

OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT
FOR THE PERIOD ENDED
JUNE 30, 2023

OAK LODGE WATER SERVICES AUTHORITY
Clackamas County, Oregon

Financial Report

For the Period Ended June 30, 2023

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

June 30, 2023

<u>Board of Directors</u>	<u>Term Expiration</u>
Susan Keil	June 30, 2027
Kevin Williams	June 30, 2025
Ginny Van Loo	June 30, 2025
Paul Gornick	June 30, 2025
Heidi Bullock	June 30, 2027

All board members receive mail at the address below.

Registered Agent

Sarah Jo Chaplen (2023)
Brad Albert (2026)
14496 SE River Road
Oak Grove, OR 97267

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

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Clackamas County, Oregon

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FINANCIAL SECTION

Report of Independent Auditors

The Board of Directors
Oak Lodge Water Services Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oak Lodge Water Services Authority (the Authority), which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the period 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 Authority as of June 30, 2023, and the results of its operations and its cash flows for the period 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 Authority 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 Authority'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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of the Net Pension Liability as of June 30, 2023, the Schedule of Contributions as of June 30, 2023, and the Schedule of Changes in Net OPEB Liability and Related Ratios (collectively, "required supplementary information") be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in 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 financial statements, and other knowledge we obtained during our audit of the 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 Authority's basic financial statements. The combining schedules and budgetary schedules (collectively, supplementary information) are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 February 27, 2026, on our consideration of the Authority's compliance with certain provisions of laws and regulations, including the provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Keith Simovic, Principal
For Baker Tilly US, LLP
Portland, Oregon
February 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Oak Lodge Water Services Authority (“Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal period ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in the notes to the financial statements.

Financial Highlights

- As of June 30, 2023, the Authority’s assets and deferred outflows exceeded its liabilities and deferred inflows by \$72.4 million (net position). On September 16, 2022, the Oak Lodge Water Services Authority received a transfer of all assets, liabilities and net position from the Oak Lodge Water Services District (“District”).
- During the nine month period ended June 30, 2023, net position increased \$69.6 million due to the transfer from the District and increased \$2.1 million due to current operations as operating revenues of \$11.9 million exceeded expenses of \$9.8 million.
- Because the period ended June 30, 2023 represents the Authority’s first year of operations, no prior-year financial information is available for comparison. Future analysis will include multi-year trend comparisons.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority’s basic financial statements. The Authority’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.

The Authority’s basic financial statements are intended to provide a broad overview of the Authority’s finances. The Statements of Net Position present information on assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Position present information on the Authority’s operating and non-operating activities and a 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 some 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 showing how the Authority’s cash changes 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 financial statements.

The activities of the Authority comprise business-type activities. The Authority provides water-related services and recovers its costs through service charges and sundry fees. Services include the distribution of drinking water, the collection and treatment of wastewater, and management of watershed protection. Accordingly, the Authority is an enterprise entity, and its finances are accounted for using proprietary fund accounting. Proprietary fund accounting is otherwise known as accrual accounting and provides that revenue is recorded when it is earned, and expenses are recorded when they are incurred.

Financial Analysis

Statements of Revenues, Expenses, and Change in Net Position

The actual change in net position is the direct result of the differences between revenues and expenses. For the period ended June 30, 2023, the change in net position subsequent to the transfer from the District was \$3.0 million.

The following schedule presents a summary of revenues, expenses, and changes in net position, with figures in thousands, for the period ended:

	June 30, 2023
Operating Revenues	\$ 11,868
Operating Expenses	9,801
Operating Income	2,066
Non-Operating Revenue (Expense)	374
Transfer from District	69,646
Capital Contributions	318
Change in Net Position	72,405
Beginning Net Position	-
Ending Net Position	\$ 72,405

Revenues

The Authority's primary source of operating revenue is service charges derived from water related services, including the distribution of drinking water, collection and treatment of wastewater, and provision of watershed protection services. Water demand, water utility service rates, and wastewater utility service rates are the primary drivers behind changes in drinking water and wastewater service charge revenue. Impervious surface area and watershed protection utility service rates are the primary driver behind changes in watershed protection service charge revenue. Some operating revenue is attributed to development activities related to the permitting of new utility connections and impervious surfaces. Historic utility rates including the District rates are below:

Utility Service	Category	Tier	Volume	2021 Monthly Rate	2022 Monthly Rate	2023 Monthly Rate
Water	Base	20GPM		\$ 17.87	\$ 17.87	\$ 18.68
Water	Base	30GPM		-	-	28.02
Water	Consumption	Tier 1	0-10 CCF	1.18	1.18	1.24
Water	Consumption	Tier 2	11-50 CCF	1.59	1.59	1.66
Water	Consumption	Tier 3	+51 CCF	1.87	1.87	1.96
Water	Consumption	Commercial	1+ CCF	1.66	1.66	1.73
Wastewater	Base			40.09	40.09	43.54
Wastewater	Consumption			2.28	2.28	2.47
Watershed Protection	Base			9.51	9.51	9.65
Stormwater Facility Maintenance	Base			4.75	4.75	4.82

In fiscal year 2020 the District hired Cavanaugh and Associates to perform a Non-Revenue Water Analysis (NRW) based on standards of the International Water Association (IWA) / American Water Works Association (AWWA) Water Audit Method, M36 Manual for Water Audits & Loss Control Programs,

and the Water Research Foundation (WRF) Level 1 Water Audit Validation Guidance Manual. The analysis provides the tools to implement best practices which entail leakage control and revenue recovery programs that will keep losses contained to appropriate, economically justified levels. The economic analysis from Cavanaugh and Associates established a Target NRW Recovery (“Gap”) of 109 million gallons of water a year or \$124 thousand a year. The water audit runs on a calendar year basis. Through December 31, 2022, water loss has been reduced by 32 million gallons or 20%. This reduction in water loss is attributed to the investment of the fire hydrant replacement schedule that the District, and now the Authority continues to improve throughout the entire service area. The Authority has not hit the target for non-revenue water loss and this “gap” warrants continued investment. The next several years will require implementation of loss reduction methods.

Expenses

The Authority’s activities comprise four primary functions, including general administration, drinking water operation, wastewater collection and treatment operation, and watershed protection. For the period ended June 30, 2023 the Authority’s total operating expenses were \$9,694.

	<u>June 30, 2023</u>
Operating Expenses:	
Personnel Services	\$ 3,501
Materials and Services	4,184
Depreciation	2,009
Subtotal Operating Expenses	<u>\$ 9,694</u>

The largest portion of operating expenses are comprised of materials and services expense at 43.2% of total operating expenses in the period ended June 30, 2023. Materials and services fluctuate from year to year depending on capital outlay versus maintenance and non-capital repairs.

The second largest portion of operating expenses reflects personnel expenses. Personnel services expenses comprised 36.1% of total operating expenses in the period ended June 30, 2023. An ongoing, unfunded pension liability and other post-employment benefits continue to pressure cost inflation in personnel services. Refer to Note 10 for additional details about the Authority’s defined benefit pension plan.

Recent initiatives have required the Authority to review its operations, water distribution network, water meters, and billing processes to assess whether it is maintaining its system adequately and accounting for all the water it purchases and sells. Ongoing capital asset management and maintenance requirements will continue to be a priority of the Authority in light of its aging system. Financial consulting services were needed to help the Authority manage the water audit and implement best practices by which to manage the Authority’s finances.

Water purchase expense by the Authority is initially calculated on budgeted costs based on estimated water demand of all members of the North Clackamas County Water Commission (NCCWC). Following the close of each year, a true-up is established by reconciling actual costs and actual water demand. In the event amounts are refunded to the members, water purchase expense of the members is reduced. The Authority (and District, for prior period) purchased .98% less water between the 12 month period ended June 30, 2022 and the 12 month period ended June 30, 2023, while its rate to purchase water increased by 3.42% from \$0.7667 per CCF to \$0.7929 per CCF during 2023. Refer to Note 7 for additional details about the Authority’s participation in the NCCWC and its water purchases in fiscal period ended June 30, 2023.

The remaining portion of operating expense reflects depreciation attributed to ongoing aging of capital assets. Depreciation expense comprised 20.5% of total operating expenses in the period ended June 30, 2023. The increase each year can be attributed to new replacement assets being placed in service as aging assets are disposed. Capital asset renewal and replacement costs will drive future changes in the level of depreciation expense.

Statement of Net Position

Net position serves as one useful indicator of a government's financial position. At the close of the period ended June 30, 2023, the Authority's assets and deferred outflows exceeded its liabilities and deferred inflows by \$72.4 million (net position). During the period ended June 30, 2023, the Authority received \$69.6 million of assets and liabilities from the District. The largest portion of net position (65.7%) reflected the Authority's investment in capital assets, net of related debt as of June 30, 2023. The Authority uses its capital assets to provide water-related services to the general public within its service boundaries. Consequently, capital assets are not available for future spending. A small portion of net position (0.8%) reflects cash resources that were restricted through legal loan reserve requirements. The remaining portion of net position (33.4% for June 30, 2023) was unrestricted and may be used to meet the Authority's ongoing obligations to citizens and creditors.

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

STATEMENTS OF NET POSITION
(in thousands)

	District June 30, 2022	Authority June 30, 2023
ASSETS AND DEFERRED OUTFLOWS		
Current Assets	\$ 16,868	\$ 15,078
Non-Current Assets		
Current Portion of Lease Receivable	2,379	2,422
Other Post-Employment Benefit	69	54
Investment in NCCWC	13,129	13,316
Capital Assets (Net)	71,305	73,486
Total Non-Current Assets	86,882	89,278
Total Assets	103,750	104,356
Deferred Outflows	3,484	3,007
Total Assets and Deferred Outflows	\$ 107,234	\$ 107,363
 LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities:	\$ 4,616	\$ 4,993
Long-Term Liabilities:		
Proportionate Share of Net Pension Liability	2,951	3,533
OPEB Liability - GASB 75 Implicit Rate Subsidy	190	173
Capital Lease, Less Current Portion	-	129
Bonds Payable, Less Current Portion	25,573	22,533
Total Long-Term Liabilities	28,714	26,368
Total Liabilities	33,330	31,361
Deferred Inflows	5,113	3,597
Total Liabilities and Deferred Inflows	38,443	34,958
Net Position:		
Net Investment in Capital Assets	42,631	47,742
Restricted	590	590
Unrestricted	25,570	24,073
Total Net Position	68,791	72,405
Total Liabilities, Deferred Inflows, and Net Position	\$ 107,234	\$ 107,363

Capital Asset and Long-Term Debt Activity

The District's capital asset activities include investments in land, buildings, machinery, wastewater reclamation facilities, sewer collection systems, water distribution systems, and various equipment. Capital assets acquired typically have lengthy life expectancies and generally recur in time periods spanning many years apart rather than on a year-to-year basis. For the period ended June 30, 2023 the Authority's capital acquisitions amounted to \$4.3 million in addition to the capital assets that were transferred from the District on September 16, 2022.

