absences	(4,877)	19,259
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,254,786</b>	<b>\$ 1,272,550</b>

The accompanying notes are an integral part of these statements.

# NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

## NOTES TO BASIC FINANCIAL STATEMENTS

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### 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.

The accompanying notes are an integral part of these statements.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**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 non-operating 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 non-operating 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 generally accepted accounting principles, 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, 2021 to June 30, 2022. Expenditures of the various funds were within authorized appropriations for the period July 1, 2021 through June 30, 2022.

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.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 expensed 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.

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

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**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, 2021 and 2022, (recorded at fair value) consisted of the following:

	<u>2021</u>	<u>2022</u>
Cash on hand	\$ 276	\$ 135
Demand deposits	515,516	588,656
Investments	5,102,246	5,984,607
Cash at Fiscal Agent	77,025	-
Total cash and investments	<u>\$ 5,695,063</u>	<u>\$ 6,573,398</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>

The Commission had the following investments and maturities at June 30, 2021:

<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	\$ 5,102,246	\$ 5,102,246	\$ -0-
Total investments	<u>\$ 5,102,246</u>	<u>\$ 5,102,246</u>	<u>\$ -0-</u>



**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**2. CASH AND INVESTMENTS (CONTINUED)**

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 or USGSE. 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 non-interest-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, 2022, the total bank balance per the bank statements was \$618,125. 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)**

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**4. CAPITAL ASSETS**

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

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2022</b>
<b>Capital Assets not being Depreciated:</b>				
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>
<b>Capital Assets being Depreciated:</b>				
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>
<b>Total Capital Assets</b>	<b><u>41,125,816</u></b>	<b><u>349,647</u></b>	<b><u>107,509</u></b>	<b><u>41,367,954</u></b>
<b>Less Accumulated Depreciation:</b>				
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>
<b>Total Net Capital Assets</b>	<b><u>\$ 25,285,757</u></b>	<b><u>\$ (345,563)</u></b>	<b><u>\$ 42,226</u></b>	<b><u>\$ 24,897,968</u></b>

Capital Assets and the related changes for the year ended June 30, 2021, are summarized below:

	<b>Restated Balance</b>			<b>Balance</b>
	<b>June 30, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2021</b>
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 701,351	\$ -	\$ -	\$ 701,351
Intangibles	9,915,662	-	-	9,915,662
Construction in Progress	-	8,470	-	8,470
Total Capital Assets not being Depreciated	<u>10,617,013</u>	<u>8,470</u>	<u>-</u>	<u>10,625,483</u>
<b>Capital Assets being Depreciated:</b>				
Water Treatment Plant	27,084,924	172,512	94,824	27,162,612
Equipment	1,360,818	8,979	2,350	1,367,447
Transmission Line	1,970,274	-	-	1,970,274
Total Capital Assets being Depreciated	<u>30,416,016</u>	<u>181,491</u>	<u>97,174</u>	<u>30,500,333</u>
<b>Total Capital Assets</b>	<b><u>41,033,029</u></b>	<b><u>189,961</u></b>	<b><u>97,174</u></b>	<b><u>41,125,816</u></b>
<b>Less Accumulated Depreciation:</b>				
Water Treatment Plant	13,817,650	645,463	94,824	14,368,289
Equipment	881,017	63,467	2,350	942,134
Transmission Line	503,365	26,271	-	529,636
Total Accumulated Depreciation	<u>15,202,032</u>	<u>735,201</u>	<u>97,174</u>	<u>15,840,059</u>
Total Net Capital Assets being Depreciated	<u>15,213,984</u>	<u>(553,710)</u>	<u>-</u>	<u>14,660,274</u>
<b>Total Net Capital Assets</b>	<b><u>\$ 25,830,997</u></b>	<b><u>\$ (545,240)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 25,285,757</u></b>

**NORTH CLACKAMAS COUNTY WATER COMMISSION**  
Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**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:

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>June 30, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Accrued Compensated Absences	\$ 14,243	\$ 12,082	\$ 16,959	\$ 9,366

**6. LONG-TERM DEBT**

The Commission had one Revenue Bond Issue (\$1,000,000 on 10/1/2000) with interest on specific maturities ranging between 3.25% and 5.40%; the maturities are scheduled as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>June 30, 2021</u>	<u>June 30, 2021</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Long-Term Debt	\$ 75,000	\$ -	\$ 75,000	\$ -

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>June 30, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Long-Term Debt	\$ 150,000	\$ -	\$ 75,000	\$ 75,000

At June 30, 2022, this obligation is paid in full.

At June 30, 2021, the revenue bond had an obligation reserve requirement in which a reserve must be kept at least equal to the lesser of (a) Maximum Annual Debt Service which was \$82,318, (b) 125% of Average Annual Debt Service determined as of the issue date of the Obligations which is \$101,540, or (c) 10% of the initial principal amount of the Outstanding Obligations (within the meaning of Treasury Regulations) which is \$100,000. As of June 30, 2021, the Commission had a total of \$102,321 in its reserve fund while \$82,318 is the legal obligation reserve requirement.

The revenue bond has a coverage covenant for the benefit of the owners of all obligations that the Commission will charge rates and fees in connection with the operation of the system which, when combined with other Gross Revenues, are adequate to generate Net Revenues in each Fiscal Year at least equal to 1.25 times the Annual Debt Service due in that Fiscal Year on Outstanding Obligations. Refer to Page 36 to review the computation of legal debt service coverage.

## NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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#### **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, and 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 greater benefit results.

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 1 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 2 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 non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided 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 non-duty 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 non-duty 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. The cap on the COLA will vary based on the amount of the annual benefit.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- 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.  
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.

**Contributions** – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The 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, 2019 actuarial valuation, which became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the years ended June 30, 2021 and June 30, 2022 were \$36,995 and \$43,570, respectively, excluding amounts to fund employer specific liabilities. At June 30, 2021 and June 30, 2022, the Commission reported a net pension liability of \$503,384 and \$291,099, respectively, for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2019. 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 employers, actuarially determined. As of the measurement date of June 30, 2021, the Commission's proportion was 0.002 percent.

The rates in effect for the year ended June 30, 2022 were:

- (1) Tier 1/Tier 2 – 23.02%
- (2) OPSRP general services – 18.96%

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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>

Deferred outflows and inflows as of June 30, 2021 comprised as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 22,155	\$ -
Changes of assumptions	27,015	947
Net difference between projected and actual earnings on investments	59,191	-
Changes in proportion	13,251	16,202
Differences between employer contributions and employer's proportionate share of contributions	2,405	12,318
Total (prior to post-measurement date (MD) contributions)	124,017	29,467
Contributions subsequent to the MD	36,995	-
Subtotal	<u>\$ 161,012</u>	<u>\$ 29,467</u>

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, 2023.

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>
2023	(18,242)
2024	(19,610)
2025	(32,071)
2026	(51,874)
2027	7,071
Thereafter	-
Total	<u>\$ (114,726)</u>

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Valuations** – The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**Actuarial Methods and Assumptions:**

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system wide GASB 68 from the PERS audited financials dated February 25, 2022.

Valuation Date	December 31, 2019 rolled forward to June 30, 2021
Measurement Date	June 30, 2021
Experience Study Report	2018, Published July 24, 2019
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
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 adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service:
Mortality	<b>Healthy retirees and beneficiaries:</b> 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. <b>Active members:</b> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <b>Disabled retirees:</b> 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 value of reported amounts 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 method and assumptions shown are based on the 2018 Experience Study which is reviewed for the four-year period ended December 31, 2018.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Assumed Asset Allocation:**

Asset Class	OIC Target	
	Through June 2, 2021	After June 2, 2021
Cash	0.0%	0.0%
Debt Security	20.0%	20.0%
Public Equity	32.5%	30.0%
Private Equity	17.5%	20.0%
Real Estate	12.5%	12.5%
Alternative Portfolio	15.0%	15.0%
Risk Parity*	2.5%	2.5%
Total	100.0%	100.0%

\*Risk Parity asset class/strategy included within Alternatives Portfolio on the Statement of Fiduciary Net Position

(Source: June 30, 2021 PERS ACFR; p. 42)

**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. 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. For more information on the pension plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see table below.

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

(Source: June 30, 2021 PERS ACFR; p. 74 Table 31)



**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**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 the 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.