Capital acquisitions in period ended June 30, 2023 included the following (not all inclusive):

- Progress on repair and replace hydrant project	\$268,883
- Utility master plans – Wastewater/Sanitary plan complete	\$302,614
- Progress on renewal of water distribution system	\$1,323,993
- Progress on reservoir safety and repair	\$21,328
- Improvements to the sanitary sewer collection system	\$816,781
- Tertiary filtration	\$318,199

For the period ended June 30, 2023, capital investment of \$4.3 million was offset by depreciation expense and disposals of replaced assets totaling \$(2.0) million; therefore, subsequent to the \$71.1 million of capital assets transferred from the District, total capital assets increased \$2.3 million or 3.25%. See Note 6 to the financial statements for additional information on capital assets.

For the period ended June 30, 2023, the Authority's long-term debt has decreased by 8.72% from the initial amount transferred from the District of \$28.2 million. The decrease is the direct result of payments towards principal on outstanding debt. Principal payments during the period ended June 30, 2023, totaled \$2.7 million.

As of June 30, 2023, the Authority's total outstanding bonds payable was \$25.6 million consisting of revenue bonds. Additional information regarding the Authority's debt can be found in Note 9 of the Notes to Basic Financial Statements.

Fund Analysis

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is consistent with the accrual basis of accounting, except that capital outlay and debt financing are budgeted, while depreciation expense and amortization, and pension and OPEB related expenses are not. The focus of fund accounting is to provide information on near-term inflows, outflows, and balances of available resources.

The Authority has eight funds. They comprise four operating funds, one debt service fund, and three capital improvement funds. The operating funds distinguish revenue streams and related program requirements and include the Administrative Services Fund, the Drinking Water Fund, the Wastewater Fund, and the Watershed Protection Fund. All revenue related to respective functions are incorporated into its fund, including system development charges. Revenue for the Administrative Services Fund is primarily reimbursements for the support and services it provides to each of the other operating funds. Revenues for the other operating funds are primarily derived from utility service charges to customers. The debt service fund accounts for reserves and expenditures for debt service; specifically revenue bond debt. Revenue for the debt service fund is primarily comprised of interfund transfers from the operating funds in which service charges are collected to pay debt service. The three capital improvement funds account for reserves and expenditures for capital activity related to each of the three respective functions. Revenue for the three capital funds comes from transfers from the operating funds. The Authority's spending was within authorized appropriations across all funds.

Fund balance may serve as a useful measure of resources available for spending at the end of each fiscal year. At June 30, 2023 combined ending fund balance had decreased \$2,669 or 16.3% over the initial fund balance transferred from the District of \$16.3 million on September 16, 2022. The change in June 30, 2023 fund balance is the result of expenditures exceeding revenues and higher than estimated capital spending. Fund balance may be used to offset future budget shortfalls in order to maintain service levels without increasing rates.

The following schedule presents a summary of each fund’s ending balance:

FUND	Ending Fund Balance	
	Fiscal Year Ended June 30,	
	(in thousands)	
	District	Authority
	2022	2023
Administrative Services Fund	\$ 1,500	\$ 1,497
Drinking Water Fund	1,034	1,067
Wastewater Fund	1,319	633
Wastewater Debt Service Fund - General Obligation Bond	473	486
Watershed Protection Fund	591	605
Drinking Water Capital Improvement Fund	4,545	3,843
Wastewater Capital Improvement Fund	4,188	3,224
Watershed Protection Capital Improvement Fund	2,142	2,308
Subtotal	\$ 15,792	\$ 13,663

Refer to Note 15 for a discussion on net position and how ending fund balance reconciles to net position.

Economic Factors and Next Year’s Budget and Rates

The Oak Lodge Water Services Authority is a consolidated authority derived from the former Oak Lodge Water District on September 16, 2022. The Authority continues with the District’s efforts to update its public drinking water masterplan, including a rate study for both water distribution and system development fees. This will create the methodology for setting future rates for water functions.

New environmental regulations have been announced and more are on the horizon related to drinking water standards, wastewater requirements, and watershed protection. These new regulations include the establishment of pollutant load allocations, potential inclusion of restrictions on heretofore unregulated constituents, and the potential requirement for additional nutrient removal. The Authority’s Watershed Protection Program is regulated by a Municipal Separate Storm Sewer System (MS4) Permit in which the Authority is a Co-Permittee with other agencies. The Authority’s Water Reclamation Facility (WRF), sanitary sewers, and pumping stations are regulated by a National Pollutant Discharge Elimination System (NPDES) Permit. The NPDES is currently expired and the District operates under an extension of that permit while the new permit is being developed. A draft permit has additional requirements for performance, analyses, and monitoring. These new requirements add engineering, monitoring, and operational costs that were not in the expired permit. Although these new requirements are significant, the District does not consider them to be problematic for meeting all new NPDES Permit requirements.

The Authority’s commitment and obligation to reinvest in facilities that protect public drinking water and ensure watershed protection is a cornerstone of economic factors impacting the Authority’s business decisions, financial results, and corresponding financial position. A significant amount of capital investment was completed in the last seven years with the completion of upgrades to the District’s water reclamation facility improvement project, seismic upgrades to the water storage tanks and many other smaller projects; however, the Authority’s capital improvement plans identify further capital investment requirements in the future.

Current capital planning estimates indicate an additional \$83 million in capital investment across all programs will be required over the next decade. Total cash resources available for capital spending amounts to \$10.0 million as of June 30, 2023. To fund the necessary level of investment, the Authority will explore resources from future service charges, development fees, regional grants, and debt financing.

Economic Factors and Next Year’s Budget and Rates (Continued)

Below is a summary schedule reflecting a comparison between capital improvement fund reserves for future expenditures and capital improvement plan program requirements:

Capital Improvement Fund Cash Reserve Comparison to Capital Plan (In thousands)

	Capital Cash Reserve June 30, 2023	Six-Year Requirement	\$ Difference	% Difference
Capital Improvement Funds				
Drinking Water	3,883	22,833	(18,949)	-83.0%
Wastewater	3,848	52,561	(48,713)	-92.7%
Watershed Protection	2,308	18,000	(15,692)	-87.2%
Subtotal	<u>10,038</u>	<u>93,393</u>	<u>(83,355)</u>	<u>-89.3%</u>

The cost to deliver water-related services will continue to increase as the cost of labor, materials, energy, and capital investment escalate to satisfy program requirements. With that in mind, the Authority has been steadily increasing its base and consumption volume rates each year to fund program requirements and avoid rate volatility. Effective July 1, 2023, the Authority watershed protection base rate increased 1.47%, while the wastewater base rate was increased 8.61% and the wastewater consumption volume rate increased 8.33%. The Authority water base rates increased 4.53% while the water consumption volume tier 1, tier 2, and tier 3 rates increased 5.1%, 4.4%, and 4.8%, respectively. Together, the total monthly service charge billing for the average single-family household using 600 cubic feet of water (CCF) increased \$1.17 or 4.7% per month during the fiscal period.

Requests for Information

This financial report is designed to provide a general overview of the Oak Lodge Water Service Authority’s finances for parties interested in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager at 14496 SE River Road, Oak Grove, Oregon, 97267.

BASIC FINANCIAL STATEMENTS

**OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON**

STATEMENT OF NET POSITION

June 30, 2023

ASSETS:

Current:

Cash and Cash Equivalents	\$ 11,522,261
Restricted Cash	590,483
Accounts Receivable, net	2,273,920
Notes Receivable	53,352
Current Portion of Lease Receivable	130,017
Prepaid Expenses	199,150
Inventory	309,087
Total Current Assets	15,078,270

Non-Current:

Lease Receivable, Less Current Portion	2,422,088
Net OPEB Asset	53,878
Investment In NCCWC	13,315,990
Capital Assets, net	73,486,252
Total Non-Current Assets	89,278,208
Total Assets	104,356,478

DEFERRED OUTFLOWS OF RESOURCES:

Pension Related Deferrals	2,899,326
OPEB Related Deferrals	107,633
Total Deferred Outflows of Resources	3,006,959
Total Assets and Deferred Outflows of Resources	\$ 107,363,437

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 1,155,423
Payroll Liabilities	115,360
Unearned Revenue	47,177
Deposits Payable	24,454
Accrued Interest	226,282
Accrued Compensated Absences	341,901
Current Portion of Subscription Payable	42,259
Current Portion of Bonds Payable	3,039,916
Total Current Liabilities	4,992,773

Long-Term Liabilities:

Net Pension Liability	3,533,366
Total OPEB Liability	173,172
Subscription Payable, Less Current Portion	128,936
Bonds Payable, Less Current Portion	22,533,337
Total Long-Term Liabilities	26,368,811
Total Liabilities	31,361,584

DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows Related to Leases	2,364,438
Pension Related Deferrals	1,151,056
OPEB Related Deferrals	81,344
Total Deferred Inflows of Resources	3,596,838
Total Liabilities and Deferred Inflows of Resources	34,958,422

NET POSITION:

Net Investment in Capital Assets	47,741,803
Restricted	590,483
Unrestricted	24,072,729
Total Net Position	72,405,015
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 107,363,437

The accompanying notes are an integral part of these statements.

**OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Period Ended June 30, 2023**

OPERATING REVENUES:	
Water Service	\$ 3,313,854
Wastewater Service	7,113,046
Watershed Protection Service	1,249,741
Other Operating Revenues	190,897
Total Operating Revenues	11,867,539
OPERATING EXPENSES:	
Personnel Services	3,500,721
Materials and Services	4,184,140
Depreciation	2,009,056
Total Operating Expenses	9,693,916
Operating Income	2,173,623
NON-OPERATING REVENUE (EXPENSE):	
Unrealized Gain (Loss) on Investment in NCCWC	147,240
Gain on disposal of assets	47,500
Rents and Leases	226,030
Investment Revenue	325,132
Interest Expense	(478,971)
Total Non-Operating Revenue (Expense)	266,931
CAPITAL CONTRIBUTIONS:	
System Development Charges	318,397
Total Capital Contributions	318,397
SPECIAL ITEMS - CONTRIBUTION	
Transfer of Operations from the District	16,332,776
Transfer of Long Term Assets and Liabilities from the District	53,313,288
Total Special Items:	69,646,064
Change in Net Position	72,405,015
Beginning Net Position	-
Ending Net Position	\$ 72,405,015

The accompanying notes are an integral part of these statements.

**OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
For the Period Ended June 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 11,567,379
Cash Paid to Suppliers	(3,851,330)
Cash Paid to Employees	(3,947,436)
Net Cash Provided (Used) by Operating Activities	3,768,613
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(4,175,211)
Proceeds from disposal of capital asset	47,500
System development charges	318,397
Interest Paid on Long-Term Debt	(493,238)
Principal payment on lease	(115,741)
Principal payment on subscriptions	(42,896)
Principal Payments on bonds	(2,513,802)
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,974,992)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from the District	14,803,345
Rents and Leases	190,640
Net Cash Provided (Used) by Non-Capital Financing Activities	14,993,985
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	325,138
Net Cash Provided (Used) by Investing Activities	325,138
Net Increase (Decrease) in Cash	12,112,745
Cash and Cash Equivalents - Beginning of Year	-
Cash and Cash Equivalents - End of Year	\$ 12,112,745
 (1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:	
Cash and cash equivalents	\$ 11,522,261
Cash and cash equivalents - restricted	590,483
Subtotal	\$ 12,112,744
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income	\$ 2,173,623
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	2,009,056
Increase (Decrease) in Pension, OPEB, and Deferred Outflow/Inflow	(437,203)
Decrease (Increase) in Accounts Receivable	(279,160)
Decrease (Increase) in Prepaid Expenses	(99,135)
Decrease (Increase) in Inventory	29,075
Increase (Decrease) in Accounts Payable	402,869
Increase (Decrease) in Payroll Liabilities	(16,884)
Increase (Decrease) in Deposits Payable	(21,000)
Increase (Decrease) in Accrued Compensated Absences	7,372
Net Cash Provided (Used) By Operating Activities	\$ 3,768,613
 Non-cash transactions:	
The change in the Investment in NCCWC for the period ended June 30, 2023	\$ 147,240
Intangible assets - subscriptions purchased with debt	214,091

The accompanying notes are an integral part of these statements.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Oak Lodge Water Services Authority was created by the Clackamas County Board of Commissioners effective July 1, 2022. The Authority was formally effective as of September 16, 2022 and has undertaken the operations of the Oak Lodge Water Services District which was dissolved as of December 31, 2022.

Oak Lodge Water Services Authority (“Authority”) is a special service district organized and operating under Oregon Revised Statutes (ORS), Chapter 264, Chapter 450, and numerous other applicable statutes for purposes of providing drinking water, wastewater, and surface water management services. The Authority’s geographical boundaries exist in a highly urbanized area of largely unincorporated Clackamas County and comprise less than ten percent of the population of Clackamas County. The Authority also provides some services to individual governmental entities located outside of the Authority’s geographical boundaries, including the Clackamas River Water District, City of Gladstone, City of Milwaukie, and Clackamas County. These cross-jurisdictional services are provided through intergovernmental agreements with the entities.

The Authority is governed by a five-member Board of Directors. The daily management of the Authority is under the supervision of the General Manager, who is appointed by the Board of Directors. The District is the level of government financially accountable for all Authority operations; therefore, Authority related activity is included in the Authority’s financial statements. There are various governmental agencies and service districts that provide services within the Authority’s boundaries; however, the Authority is not financially accountable for these entities, and accordingly, their financial information is not included in the Authority’s financial statements.

During the period ended June 30, 2023, the Authority passed resolutions to accept a transfer from the Oak Lodge Water Services District (“District”) of its operations, assets, and liabilities effective September 16, 2022. Net Assets of \$69.6 million were transferred to the Authority. See Note 17 for the details of these transactions.

Measurement Focus, Basis of Accounting, and Basis of Presentation

For financial reporting purposes, the Authority reports its operations on an enterprise fund basis. Enterprise funds (a proprietary fund type) are accounted for on a flow of economic resources measurement focus. This measurement focus provides that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with operations are included on the Statements of Net Position.

The accrual basis of accounting is utilized by the Authority for financial reporting. Under the accrual basis of accounting, income is recorded when earned and expenses are recorded at the time liabilities are incurred. The Statements of Revenues, Expenses, and Changes in Net Position present increases (income) and decreases (expenses) in Authority net position.

New Accounting Pronouncements

During the year ended June 30, 2023, the Authority implemented the following GASB pronouncements with no impact on beginning net position:

1. Statement No. 96, Subscription Based Information Technology Agreements. The implementation of the standard recognizes a right-to- use intangible subscription asset and a corresponding subscription liability. See Note 6 and Note 9 for information on right to use capital assets and related subscription liabilities for agreements entered into during the fiscal year.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following items had no impact on the financial statements or disclosures:

2. Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements."
3. Statement No. 99, "Omnibus 2022."

Operating and Non-Operating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily the provision of water-related services, including the distribution of drinking water, collection and treatment of wastewater, and management of watershed protection. Operating revenues include service charges and related fees as well as miscellaneous fees interconnected to the Authority's ongoing operations. Operating expenses include all necessary costs related to the performance and administration of the Authority's ongoing activities as well as depreciation expense on the Authority's capital assets.

Non-operating revenues and expenses include rental income, debt premium proceeds or discount costs, interest income or loss, and income or loss derived from the disposal of capital assets. Capital contributions include system development fees associated with new connections to the Authority's water distribution system or wastewater collection and treatment facilities. Capital contributions also include capital grant income and capital grant expenditures that fund capital projects in which the Authority has a programmatic interest but fails to retain actual ownership of infrastructure. Non-exchange transactions, in which the Authority receives value without giving equal value in exchange, comprise developer contributions.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash on deposit, cash in restricted accounts, and positions in a cash and investment pool that has the same characteristics as a demand deposit (resources can be deposited or withdrawn without notice or penalty). Cash equivalents include investments in the State of Oregon Local Government Investment Pool (LGIP); the Authority's position in the LGIP approximates the fair value of the pool shares.

Restricted Cash is segregated on the Statements of Net Position and reflects cash deposits whose use is restricted to specific purposes. Restrictions may comprise unspent debt proceeds raised to finance water reclamation facility renovations, money market demand deposits related to construction retainage escrow liabilities, and debt financing reserve requirements stipulated by debt financing agreements.

Receivables

Utility service charges are billed in arrears to residential, commercial, and industrial customers. To effectively balance workload, maintain reasonable overhead, and cost-effectively manage the number of customer accounts billed, the Authority divides its standard size water meter accounts into two billing cycles with each cycle billed bimonthly on an alternating basis, and bills large water meter accounts monthly. All service

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

charges are due 15 days from the last day of the billing period. Service charges not paid by the fifteenth day of the following month are subject to an interest penalty in the amount of one percent (1%) per month on the unpaid balance or twelve percent (12%) per annum. Unbilled receivables comprise accruals for estimates of service fees owed through June 30 which are billed subsequent to the fiscal year end.

The Authority also has authority per Oregon Revised Statutes (ORS) to place a lien on real property for balances due to collect amounts owed through the real property title review process before properties are sold. In cases where the Authority cannot lien property the Authority sends the delinquent account to a collection agency. In cases where the Authority cannot shut-off water service or otherwise curtail water service the Authority may be able to certify delinquent wastewater and watershed protection fees to the Clackamas County Tax Assessor under authority provided by ORS 454.225 which allows such amounts to be collected alongside property tax charges.

Nevertheless, the Authority is still subject to uncollectible receivables due to federal and state bankruptcy rules and regulations shielding debtors from creditors and Clackamas County's payment discounts. Receivables, therefore, are reported net of an allowance for doubtful accounts based on a specified percentage of accounts receivables past 120 days old.

System development fees are generally due upon receipt of the service. However, in the event a customer cannot pay the Authority's system development fee(s), Oregon Revised Statutes provide for time payment. The Authority grants customers who request time payment the options provided by law, including the opportunity to execute a promissory note with the Authority. Promissory notes constitute a lien on property and are recorded as such on the title until paid in full. Other fees, including inspections, licenses, real property title search fees, reimbursements, and miscellaneous items are generally due upon receipt of invoice.

Unearned Revenue

Rent billed and collected prior to the month of service is recognized as unearned revenue.

Inventories

Inventory of materials is valued at the lower of cost or market, with cost determined on a weighted average basis, and is reported as an expenditure as used. Materials procured for capital projects are recorded in Construction in Progress until the project is complete and placed in service.

Capital Assets

Capital assets primarily include land, buildings, water distribution system infrastructure, sanitary sewer collection system infrastructure, watershed protection system infrastructure, machinery and equipment, vehicles, and similar items, including intellectual property, with a cost of \$5,000 or more, and an expected useful life greater than one year.

The cost of capital assets acquired and/or constructed includes all expenses incurred in the acquisition or construction of the asset, including capital project master planning, engineering design, and legal services.

Capital assets acquired and/or constructed are capitalized and recorded at cost (or estimated historical cost). Capital assets donated to the Authority are recorded at estimated fair market value as of the date of acquisition.

Staff labor in relation to planning, designing, and constructing capital assets as well as staff labor renewing capital assets to extend useful life are not capitalized. The cost of normal maintenance and

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

repairs that do not add to the value of capital assets or materially extend capital assets estimated useful life are expensed in the fiscal year incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets.

Capital assets estimated useful lives are as follows:

Building and Improvements:	10 to 50 years
Infrastructure:	33 to 50 years
Equipment:	5 to 10 years

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statements of Net Position report a separate section for deferred outflows of resources or deferred inflows of resources. These separate financial statement elements represent a consumption (outflow) or acquisition (inflow) of net position that applies to a future period(s) and so will not be recognized as an outflow (expense/expenditure) or inflow (revenue) of resources until then.

Accrued Compensated Absences Liabilities

Employees earn sick, vacation, and personal holiday leave through their employment with the Authority. Accumulated sick leave is limited to nine-hundred twenty (920) hours. Accumulated vacation leave is limited to a maximum of four-hundred (400) hours. Accumulated personal holiday leave is limited to twenty-four (24) hours. Employees may also earn compensatory leave in lieu of overtime pay for hours worked in excess of eight (8) hours per workday or forty (40) hours per work week but accumulated compensatory leave is limited to a maximum of eighty (80) hours. The Authority does not recognize an expense or accrue a liability for accumulated sick leave or personal holiday leave because employees do not receive compensation for unused sick leave hours if they separate from service with the Authority and personal holiday leave is subject to expiration after the last day of each calendar year. The Authority recognizes an expense and accrues a liability for accumulated vacation leave hours and compensatory leave because employees receive compensation for unspent vacation leave hours and compensatory leave hours if they separate from service with the Authority.

Long-Term Debt

Long-term debt is reported based on the remaining principal amount due. Premiums and discounts are amortized using the effective interest method over the remaining life of the associated debt.

Net Position

Net position is the difference between assets and deferred outflows of resources versus liabilities and deferred inflows of resources. Net position has three components: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of resources that are subject to constraints by external parties, including lenders, grantors, contributors, laws, regulations, and enabling legislation. Amounts reported correspond to legal loan reserves of the Authority's long-term debt. Unrestricted net position consists of all other resources that are available for meeting financial obligations of the Authority. Net position may be used to offset periods of budget shortfalls in order to maintain service rates.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Retirement Plan and Other Post-Employment Benefits (OPEB)

Substantially all of the Authority'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 they are reported by PERS. 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.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers. Occasionally, one fund will borrow cash from another fund on a short-term basis, which is then reported as "due from" in current assets of the lending fund and "due to" in the current liabilities of the borrowing fund. These short-term loans are made and repaid without interest and are often used to cover short-term cash deficits caused by timing differences in cash flows.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with the accrual basis of accounting, except that capital outlay is expensed when purchased, depreciation and amortization are not recorded, developer contributions are not recorded, debt is recorded as resources when received, pension costs are not recorded until paid, and debt payments are recorded as expenses when paid. A preliminary budget is prepared and presented to a Budget Committee, which is comprised of the Board of Directors and an equal number of non-elected citizens. After public meetings, the Budget Committee forwards its approved budget to the Authority's Board of Directors. The Board conducts a public hearing, adopts the final budget, and makes appropriations prior to the beginning of the fiscal year.

Appropriations are made by fund at the major category level (personnel services, materials and services, operating contingencies, transfers to other funds, capital outlay, and debt service) for each fund. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular Board meeting. A supplemental budget greater than or equal to 10% of the fund's original budget requires hearings before the public, publication, and approval by the Board of Directors.

Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by the Board of Directors. Appropriations lapse on June 30 of each fiscal year. Expenditures of the various funds were within authorized appropriations.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Authority's investment in the Local Government Investment Pool (LGIP) is also reported as cash and cash equivalents.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool and is not

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

3. CASH AND CASH EQUIVALENTS (CONTINUED)

registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. Amounts in the State Treasurer's Local Government Investment Pool 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.

State statutes and the Authority's own investment policy govern the Authority's cash management policies. Statutes authorize the Authority 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).

Cash and cash equivalents at June 30, 2023 (recorded at fair value) consisted of:

	<u>June 30, 2023</u>
Deposits with Financial Institutions:	
Petty Cash	\$ 450
Demand Deposits:	
Checking	635,914
Deposits with LGIP	<u>11,476,380</u>
Total cash and cash equivalents	<u>\$ 12,112,744</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover the value of its deposits and collateral securities in the possession of the financial institution. The Authority does not have a deposit policy for custodial credit risk. The Authority's demand deposit accounts, and time and saving deposit accounts with financial institutions are each insured by either the Federal Depository Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) up to a maximum of \$250,000. To provide additional security, where balances exceed \$250,000, Oregon statutes require depositories qualified to hold public funds to participate in the Oregon Public Funds Collateralization Program in which depositories become part of a multiple financial institution collateral pool and are required to pledge as collateral securities with a value at least equal to their maximum liability towards protecting public funds in the event one or more of the participating depositories fail. Securities are held in the safekeeping of a custodian chosen by the state.

The Oregon Public Funds Collateralization Program determines each depository's maximum liability from the depository's capitalization category set forth by the FDIC. The program is intended to eliminate custodial credit risk and make loss very unlikely but does not actually guarantee absolute total safety. As of June 30, 2023, the Authority held \$635,914 (book balance) in deposits with a bank balance of \$963,254;

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

3. CASH AND CASH EQUIVALENTS (CONTINUED)

of this amount, \$250,000 was insured by the FDIC, respectively. The remaining amount is collateralized under the Oregon Public Funds Collateralization Program (PFCP).

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes restrict the Authority to specific types of investments, including general obligations of the United States Government and its agencies, obligations of the State of Oregon that have a rating of A or better, obligations of the States of California, Idaho, and Washington that have a rating of AA or better, A-1 or better rated commercial paper, banker's acceptances, AA rated corporate bonds,

A rated corporate bonds of certain holding companies in the State of Oregon, time deposits, repurchase agreements, and Oregon's Local Government Investment Pool (LGIP).

The Authority's investment policy is consistent with Oregon's restrictions on investments. At June 30, 2023, the Authority had no investments, other than deposit investments in the LGIP.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy limits investment in a single security type or with a single financial institution to no more than eighty percent (80%) of the Authority's total portfolio, with the exception of commercial paper and Oregon's Local Government Investment Pool (LGIP). Investments in commercial paper and corporate notes are limited to no more than thirty-five percent (35%) of the Authority's total portfolio at the time of investment, and investment in commercial paper and corporate notes of a single holding or single issuer is further limited to no more than five percent (5%) of the Authority's total portfolio. Investments in the LGIP may exceed eighty percent (80%) of the Authority's total portfolio as the Oregon Short-Term Fund (the Fund) utilizes a variety of investment vehicles and financial institutions. At June 30, 2023, the Authority's deposit and investment types, as a percentage of the Authority's total deposit and investment portfolio, included public funds deposit accounts (7.6%) and the LGIP (92.4%).

Interest Rate Risk

Interest rate risk is the risk of loss attributable to liquidating investments prior to maturity but subsequent to periods of increasing interest rates. The Authority's investment policy is to match investment activity to cash flow requirements and invest to maturity in an effort to avoid loss through untimely conversion of investments to cash. The Authority's investment policy further limits investments to financial securities with maturity terms of eighteen (18) months or less to minimize exposure to fair value losses arising from increasing interest rates.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE

Accounts receivable detail for each operating fund at June 30, 2023 were as follows:

	Administrative Services	Drinking Water	Wastewater Disposal	Watershed Protection	Total
Service charges accounts receivable					
Billed service charges	\$ 2,707	\$ 428,818	\$ 941,661	\$ 179,505	\$ 1,552,691
Unbilled service charges	-	371,494	351,062	38,869	761,425
Subtotal	2,707	800,312	1,292,723	218,374	2,314,116
Allowance for doubtful accounts	-	(63,762)	(107,440)	(18,092)	(189,295)
Subtotal service charges receivable, net	2,707	736,550	1,185,283	200,281	2,124,821
Property taxes accounts receivable	-	163	371	65	599
Other Accounts Receivable	74,244	73,106	1,150	-	148,500
Total Accounts Receivable	<u>\$ 76,951</u>	<u>\$ 809,819</u>	<u>\$ 1,186,804</u>	<u>\$ 200,346</u>	<u>\$ 2,273,920</u>

5. LEASES RECEIVABLE

Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The discount rate is determined by the Authority's incremental borrowing rate at the time the lease is executed.

As of June 30, 2023, the Authority had 4 active lease receivables expiring between 2024 and 2056. The leases have annual receipts that range from \$23,958 to \$49,982 and interest rates that range from 0.6170% to 2.1880%. The total combined value of the lease receivable was \$2,481,287, the total combined value of the short-term lease receivable was \$70,818, and the combined value of the deferred inflow of resources related to long term leases was \$2,364,538.

	Balance June 30, 2022	Transfer from District	Additions (Reductions)	Balance June 30, 2023	Due within 1 year
Facility leases	\$ -	\$ 53,016	\$ 17,802	\$ 70,818	\$ 70,818
Land leases receivable - long term	-	2,542,500	(61,213)	2,481,287	59,199
	\$ -	\$ 2,595,516	\$ (43,411)	\$ 2,552,105	\$ 130,017
Deferred Inflow of Resources - Leases	\$ -	\$ (2,479,091)	\$ (114,653)	\$ (2,364,438)	\$ 134,372

Payments to maturity are as follows:

Fiscal Year	Principal Payments
2024	\$ 130,017
2025	53,277
2026	33,099
2027	30,889
2028	35,565
2029-2033	222,581
2034-2038	317,391
2039-2043	403,979
2044-2048	400,638
2049-2053	531,434
2054-2057	393,235
Total	<u>\$ 2,552,105</u>

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

6. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2023 are summarized below:

OAK LODGE WATER SERVICES AUTHORITY CAPITAL ASSET SCHEDULE OF CHANGES FISCAL PERIOD ENDED JUNE 30, 2023						
	Balance June 30, 2022	Transfer from District	Additions	Disposals	Transfers	Balance June 30, 2023
Capital Assets Not Being Depreciated:						
Land	\$ -	\$ 1,334,163	\$ -	\$ -	\$ -	\$ 1,334,163
Construction in Progress	-	2,327,409	3,384,406	-	(3,619,219)	2,092,596
Total Capital Assets Not Being Depreciated	-	3,661,572	3,384,406	-	(3,619,219)	3,426,759
Capital Assets Being Depreciated:						
Buildings and Improvements	-	46,633,021	-	-	-	46,633,021
Water Systems	-	16,955,307	-	-	1,623,351	18,578,658
Wastewater Systems	-	16,531,582	392,354	-	1,995,868	18,919,804
Equipment	-	28,117,159	333,854	(129,523)	-	28,321,490
Right to use assets	-	-	214,091	-	-	214,091
Total Capital Assets Being Depreciated	-	108,237,069	940,299	(129,523)	3,619,219	112,667,064
Total Capital Assets	-	111,898,641	4,324,705	(129,523)	-	116,093,823
Less Accumulated Depreciation and Amortization for:						
Buildings and Improvements	-	13,375,890	676,716	-	-	14,052,606
Water Systems	-	8,185,798	265,961	-	-	8,451,759
Wastewater Systems	-	7,882,956	260,134	-	-	8,143,090
Equipment	-	11,283,394	781,984	(129,523)	-	11,935,855
Right to use assets	-	-	24,261	-	-	24,261
Total Accumulated Depreciation and Amortization	-	40,728,038	2,009,056	(129,523)	-	42,607,571
Total Capital Assets Being Depreciated, Net	-	67,509,031	(1,068,757)	-	-	70,059,493
Total Capital Assets, Net	\$ -	\$ 71,170,603	\$ 2,315,649	\$ -	\$ -	\$ 73,486,252

7. JOINT VENTURE

In partnership with Sunrise Water Authority and the City of Gladstone, the North Clackamas County Water Commission (the Commission) was organized under Oregon Revised Statutes Chapter 190. The Commission was established to provide joint ownership and operations for the supply, pumping, treatment, storage, and transmission of municipal, industrial, and agricultural waters. Each partner shall have the right to call upon the system for the treatment of raw water up to that portion of the then-existing design capacity of the system as shall equal the requesting partner's undivided interest in the system. Each partner shall be obligated to pay for the water supplied or purchased by the system and delivered to the partners. The Authority purchased a total of 912,801 one-hundred cubic feet of water (CCF) for \$767,266 during period ended June 30, 2023.