	1% Decrease <u>(5.90%)</u>	Discount Rate <u>(6.90%)</u>	1% Increase <u>(7.90%)</u>
Commission’s proportionate share of the net pension liability	\$ 571,649	\$ 291,099	\$ 56,381

**Changes Subsequent to the Measurement Date**

As described above, the Total Pension Liability is determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. Employers are required to briefly describe any changes between the Measurement Date and the employer’s reporting date that are expected to have a significant effect on the employer’s share of the collective Net Pension Liability, along with an estimate of the resulting change, if available. The Commission is not aware of any changes subsequent to the measurement date that are expected to have a significant effect on the Commission’s share of the collective Net Pension Liability.

**OPSRP Individual Account Program (OPSRP IAP)**

*Plan Description:* Employees of the Commission are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

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

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

*Contributions:* Employees of the Commission pay six (6) percent of their covered payroll. The Commission did not make any optional contributions to member IAP accounts for the year ended June 30, 2021 or 2022.

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

**Plan Description:**

As a member of Oregon Public Employees Retirement System (OPERS) the Commission contributes to the 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 OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes 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.

**Funding Policy:**

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 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating members are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the Commission contributed 0.06 percent of annual covered OPERF payroll and 0.00 percent of OPSRP payroll under a contractual requirement in effect through June 30, 2022. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Commission's contributions to RHIA for the year ended June 30, 2022 was \$0 which equaled the required contributions for the year.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

At June 30, 2022, 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, 2021, 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, 2019.

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, 2021, 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, 2023.

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	\$ -	-
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>

Deferred outflows and inflows as of June 30, 2021 comprised as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ -	\$ 381
Changes of assumptions	-	198
Net difference between projected and actual earnings on investments	415	-
Changes in proportion	911	6
Differences between employer contributions and employer's proportionate share of contributions	-	-
Total (prior to post-measurement date (MD) contributions)	1,326	585
Contributions subsequent to the MD	-	-
Subtotal	<u>\$ 1,326</u>	<u>\$ 585</u>

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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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>
2023	1,736
2024	925
2025	-
2026	-
2027	-
Thereafter	-
Total	<u>\$ 2,661</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, 2021</u>	<u>June 30, 2022</u>
Ending fund balance	\$ 5,964,976	\$ 6,750,690
Revenue bond liability and other	(86,380)	(28,625)
Capital assets, net of accumulated depreciation	25,285,757	24,897,968
GASB 68 net pension asset/(liability) and related deferred inflows/outflows	(371,839)	(362,255)
GASB 75 net pension asset/(liability) and related deferred inflows/outflows	4,470	2,661
Net Position	<u>\$ 30,796,984</u>	<u>\$ 31,260,439</u>

Member investments in net position comprised the following:

	<u>Member Share</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Investment in NCCWC			
Oak Lodge Water Services District	42%	\$ 12,934,734	\$ 13,129,384
Sunrise Water Authority	48%	14,782,552	15,005,011
City of Gladstone	10%	3,079,698	3,126,044
Subtotal	<u>100%</u>	<u>\$ 30,796,984</u>	<u>\$ 31,260,439</u>

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The Commission did not have any significant commitments at the close of the fiscal year ended June 30, 2022.

**13. RELATED PARTY**

Revenue – In the fiscal years ended June 30, 2021 and June 30, 2022 the Commission earned a total of \$2,828,963 and \$2,710,413, respectively, from Oak Lodge Water Services District, Sunrise Water Authority, and the City of Gladstone.

Expense – In the fiscal years ended June 30, 2021 and June 30, 2022 the Commission paid a total of \$48,000 and \$52,000 to Oak Lodge Water Services for financial services and the Commission paid a total of \$58,000 and \$62,000 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](http://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. Implementation was initially required in reporting periods beginning after December 15, 2020 but GASB Statement 95 has delayed the effective date by twelve months, so implementation is now required in reporting periods beginning after December 15, 2021.

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). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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, and all reporting periods thereafter.

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, and all reporting periods thereafter.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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**14. NEW PRONOUNCEMENTS (Continued)**

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.

**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
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	155%	80.2%
2018	0.002%	330,549	246,762	129%	82.1%
2017	0.002%	289,598	268,100	117%	83.1%
2016	0.003%	392,862	198,044	147%	80.5%
2015	0.003%	182,899	200,489	92%	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 percentage of covered payroll
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	-	268,100	6.7%
2016	20,808	20,808	-	198,044	10.5%
2015	12,653	12,653	-	200,489	6.3%

The amount 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.

The accompanying notes are an integral part of these statements.

**NORTH CLACKAMAS COUNTY WATER COMMISSION**

Clackamas County, Oregon

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

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**Changes in Plan Provisions**

There were no changes in plan provisions occurred since the December 31, 2019 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, 2019 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, 2019 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)	30
Combining Schedule of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balance – Actual and Budget (Budgetary Basis)	31
Schedule of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual	
General Fund	32
Plant Reserve Fund	33
Revenue Bond Debt Service Reserve Fund	34
Revenue Bond Debt Redemption Fund	35

**BUDGETARY REPORTING**

**North Clackamas County Water Commission**  
**Clackamas County, Oregon**  
**Combined Balance Sheet**  
**June 30, 2022**

	<b>General Fund</b>	<b>Plant Reserve Fund</b>	<b>Revenue Bond Debt Service Reserve</b>	<b>Revenue Bond Debt Redemption Fund</b>	<b>Total</b>
<b>Assets:</b>					
Current:					
Cash and Investments	\$ 1,377,525	\$ 5,089,669	\$ 102,902	\$ 3,302	\$ 6,573,398
Cash and Investments - Restricted	-	-	-	-	-
Accounts Receivable	5,294	8,960	-	-	14,254
Intergovernmental Receivables	238,056	-	-	-	238,056
Prepaid Assets	48,577	-	-	-	48,577
<b>Total Current Assets</b>	<b>1,669,452</b>	<b>5,098,629</b>	<b>102,902</b>	<b>3,302</b>	<b>6,874,285</b>
<b>Total Assets</b>	<b>\$ 1,669,452</b>	<b>\$ 5,098,629</b>	<b>\$ 102,902</b>	<b>\$ 3,302</b>	<b>\$ 6,874,285</b>
<b>Liabilities and Fund Balances:</b>					
Current Liabilities:					
Accounts Payable	\$ 66,708	\$ 39,940	\$ -	\$ -	\$ 106,648
Payroll Liabilities	16,947	-	-	-	16,947
<b>Total Current Liabilities</b>	<b>83,655</b>	<b>39,940</b>	<b>-</b>	<b>-</b>	<b>123,595</b>
<b>Total Liabilities</b>	<b>83,655</b>	<b>39,940</b>	<b>-</b>	<b>-</b>	<b>123,595</b>
Fund Balances	1,585,797	5,058,689	102,902	3,302	6,750,690
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,669,452</b>	<b>\$ 5,098,629</b>	<b>\$ 102,902</b>	<b>\$ 3,302</b>	<b>\$ 6,874,285</b>
Add/(deduct) to reconcile to GAAP basis statement of net position:					
Budgetary ending fund balance					\$ 6,750,690
Capital assets, net depreciation					24,897,968
Accrued compensated absences payable					(28,625)
Net pension liability					(291,099)
Deferred outflows of resources					174,192
Deferred inflows of resources					(242,687)
Ending net position					<b>\$ 31,260,439</b>