The Authority's investment in the Commission at June 30, 2023 was \$13,315,990. The partners currently own interest in the Commission, as follows: Sunrise Water Authority, 48%; City of Gladstone 10%; and Oak Lodge Water Services Authority, 42%. The partners may terminate the agreement with one-year notice. Upon such notice, the property will be purchased by the non-terminating party (if they desire) or sold to some other entity. Oak Lodge Water Services Authority provides financial management services to the Commission through an intergovernmental agreement. In the financial period ended June 30, 2023, the Commission paid a total of \$36,000 to the Authority for financial services rendered.

The North Clackamas County Water Commission issues a publicly available financial report which may be obtained by writing NCCWC, 14496 SE River Road, Oak Grove, OR 97267.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

8. ACCRUED COMPENSATED ABSENCES

The Authority estimates one hundred percent (100%) 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 Authority's accrued compensated absences liability balance changed as follows:

	Balance June 30, 2022	Transfer in District	Net Change	Balance June 30, 2023
Accrued Compensated Absences	-	\$ 334,529	\$ 7,372	\$ 341,901

9. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2023, were as follows:

	Transfers from District	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Revenue bonds payable					
Clean Water State Revolving Fund Loans	\$ 11,045,851	-	\$ (475,421)	\$ 10,570,430	\$ 964,834
Infrastructure Financing Authority Loans	3,376,788	-	(310,030)	3,066,758	322,781
Issuance premium	639,417	-	(120,351)	519,066	109,301
Financed equipment purchases	115,741	-	(115,741)	-	-
Subtotal revenue bonds payable	15,177,797	-	(1,021,543)	14,156,254	1,396,916
Bank placements payable:					
Full Faith and Credit	783,000	-	(188,000)	595,000	193,000
Revenue Bonds	12,242,000	-	(1,420,000)	10,822,000	1,450,000
Subtotal Bank placements payable:	13,025,000	-	(1,608,000)	11,417,000	1,643,000
Subscription agreements	-	214,091	(42,896)	171,195	42,259
Total	\$ 28,202,797	\$ 214,091	\$ (2,672,439)	\$ 25,744,449	\$ 3,082,175

Revenue Bonds

On September 16, 2022, the Authority accepted responsibility for the debts of the District as follows:

In fiscal year 2011, the District was awarded loans up to \$19,409,645 by the State of Oregon Department of Environmental Quality Clean Water State Revolving Fund Loan Program for Intended-Use Plans. The District accepted and received \$19,000,000 of the proceeds and subsequently transferred them to the Authority on September 16, 2022. The loans will be repaid over a twenty-year term to maturity and the range of interest rates associated with the loan series is 0% to 2.65% plus an annual administrative fee of 0.50% of the principal balance. The total net interest cost of the entire loan series to maturity, including the administrative fee, is 2.45%.

Annual debt service requirements for Clean Water State Revolving Fund loans are as follows:

Year	Principal	Interest	Admin Fee
2024	\$ 964,834	\$ 209,162	\$ 50,452
2025	983,902	190,094	45,580
2026	1,003,481	170,515	40,612
2027	1,023,579	150,417	35,545
2028	1,044,217	119,781	30,376
2029-2033	5,550,417	319,578	70,583
Total	\$ 10,570,430	\$ 1,159,547	\$ 273,148

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

9. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

The Clean Water State Revolving Fund program receives capitalization grants through the Assistance Listing Number (ALN) No. 66.458: Capitalization Grants for State Revolving Funds and is subject to the regulations of the U.S. Environmental Protection Agency (EPA). Of the amount borrowed through the Clean Water State Revolving Fund, \$12,573,566 or 66% of the funds comprised federal capitalization grant funds, whereas the remaining \$6,426,434 of the \$19,000,000 borrowed through the Clean Water State Revolving Fund comprised state funds.

The Clean Water State Revolving Fund program has a loan reserve requirement in which the Authority must place in reserve an amount equal to one-half the average annual debt service. As a result, the Authority has established a legal reserve amount of \$590,483 to satisfy the Clean Water State Revolving Fund legal loan reserve requirements. This amount is reported both as restricted cash in current assets and restricted net position on the face of the Authority's Statements of Net Position.

The Clean Water State Revolving Fund program also maintains a debt service coverage requirement in which the Authority must maintain wastewater rates and charge fees in connection with the operation of the facility that are adequate to generate net operating revenues in each fiscal year sufficient to pay all revenue backed debt service requirements. Net operating revenues are defined as gross revenue less operating expenses. Operating expenses are defined as direct and indirect expenses related to the operation, maintenance, and repair activities of the Authority, including but not limited to administrative expenses, legal, financial and accounting expenses, insurance premiums, claims (to the extent that monies are not available from insurance proceeds), taxes, engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the Authority.

Operating expenses include an appropriate amount for reserves for repair and replacement of facilities and equipment based on management's estimates of expected useful life of capital assets.

Under the terms of the agreement, debt service coverage must be equal to the debt service coverage factor of 105% multiplied by the debt service payments due under the Clean Water State Revolving Fund loan agreement plus any amount that the program determines is inadequately secured or otherwise may adversely affect the ability of the Authority to repay the loan. General obligation bond debt and recovery zone economic development bond loans are secured by property tax revenue, but the Authority has pledged to repay them with service charge revenue, so it is being considered by the program when calculating the debt service coverage ratios. Therefore, all debt service is considered when reviewing whether revenues are sufficient to cover all other debt service and meet a reserve requirement for repair and replacement.

The Authority must review its wastewater rates and fees at least annually. If, in any fiscal year, the Authority fails to collect fees sufficient to meet the debt service coverage requirement, the Authority shall promptly adjust its wastewater rates and fees to assure future compliance with such coverage requirement. The Authority's adjustment of the wastewater rates and fees does not constitute a cure of any default. The failure to adjust rates shall not, at the discretion of State of Oregon Department of Environmental Quality (DEQ), constitute a default if the Authority transfers to the fund that holds the net operating revenues unencumbered resources in an amount equal to the revenue deficiency. The Authority has maintained adequate reserves, and as a result, has not been subject to any consequences for years in which the Authority failed to satisfy coverage requirements. As a result, the Authority believes its current working capital and/or fund balance in the Wastewater Reclamation Fund, which is the operating fund that accounts for nearly all of wastewater related net operating revenues, has been considered satisfactory in years with debt service coverage default.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

9. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

During 2021, the District participated in the Refunding of Oregon Business Development Department (“OBDD”) 's Infrastructure Finance Authority bond. Oregon Bond Bank Revenue & Refunding Bonds Series 2021A and 2021B funded on February 18, 2021. The loans are being repaid over a ten-year term to maturity with an effective interest rate of 1.323%. The bonds were issued at a premium in the amount of \$742,639. The premium is being amortized using the effective interest method over its related term to maturity from fiscal year 2022 to fiscal year 2031. The economic gain at closing was a net present value savings of 11.61% percent, a savings of \$522,078 over the remaining term of the bonds.

<u>Year</u>	<u>Principal</u>	<u>Premium</u>	<u>Interest</u>
2024	\$ 322,781	\$ 109,301	\$ 153,338
2025	335,670	97,797	137,199
2026	353,704	85,834	120,415
2027	376,889	73,227	102,730
2028	390,233	59,795	83,886
2029-2031	1,287,481	93,112	130,926
Total	<u>\$ 3,066,758</u>	<u>\$ 519,066</u>	<u>\$ 728,494</u>

Lease Liability

On September 27, 2017, the District entered into a purchase contract with KS Statebank as obligor for financing the acquisition of an equipped vehicle valued at \$398,543. The financing will be paid over a five-year term to maturity and the weighted average interest rate associated with the financing is 3.65%. As a condition of the purchase contract, the supplier of the installed equipment on the vehicle has agreed to take assignment of the contract from the seller for an amount equal to the final payment amount of \$120,000 including accrued interest, if the District notifies the seller that it does not intend to appropriate funds for its final contract payment. This lease was paid in full during the period ended June 30, 2023.

Subscription Liability

The Authority maintains two subscription-based information technology agreements for accounting and communications software. These agreements range from 38-60 months beginning in 2022 and have annual payments of approximately \$36,562 and \$1,000 with escalation clauses for future years. The related intangible assets are included in capital assets.

Annual principal and imputed interest requirements on the contracts are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 42,259	\$ 6,345
2025	45,754	4,679
2026	42,370	2,958
2027	40,811	1,514
	<u>\$ 171,195</u>	<u>\$ 15,496</u>

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

9. LONG-TERM DEBT (CONTINUED)

Direct Placement Debt

On December 20, 2017, the District borrowed \$15,173,000 in a bank placement to defease and replace \$14,310,000 of the 2010 General Obligation Bonds that were callable and had a 4% coupon rate. The 2017 bank placement loan has a thirteen-year term to maturity and the interest rate is 2.50%. The net proceeds on the refunded bonds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment. As a result, the refunded bonds are considered defeased, and the liability for those bonds was removed from the Statement of Net Position. The advance refunding will save the Authority approximately \$915,000 in total debt service through fiscal year 2030. The economic gain or difference in present value on the debt service related to the old debt relative to the new debt is about \$787,000.

Annual debt service requirements to maturity for the bank placement are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	1,450,000	270,550
2025	1,490,000	234,300
2026	1,527,000	197,050
2027	1,543,000	158,875
2028	1,581,000	120,300
2029-2030	3,231,000	121,025
Total	<u>10,822,000</u>	<u>1,102,100</u>

Under the terms of the bank placement, the Authority entered into a covenant that it will charge rates and fees in connection with the operation of the wastewater system which are adequate to generate “coverage revenues” that are at least equal to, 1) one hundred twenty percent (120%) of Parity Bond Debt Service, and 2) one hundred percent (100%) of Combined Parity and Subordinate Obligation Debt Service. Coverage revenues are defined as gross operating revenues less budgetary operating expenses but excludes some specific revenues and expenses like system development charge fees, capital expenditures, extraordinary, non-recurring items, as well as many other types of transactions typically not considered regular on-going activities.

Parity bond debt service comprises debt service related to the bank placement. Subordinate obligations comprise debt service related to the State of Oregon Department of Environmental Quality (DEQ) Clean Water State Revolving Fund (CWSRF) Loan. Debt service that is not legally pledged by revenues is not considered in the coverage calculation for purposes of the bank placement. For the period ended June 30, 2023, the Authority’s coverage revenues satisfied its debt service coverage requirements on both Annual Bond Debt Service and Combined Annual Debt Service.

If an Event of Default occurs the amounts due are not subject to acceleration but the Bank may increase the interest rate by one and one-half percentage points (1.50%) while an Event of Default continues. An Event of Default includes a default in the observance and performance of any covenant, condition, or agreement in the loan agreement and the default continues for ninety (90) days after the Authority receives a written notice, specifying the default and demanding the cure of the default from the bank.

On February 5, 2019, the Authority borrowed \$1,320,000 from Zions Bank to fund a Authority -wide water meter replacement program. The Authority has pledged its full faith and credit and taxing power within the limits of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the principal and interest due under the financing agreement; however, the Authority is not currently authorized to levy additional

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

9. LONG-TERM DEBT (CONTINUED)

property taxes to pay the amounts due under this financing agreement. The loan will be repaid over a seven-year term to maturity, at an interest rate of 2.69%.

Annual debt service requirements to maturity for the bank placement are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	193,000	16,006
2025	198,000	10,814
2026	204,000	5,488
Total	<u>595,000</u>	<u>32,308</u>

10. 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 which can be located on the following State of Oregon webpage: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

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

Based on the date of hire, PERS members are separated into two different benefit plans:

- 1) 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% for police and fire employees, and 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at 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 one or more of the following conditions are met:

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLAN (continued)

- 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.

2) 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 is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit.

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

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. The cap on the COLA will vary based on the amount of the annual benefit.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2017 actuarial valuation, which became effective July 1, 2019. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced.

The Authority's total defined benefit pension contributions for the period ended June 30, 2023 was \$904,760 excluding amounts to fund employer specific liabilities. The Authority's total defined benefit pension contribution in the year ended June 30, 2023 was \$1,117,760 when you include its \$213,000 lump-sum supplemental payment to establish a side account which increased the Authority's actuarial assets and reduced the gap between actuarial assets and actuarial liabilities (UAL). Establishing a side account pays down some of the District's pension obligation, which reduces its contributions and rates over a period of time. The side accounts are invested by the Oregon State Treasury in the Oregon Public Employees Retirement Fund (OPERF) and are subject to earnings and losses which are applied to the account at the end of each year.

At June 30, 2023 the Authority reported a net pension liability of \$3,533,366 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2020. The Authority's proportion of the net pension liability was based on a projection of the Authority'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, 2022, the Authority's proportion was .0231 percent.

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in subsequent fiscal years.

Deferred outflows and inflows for the period ended June 30, 2023 were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 171,516	\$ 22,035
Changes of assumptions	554,404	5,065
Net difference between projected and actual earnings on investments	-	631,698
Changes in proportion	-	480,694
Differences between employer contributions and proportionate share of contributions	<u>1,055,646</u>	<u>11,564</u>
Total (prior to post-MD contributions)	1,781,566	1,151,056
Contributions subsequent to the MD	<u>1,117,760</u>	-
Total	<u><u>\$ 2,899,326</u></u>	<u><u>\$ 1,151,056</u></u>

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<u>Year ended June 30:</u>	
2024	\$ 157,131
2025	111,860
2026	(102,529)
2027	413,854
2028	50,194
Total	<u>\$ 630,510</u>

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS systemwide GASB 68 reporting summary dated March 1, 2022. PERS issues a publicly available financial report that can be obtained at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>. If the link is expired, please contact Oregon PERS for this information.

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 in effect for 2023:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020, published July 20, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
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 overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 2020 Experience Study which is reviewed for the four-year period ended December 31, 2020.

Assumed Asset Allocation

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

Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.40%

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for 2022 and 7.2% for 2021 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

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate exists. The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.9% effective July 23, 2021; as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

2023	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$ 6,266,120	\$ 3,533,366	\$ 1,246,178

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be 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. However, Paragraph 80 of GASB 68 requires employers 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 Authority is not aware of any changes that will have a significant effect on the Authority’s share of the collective Net Pension Liability.

11. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees of the Authority 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-,

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED CONTRIBUTION PENSION PLAN (Continued)

20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Contributions

Employees of the Authority contribute six percent (6%) of their covered payroll. The Authority did not make any optional contributions to member IAP accounts for the period ended June 30, 2023.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. 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 RHIA 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.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31,

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

2019 actuarial valuation, which became effective July 1, 2020. Participating districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The Authority's contributions to RHIA for the period ended June 30, 2023 was \$305, which equaled the required contributions for each year.

At June 30, 2023, the Authority maintained a net post-employment benefit asset in the amount of \$53,878 for its proportionate share of the net post-employment benefit asset for the RHIA; however, this asset offsets other post-employment benefit liabilities for implicit subsidies associated with post-employment health insurance liabilities discussed later so its value is reflected in a net post-employment benefit liability on the statement of net position.

The post-employment benefit asset was measured as of June 30, 2022, and the total post-employment benefit asset used to calculate the net post-employment benefit asset was determined by an actuarial valuation dated December 31, 2020. The Authority's proportion of the net post-employment benefit asset was based on a projection of the Authority's long-term share of contributions to the RHIA relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2022, the Authority's proportion was 0.015 percent.

Deferred outflows and inflows for the period ended June 30, 2023 were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,460
Changes of assumptions	422	1,796
Net difference between projected and actual earnings on investments	-	4,109
Changes in proportionate share	<u>9,279</u>	<u>-</u>
Total (prior to post-MD contributions)	9,701	7,365
Contributions subsequent to the MD	<u>305</u>	<u>-</u>
Total	<u>\$ 10,006</u>	<u>\$ 7,365</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in subsequent fiscal years in the Authority.

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

<u>Year ended June 30:</u>	
2024	\$ 3,620
2025	(7)
2026	(2,593)
2027	<u>1,316</u>
Total	<u>\$ 2,336</u>

Sensitivity Analysis

Sensitivity of the Authority's proportionate share of the net post-employment benefit asset to changes in the discount rate exists. The following presents the Authority's proportionate share of the net post-employment benefit asset calculated using the discount rate in effect during the year, as well as what the Authority's proportionate share of the net post-employment benefit asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

2023	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Proportionate share of the net pension asset	<u>\$ 48,560</u>	<u>\$ 53,878</u>	<u>\$ 58,438</u>

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Post-employment Health Insurance Subsidy

Plan Description

The Authority administers a single employer defined benefit healthcare plan that covers both active and retired participants. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the Authority's group health insurance plans. The Authority's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. For the year ended June 30, 2023, the valuation date was December 31, 2020 and the measurement date was June 30, 2022.

Funding Policy

The Authority has not established a trust fund to finance the cost of post-employment health care benefits related to implicit rate subsidies. Premiums are paid by retirees based on the rates established for active employees. Additional costs related to an implicit subsidy are paid by the Authority on a pay-as-you-go basis. There is no obligation on the part of the Authority to fund these benefits in advance.

Actuarial Methods and Assumptions

See the Oregon Public Employees Retirement System Retirement Health Insurance Account Cost Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer As of and for the Year Ended June 30, 2021 which can be obtained online via PERS GASB Resources here: <https://www.oregon.gov/pers/emp/pages/gasb.aspx> to see the actuarial methods and assumptions used to calculate the amounts reported herein.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in the Net OPEB Liability:

Balance as of June 30, 2022	\$ 190,265
Changes for the year:	
Service cost	15,584
Interest on total OPEB liability	4,283
Effect of changes to benefit terms	-
Effect of economic demographic gains or losses	-
Effect of assumptions changes or inputs	(21,733)
Benefit payments	<u>(15,227)</u>
Balance as of June 30, 2023	<u><u>\$ 173,172</u></u>

Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, calculated using a discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.54%) or 1 percentage-point higher (4.54%) than the current discount rate of 3.54%, effective July 1, 2021: The long term expected rate of return was 6.9% for fiscal year 2023.

	1% <u>Decrease</u>	Current <u>Discount Rate</u>	1% <u>Increase</u>
Total OPEB Liability, 2023	\$ 188,030	\$ 173,172	\$ 159,578

Deferred outflows and inflows as of June 30, 2023 comprise the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,906	\$ 51,878
Changes of assumptions	<u>47,406</u>	<u>22,091</u>
Total (prior to post-MD contributions)	80,312	73,969
Contributions subsequent to the MD	<u>17,315</u>	<u>-</u>
Total	<u><u>\$ 97,627</u></u>	<u><u>\$ 73,969</u></u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in subsequent years.

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

<u>Year ended June 30:</u>		
2024	\$	3,863
2025		3,863
2026		4,570
2027		4,925
2028		4,955
Thereafter		<u>(15,833)</u>
Total	<u>\$</u>	<u><u>6,343</u></u>

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED COMPENSATION PLAN

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the Authority 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 Authority.

14. COMMITMENTS

Project Commitments

The Authority enters into contracts for various projects from time to time that are required to achieve its mission and service objectives.

Contract commitments related to capital projects at June 30, 2023 included the following:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Total Projects Costs Billed</u>	<u>Contract Balance</u>
Emergency Water Intertie Contract- Design	\$ 98,338	\$ 68,116	\$ 30,222
28 th Loop Watermain Replacement Contract	242,185	100,546	141,639
Hillside & Boardman Sewer Line Contract- Design	174,842	140,809	34,033
Lift Station, 2, 3, 4, and 6 – Predesign	93,936	73,942	19,994
Lift Station 2 – Rebuild	1,851,903	592,998	1,258,904
Secondary Clarifiers 1 and 2 Rehabilitation	195,275	79,312	115,963
Aeration Blower 2	337,670	157,421	180,249
Infiltration & Inflow Reduction LS5 Basin	150,520	80,982	69,538
Tertiary Filtration	347,337	318,199	29,138
Willamette View Meter Vault	46,522	13,407	33,115
Valley View Fall Protection	43,274	21,955	21,319
Boardman Arista Flooding	<u>57,132</u>	<u>35,268</u>	<u>21,865</u>
Total	\$ 3,638,934	\$ 1,682,955	\$ 1,955,979

Management Employment Agreements

The Authority maintains management employment contracts with five (5) management employees. The agreement with the General Manager was effective upon execution by the General Manager and the Chair of the Board or their designee and the term of the agreement continues until is modified in writing by the General Manager and the Board or terminated pursuant to the conditions of the agreement. The agreements with the remaining four management employees were effective upon execution by the employee and General Manager and the terms of the agreements continue for one year with automatic renewal for successive one-year terms unless notice is provided in writing by either party of their intent not to renew at least thirty (30) days prior to the expiration of the existing term.