**North Clackamas County Water Commission**

**Clackamas County, Oregon**

**Combined Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Plant Reserve Fund</u>	<u>Revenue Bond Debt Service Reserve</u>	<u>Revenue Bond Debt Redemption Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Water Sales	\$ 2,723,149	\$ -	\$ -	\$ -	\$ 2,723,149
Interest	5,087	26,776	581	13	32,457
Miscellaneous	42,137	-	-	-	42,137
<b>Total Revenues</b>	<b>2,770,373</b>	<b>26,776</b>	<b>581</b>	<b>13</b>	<b>2,797,743</b>
<b>Expenditures:</b>					
Personnel Services	\$ 440,987	\$ -	\$ -	\$ -	\$ 440,987
Materials and Services	1,144,370	-	-	-	1,144,370
Capital Outlay	-	349,647	-	-	349,647
Debt Service:					
Principal	-	-	-	75,000	75,000
Interest	-	-	-	2,025	2,025
<b>Total Expenditures</b>	<b>1,585,357</b>	<b>349,647</b>	<b>-</b>	<b>77,025</b>	<b>2,012,029</b>
Excess of Revenues Over (Under)					
Expenditures	<b>1,185,016</b>	<b>(322,871)</b>	<b>581</b>	<b>(77,012)</b>	<b>785,714</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	600,000	-	80,000	680,000
Transfers Out	(680,000)	-	-	-	(680,000)
<b>Total Other Financing Sources</b>	<b>(680,000)</b>	<b>600,000</b>	<b>-</b>	<b>80,000</b>	<b>-</b>
Net Change in Fund Balance	505,016	277,129	581	2,988	785,714
Beginning Fund Balance	1,080,781	4,781,560	102,321	314	5,964,976
<b>Ending Fund Balance</b>	<b>\$ 1,585,797</b>	<b>\$ 5,058,689</b>	<b>\$ 102,902</b>	<b>\$ 3,302</b>	<b>\$ 6,750,690</b>
Change in fund balance across all funds:					\$ 785,714
Add/(deduct) to reconcile to GAAP Basis change in net position:					
Change in accrued compensated absences					(19,259)
Principal payments on long-term debt					75,000
Change in accrued interest					2,014
Capital outlay expenditures capitalized					349,647
Depreciation					(695,210)
Loss on disposal of assets					(42,226)
Change in deferred outflow of resources, adjustment to pension expense					10,519
Change in deferred inflow of resources, adjustment to pension expense					(213,220)
Change in deferred outflow of resources, adjustment to OPEB expense					1,335
Change in deferred inflow of resources, adjustment to OPEB expense					585
Change in net pension liability/(asset)					212,285
Change in OPEB liability/(asset)					(3,729)
Change in net position					<b>\$ 463,455</b>

**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, 2022**

<b>General Fund</b>			
	<b>Actual</b>	<b>Original and Final Budget</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Water Sales	\$ 2,723,149	\$ 2,710,000	\$ 13,149
Interest	5,087	13,000	(7,913)
Miscellaneous	42,137	-	42,137
<b>Total Revenues</b>	<b>2,770,373</b>	<b>2,723,000</b>	<b>47,373</b>
<b>Expenditures:</b>			
Personnel Services	\$ 440,987	\$ 569,000	\$ (128,013)
Materials and Services	1,144,370	1,449,950	(305,580)
Capital Outlay	-	-	-
Debt Service:			-
Principal	-	-	-
Interest	-	-	-
Operating Contingency	-	350,000	(350,000)
<b>Total Expenditures</b>	<b>1,585,357</b>	<b>2,368,950</b>	<b>(783,593)</b>
Excess of Revenues over (under) Expenditures	<b>1,185,016</b>	<b>354,050</b>	<b>830,966</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	-	-
Transfers Out	(680,000)	(680,000)	-
<b>Total Other Financing Sources</b>	<b>(680,000)</b>	<b>(680,000)</b>	<b>-</b>
Net Change in Fund Balance	505,016	(325,950)	830,966
Beginning Fund Balance	1,080,781	676,662	404,119
<b>Ending Fund Balance</b>	<b>\$ 1,585,797</b>	<b>\$ 350,712</b>	<b>\$ 1,235,085</b>

**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, 2022**

**Plant Reserve Fund**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Water Sales	\$ -	\$ -	\$ -
Interest	26,776	50,000	(23,224)
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>26,776</b>	<b>50,000</b>	<b>(23,224)</b>
<b>Expenditures:</b>			
Personnel Services	\$ -	\$ -	\$ -
Materials and Services	-	-	-
Capital Outlay	349,647	455,000	(105,353)
Debt Service:			-
Principal	-	-	-
Interest	-	-	-
Operating Contingency	-	300,000	(300,000)
<b>Total Expenditures</b>	<b>349,647</b>	<b>755,000</b>	<b>(405,353)</b>
Excess of Revenues Over (Under) Expenditures	<b>(322,871)</b>	<b>(705,000)</b>	<b>382,129</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	600,000	600,000	-
Transfers Out	-	-	-
<b>Total Other Financing Sources</b>	<b>600,000</b>	<b>600,000</b>	<b>-</b>
Net Change in Fund Balance	277,129	(105,000)	382,129
Beginning Fund Balance	4,781,560	4,680,270	101,290
<b>Ending Fund Balance</b>	<b>\$ 5,058,689</b>	<b>\$ 4,575,270</b>	<b>\$ 483,419</b>