Each agreement provides severance as follows:

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Position	Severance
General Manager	Six (6) Months plus six (6) months of 100% Paid COBRA
Authority Engineer	Three (3) Months
Finance Director	Three (3) Months
Plant Superintendent	Three (3) Months
Field Superintendent	Three (3) Months

Union Agreement

The Authority maintains one union labor agreement with represented employees. Represented employees are affiliated with Local 350 and Council 75 of the American Federation of State, County, & Municipal Employees Union (AFSCME), American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). The current union labor agreement is in effect through June 30, 2023. Further details are outlined in the contract titled, "Oak Lodge Water Services District," which can be found on Oregon AFSCME's internet website address at:

<https://www.oregonafscme.org/afscme-oregon/locals-and-contracts/contracts-alphabetical> .

Equipment Operation Agreement

The Authority entered into a developer contribution agreement with a regional electric utility company. Management's objectives for this arrangement generally comprised procuring financing for equipment required at its water reclamation facility as well as obtaining annual maintenance services required to keep said equipment in good working order in exchange for the electric utility company's right to operate the equipment for the benefit of its customers. The Authority is the owner of the equipment. Both the Authority and other party have agreed upon usage limits of the equipment during an operating year which runs from November 1 through October 31. The Authority has the right to operate the equipment a total of no more than fifteen hours each year, unless the regional electric utility encounters system conditions that warrant the refusal of such usage; however, the Authority may use the equipment as long as necessary in emergency situations. The regional electric utility has the right to operate the equipment for a maximum of 400 hours each year. The term of the arrangement is 10 years from the date the equipment becomes operational for both parties which was in fiscal year 2013 and the agreement renews automatically each year unless either party gives notice to the other that they wish to terminate the contract. If the Authority terminates the agreement before the end of the term for any reason other than pursuant to and in accordance with the agreement, the Authority will be liable to reimburse the regional electric utility company a prorated share of their developer contribution.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

15. NET POSITION

Net Position at June 30, 2023 utilizing the accounting methods and principles of the Authority, comprised the following:

	<u>June 30, 2023</u>
Ending Fund Balances	\$ 13,663,343
Less:	
Accrued Absences	(341,901)
Net OPEB Liability	(173,172)
Net Pension Liability	(3,533,366)
Deferred Inflows	(3,596,838)
Accrued Interest	(226,282)
Long-Term Debt	(25,731,135)
Plus:	
Net OPEB Asset	53,878
Investment in NCCWC	13,315,990
Lease Receivable	2,481,287
Net Capital Assets	73,486,252
Deferred Outflows	3,006,959
Total Net Position	<u>\$ 72,405,015</u>

16. RISK MANAGEMENT

The Authority 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 Authority purchases commercial insurance for all significant risks of loss. There was no significant reduction in the Authority's major categories of insurance coverage and settlements have not exceeded insurance coverage for each of the past three years. Note the Authority's insurance company has the right to assess additional amounts.

17. TRANSFER OF OPERATIONS

On June 1, 2022, the Authority Board voted to receive a transfer substantially all of the Districts operations, employees, assets and liabilities. Oak Lodge Water Services Authority was created by the Clackamas County Board of Commissioners effective July 1, 2022, and has undertaken the operations of the District. The Authority was formally effective as of September 16, 2022.

As a result of the reorganization and transfer of operations, under the requirements of the Governmental Accounting Standards Board Statement No 69, *Government Combinations and Disposals of Government Operations*, the Authority recognized a gain of \$69,646,064 on the acceptance of the transfer of the Districts operations as a special item.

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

17. TRANSFER AND DISPOSAL OF OPERATIONS (Continued)

Assets and liabilities of the District were transferred to the Authority, effective September 16, 2022 as follows:

ASSETS:	
Current:	
Cash and Cash Equivalents	\$ 14,212,862
Restricted Cash	590,483
Accounts Receivable, net	1,994,760
Notes Receivable	53,352
Lease Receivable	114,229
Prepaid Expenses	115,249
Inventory	338,162
Total Current Assets	<u>17,419,097</u>
Non-Current:	
Lease Receivable	2,481,287
Net OPEB Asset	68,936
Investment In NCCWC	13,168,750
Capital Assets (Net)	71,170,602
Total Non-Current Assets	<u>86,889,575</u>
Total Assets	<u>104,308,672</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferrals	3,367,908
OPEB Related Deferrals	116,149
Total Deferred Outflows	<u>3,484,057</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 107,792,729</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 752,554
Payroll Liabilities	132,244
Unearned Revenue	40,895
Deposits Payable	45,454
Accrued Interest	283,445
Accrued Compensated Absences	334,529
Current Portion of Lease Payable	115,741
Current Portion of Bonds Payable	2,864,291
Total Current Liabilities	<u>4,569,153</u>
Long-Term Liabilities:	
Net Pension Liability	2,950,872
Total OPEB Liability	190,265
Bonds Payable, Less Current Portion	25,222,765
Total Long-Term Liabilities	<u>28,363,902</u>
Total Liabilities	<u>32,933,055</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows Related to Leases	2,486,450
Pension Related Deferrals	2,645,527
OPEB Related Deferrals	81,633
Total Deferred Inflows	<u>5,213,610</u>
Total Liabilities and Deferred Inflows of Resources	<u>38,146,665</u>
NET POSITION:	
Net Investment in Capital Assets	42,967,805
Restricted	590,483
Unrestricted	26,087,776
Total Net Position	<u>69,646,064</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 107,792,729</u>

OAK LODGE WATER SERVICES AUTHORITY

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

18. NEW PRONOUNCEMENTS

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

GASB Statement 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.

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

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

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

GASB Statement No. 104, "Disclosure of Certain Capital Assets". The objective of this Statement covers new disclosure requirements for state and local governments for affected asset categories, including capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 105, "Subsequent Events". The objective of this Statement is to improve and clarify subsequent events that constitute recognized and nonrecognized events and to establish specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

RETIREMENT PLAN

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date, Year Ended June 30	(a) Employer's proportion of the net pension liability	(b) Employer's proportionate share of the net pension liability (NPL)	(c) OLWS's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as percentage of the net pension liability (NPL)
2022	0.023%	3,533,366	3,038,271	116.3%	84.5%
2021	0.025%	2,950,872	2,845,810	103.7%	87.6%
2020	0.026%	5,720,812	2,989,322	191.4%	75.8%
2019	0.027%	4,650,081	2,636,511	176.4%	80.2%
2018	0.029%	4,319,317	2,781,720	155.3%	82.1%

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to measurement date.

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

2018 was the first year in which Oak Lodge Water Services District received its schedule with its proportionate share of the net pension liability related to its employees' Public Employees Retirement System (PERS). In 2017 the District's share was reported in employer schedules for Oak Lodge Water District and Oak Lodge Sanitary District.

Changes in Benefit Terms:

A legislative change that occurred after December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introducing a limit on the amount of annual salary included for calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

Changes in Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.5 percent and lowering of the assumed inflation to 2.5 percent.

For June 30, 2018, the long-term expected rate of return was lowered to 7.2 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

For June 30, 2022, PERS Board selected a lower long-term expected rate of investment return assumption of 6.90% on July 23, 2021 to be used in the December 31, 2020 and December 31, 2021 actuarial valuations for funding purposes. At the same time, the PERS Board reduced the inflation and payroll growth assumptions to 2.40% and 3.40%, respectively.

OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

RETIREMENT PLAN (CONTINUED)

SCHEDULE OF CONTRIBUTIONS

Public Employees Retirement System Schedule of the Proportionate Share of the Total Pension Liability June 30, 2023					
Year Ended June 30	Statutorily Required Contribution	Contributions in relation to the statutorily required	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2023	904,760	1,117,760	(213,000)	3,344,955	33.4%
2022	1,182,166	1,670,239	(488,073)	3,038,271	55.0%
2021	553,792	1,064,009	(510,217)	2,845,810	37.4%
2020	579,268	579,268	-	2,989,322	19.4%
2019	407,686	407,686	-	2,636,511	15.5%
2018	435,691	435,691	-	2,781,720	15.7%

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to measurement date.

Excess contributions in fiscal year 2021, 2022, and 2023 were used to establish side accounts.

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

	December 31, 2020	December 31, 2017	December 31, 2015
Actuarial valuation	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019
Effective	Entry Age Normal		
Actuarial cost method	Level percentage of payroll		
Amortization method	Market Value		
Asset valuation method	20 years		
Remaining amortization periods			
Actuarial assumptions:			
Inflation rate	2.40 percent	2.50 percent	
Projected salary increases	3.40 percent	3.50 percent	
Investment rate of return	6.90 percent	7.20 percent	7.50 percent

OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

**SCHEDULE OF THE PROPORTIONATE SHARE
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Measurement Date, Year	(a) Employer's proportion of the OPEB liability/asset	(b) Employer's proportionate share of the OPEB liability/(asset)	(c) OLWS's covered payroll	(b/c) OPEB Liability/asset as a percentage of	Plan fiduciary net position as percentage of the total OPEB liability/asset
2022	0.015%	(53,879)	3,038,271	-1.8%	194.6%
2021	0.020%	(68,936)	2,845,810	-2.4%	183.9%
2020	0.024%	(48,157)	2,989,322	-1.6%	150.1%
2019	0.025%	(47,394)	2,636,511	-1.8%	144.4%
2018	0.030%	(33,902)	2,781,720	-1.2%	124.0%

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to measurement date.

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

2018 was the first year in which Oak Lodge Water Services District received schedule with its proportionate share of other post-employment benefits (OPEB) related to its employees' Retirement Health Insurance Account (RHIA). In 2017 the District's share was reported in employer schedules for Oak Lodge Water District and Oak Lodge Sanitary District.

Changes in Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

On July 23, 2021, the PERS Board selected a lower long-term expected rate of investment return assumption of 6.90% to be used in the December 31, 2020 and December 31, 2021 actuarial valuations for funding purposes. At the same time, the PERS Board reduced the inflation and payroll growth assumptions to 2.40% and 3.40%, respectively.