**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, 2022**

**Revenue Bond Debt Service Reserve Fund**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Water Sales	\$ -	\$ -	\$ -
Interest	581	1,000	(419)
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>581</b>	<b>1,000</b>	<b>(419)</b>
<b>Expenditures:</b>			
Personnel Services	\$ -	\$ -	\$ -
Materials and Services	-	-	-
Capital Outlay	-	-	-
Debt Service:			-
Principal	-	-	-
Interest	-	-	-
Operating Contingency	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	<b>581</b>	<b>1,000</b>	<b>(419)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	581	1,000	(419)
Beginning Fund Balance	102,321	102,472	(151)
<b>Ending Fund Balance</b>	<b>\$ 102,902</b>	<b>\$ 103,472</b>	<b>\$ (570)</b>

**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, 2022**

**Revenue Bond Debt Redemption Fund**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Water Sales	\$ -	\$ -	\$ -
Interest	13	7	\$ 6
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>13</b>	<b>7</b>	<b>6</b>
<b>Expenditures:</b>			
Personnel Services	\$ -	\$ -	\$ -
Materials and Services	-	-	-
Capital Outlay	-	-	-
Debt Service:			-
Principal	75,000	75,000	-
Interest	2,025	2,775	(750)
Operating Contingency	-	-	-
<b>Total Expenditures</b>	<b>77,025</b>	<b>77,775</b>	<b>(750)</b>
Excess of Revenues Over (Under) Expenditures	<b>(77,012)</b>	<b>(77,768)</b>	<b>756</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	80,000	80,000	-
Transfers Out	-	-	-
<b>Total Other Financing Sources</b>	<b>80,000</b>	<b>80,000</b>	<b>-</b>
Net Change in Fund Balance	2,988	2,232	756
Beginning Fund Balance	314	318	(4)
<b>Ending Fund Balance</b>	<b>\$ 3,302</b>	<b>\$ 2,550</b>	<b>\$ 752</b>



**REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS**

**PROGRAM COMPLIANCE INFORMATION**  
**COVERAGE INFORMATION – REVENUE BONDS**  
**Water Revenue Obligations, Series 2001**

**North Clackamas County Water Commission**  
Program Compliance Information - Coverage Computation  
Debt Service Coverage Information - Water Treatment Program Budgetary Basis  
Revenue Bonds, 2001 Series  
Fiscal Year Ended June 30, 2022

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<u>June 30,</u>	<u>Gross Revenue</u>	<u>Operating Expenses</u>	<u>Net Operating Revenues</u>	<u>Annual Debt Service</u>	<u>Net Revenue Available / (Working Capital)</u>	<u>Coverage</u>	<u>Coverage Met</u>
2021	\$ 2,857,699	\$ 2,389,642	\$ 468,057	\$ 81,075	\$ 386,982	5.77	Yes
2022						N/A	

Note: Last debt service payment July 1, 2021. At June 30, 2022, debt obligation paid in full.

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<u>Operating Expenses</u>				
<u>June 30,</u>	<u>Personnel Services</u>	<u>Materials and Services</u>	<u>Reserve for Capital Replacement</u>	<u>Subtotal</u>
2021	\$ 446,139	\$ 1,153,541	\$ 789,962	\$ 2,389,642
2022	No Requirement			

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- <sup>1</sup> Gross revenues comprise all fees and charges resulting from the provision of water services, revenues from product sales, and all other revenues placed in the General Fund as well as any interest earnings on the General Fund.
- <sup>2</sup> Operating Expenses means all expenses incurred for operations, maintenance and repair of the Water Facilities. Depreciation shall not be considered as an Operating Expense.
- <sup>3</sup> The reserve for capital replacement amount is an allocation of new revenue generated in the General Fund which is estimated to have been reserved for ongoing repair and replacement of existing capital assets in the water treatment program.
- <sup>4</sup> The Commission expects to pay all debt service with net operating revenues.
- <sup>5</sup> Refer to the Notes to the Basic Financial Statements for detailed information about the Commission's debt.
- <sup>6</sup> Remaining revenue available / (working capital required) reflects retained earnings available or working capital required for reserves and other future expenditures.

Source: North Clackamas County Water Commission records.

**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, 2022, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated January 24, 2023.

### 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  
January 24, 2023

**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**