OAK LODGE WATER SERVICES AUTHORITY
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA) (CONTINUED)

Public Employees Retirement System Schedule of Contributions - OPEB Liability - RHIA June 30, 2023						
Year Ended June 30	Statutorily Required Contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll	
2023	305	305		3,344,955	0.0%	
2022	374	374		3,038,271	0.0%	
2021	537	537	-	2,845,810	0.0%	
2020	1,688	1,688	-	2,989,322	0.1%	
2019	12,156	12,156	-	2,636,511	0.5%	
2018	14,706	14,706	-	2,781,720	0.5%	

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to measurement date.

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

Actuarial valuation:	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013
Effective:	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal			
Amortization method:	Level percentage of payroll, closed			
Amortization period:	10 years			
Asset valuation method:	Market value			
Remaining amortization periods:	20 years			
Actuarial assumptions				
Inflation rate	2.40 percent	2.50 percent		2.75 percent
Projected salary increases	3.40 percent	3.50 percent		3.75 percent
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance			

SUPPLEMENTARY INFORMATION

This part of the District's Financial Report presents supplementary information to demonstrate and report on its compliance with finance-related legal requirements and also to report on federal awards received during the fiscal year.

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

Combining Balance Sheet – All Funds (Budgetary Basis)

Schedule of Revenues, Expenditures, Other Financing Sources and Uses
and Changes in Fund Balance – Actual and Budget (Budgetary Basis)

Administrative Service Fund

Drinking Water Fund

Wastewater Reclamation Fund

Watershed Protection Fund

Wastewater Revenue Bond Debt Service Fund

Drinking Water Capital Improvement Fund

Wastewater Reclamation Capital Improvement Fund

Watershed Protection Capital Improvement Fund

BUDGETARY REPORTING

**OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON**

COMBINING BALANCE SHEET - ALL FUNDS (BUDGETARY BASIS)

June 30, 2023

	ADMIN SERVICES FUND	DRINKING WATER	WASTEWATER RECLAMATION	WATERSHED PROTECTION	WASTEWATER REVENUE BOND DEBT SERVICE	DRINKING WATER CAPITAL IMPROVEMENT FUND	WASTEWATER CAPITAL IMPROVEMENT FUND	WATERSHED PROTECTION CAPITAL IMPROVEMENT FUND	TOTAL
ASSETS:									
Current:									
Cash and Cash Equivalents	\$ 983,532	\$ 154,486	\$ -	\$ 331,477	\$ 604,919	\$ 3,883,134	\$ 3,847,654	\$ 2,307,543	\$ 12,112,744
Accounts Receivable, net	76,951	778,869	1,186,044	200,346	-	2,398	759	-	2,245,368
Lease Receivable	-	70,818	-	-	-	-	-	-	70,818
Prepaid Expenses	163,245	16,594	32,275	2,271	-	-	-	-	214,385
Due from other funds	505,915	-	-	-	-	-	-	-	505,915
Inventory	-	256,048	53,038	-	-	-	-	-	309,087
Notes Receivable	-	53,352	-	-	-	-	-	-	53,352
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,729,642</u>	<u>\$ 1,330,167</u>	<u>\$ 1,271,357</u>	<u>\$ 534,094</u>	<u>\$ 604,919</u>	<u>\$ 3,885,532</u>	<u>\$ 3,848,413</u>	<u>\$ 2,307,543</u>	<u>\$ 15,511,668</u>
LIABILITIES AND FUND EQUITY:									
Current Liabilities:									
Accounts Payable	\$ 179,290	\$ 183,364	\$ 90,098	\$ 35,694	\$ -	\$ 42,483	\$ 624,490	\$ -	\$ 1,155,419
Payroll Liabilities	53,137	20,417	38,473	3,334	-	-	-	-	115,360
Due to other funds	-	-	505,915	-	-	-	-	-	505,915
Unearned Revenue	-	47,177	-	-	-	-	-	-	47,177
Deposits Payable	-	11,859	3,407	9,188	-	-	-	-	24,454
Total Liabilities	<u>232,427</u>	<u>262,817</u>	<u>637,892</u>	<u>48,215</u>	<u>-</u>	<u>42,483</u>	<u>624,490</u>	<u>-</u>	<u>1,848,325</u>
District Equity:									
Fund Balance:									
Authority Equity	<u>1,497,215</u>	<u>1,067,350</u>	<u>633,465</u>	<u>485,879</u>	<u>604,919</u>	<u>3,843,048</u>	<u>3,223,924</u>	<u>2,307,543</u>	<u>13,663,344</u>
Total Authority Equity	<u>1,497,215</u>	<u>1,067,350</u>	<u>633,465</u>	<u>485,879</u>	<u>604,919</u>	<u>3,843,048</u>	<u>3,223,924</u>	<u>2,307,543</u>	<u>13,663,344</u>
Total Liabilities and Fund Balance	<u>\$ 1,729,642</u>	<u>\$ 1,330,167</u>	<u>\$ 1,271,357</u>	<u>\$ 534,094</u>	<u>\$ 604,919</u>	<u>\$ 3,885,532</u>	<u>\$ 3,848,413</u>	<u>\$ 2,307,543</u>	<u>\$ 15,511,669</u>
Add/(deduct) to reconcile to GAAP basis statement of net position:									13,663,344
Lease receivable									2,481,287
OPEB Asset									53,878
Investment in NCCWC									13,315,990
Capital assets, net depreciation									73,486,252
Accrued interest expense payable									(226,282)
Accrued compensated absences									(341,901)
Long term debt									(25,731,136)
Pension liability									(3,533,366)
OPEB Liability									(173,172)
Deferred outflow of resources									3,006,959
Deferred inflow of resources									(3,596,838)
Ending net position									<u>\$ 72,405,015</u>

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND USES, AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

	ADMIN SERVICES FUND	DRINKING WATER	WASTEWATER RECLAMATION	WATERSHED PROTECTION	WASTEWATER REVENUE BOND DEBT SERVICE	DRINKING WATER CAPITAL IMPROVEMENT FUND	WASTEWATER CAPITAL IMPROVEMENT FUND	WATERSHED PROTECTION CAPITAL IMPROVEMENT FUND	TOTAL
REVENUES:									
Service charges	\$ -	\$ 3,313,854	\$ 7,113,046	\$ 21,062	\$ -	\$ -	\$ -	\$ -	\$ 10,447,963
System Development Charges	-	-	98,135	-	-	220,262	-	-	318,397
Service Installations	-	35,636	-	-	-	-	-	-	35,636
Rents and Leases	-	190,640	-	-	-	-	-	-	190,640
Other Charges for Services	-	-	16,083	1,249,741	-	-	-	-	1,265,825
Investment Revenue	37,281	8,838	1,477	1,756	11,928	100,477	105,457	57,923	325,138
Other Operating Revenues	63,953	54,162	-	-	-	-	-	-	118,116
Total Revenues	101,235	3,603,131	7,228,742	1,272,559	11,928	320,739	105,457	57,923	12,701,714
EXPENDITURES:									
Personnel Services	1,815,997	673,414	1,392,144	48,997	-	-	-	-	3,930,552
Materials and Services	1,798,317	1,249,643	986,952	232,347	-	-	-	-	4,267,260
Capital Outlay	-	-	-	-	-	1,776,137	2,471,734	21,377	4,269,248
Debt service	-	198,531	-	120,000	2,847,146	-	-	-	3,165,677
Special Payments - PERS	-	-	-	-	-	-	-	-	-
Total Expenditures	3,614,315	2,121,589	2,379,097	401,343	2,847,146	1,776,137	2,471,734	21,377	15,632,737
Excess of Revenues Over, (Under) Expenditures	(3,513,080)	1,481,543	4,849,645	871,216	(2,835,218)	(1,455,399)	(2,366,277)	36,546	(2,931,023)
Other Financing Sources, (Uses):									
Transfer of Operations from the District	1,844,204	1,037,804	1,196,820	433,160	592,137	4,588,850	4,431,301	2,208,500	16,332,776
Issuance of debt related to subscriptions	214,091	-	-	-	-	-	-	-	214,091
Proceeds from asset sales	-	-	-	-	-	13,600	33,900	-	47,500
Transfers In	2,952,000	-	-	-	2,848,000	695,997	1,125,000	62,497	7,683,494
Transfers Out	-	(1,451,997)	(5,413,000)	(818,497)	-	-	-	-	(7,683,494)
Total Other Financing Sources, (Uses)	5,010,295	(414,193)	(4,216,180)	(385,337)	3,440,137	5,298,447	5,590,201	2,270,997	16,594,367
Net Change in Fund Balance	1,497,215	1,067,350	633,465	485,879	604,919	3,843,048	3,223,924	2,307,543	13,663,344
Beginning Fund Balance	-	-	-	-	-	-	-	-	-
Ending Fund Balance	\$ 1,497,215	\$ 1,067,350	\$ 633,465	\$ 485,879	\$ 604,919	\$ 3,843,048	\$ 3,223,924	\$ 2,307,543	\$ 13,663,344
Change in fund balance across all funds:									
									13,663,344
Add/(deduct) to reconcile to GAAP basis change in net position:									
Change in lease receivable and related deferred inflows									35,385
Net long term assets transferred from District									53,313,288
Principal payments									2,657,205
Issuance of debt related to subscriptions									(214,091)
Change in interest expense accrued									57,163
Change in accrued compensated leave liabilities									(7,372)
Capital expenditures capitalized as long term assets									4,324,706
Depreciation and amortiation expense									(2,009,056)
Change in investment in joint venture									147,240
Change in net pension liability/(asset) and related deferred inflows and outflows									443,395
Change in OPEB Liability and related deferred inflows and outflows									(6,192)
Change in net position									\$ 72,405,015

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

ADMINISTRATIVE SERVICES FUND

	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
REVENUES:				
Investment Revenue	\$ 37,281	\$ 3,000	\$ 3,000	\$ 34,281
Other Operating Revenues	63,953	67,400	67,400	(3,447)
Total Revenues	101,235	70,400	70,400	30,835
EXPENDITURES:				
Personnel Services	1,815,997	2,256,000	2,256,000 (1)	440,003
Materials and Services	1,798,317	2,127,103	2,127,103 (1)	328,786
Contingency	-	788,412	788,412 (1)	788,412
Total Expenditures	3,614,315	5,171,515	5,171,515	1,557,200
Excess of Revenues Over, (Under) Expenditures	(3,513,080)	(5,101,115)	(5,101,115)	(1,588,035)
Other Financing Sources, (Uses):				
Transfer of Operations from District	1,844,204	-	-	1,844,204
Issuance of debt related to subscriptions	214,091	-	-	214,091
Transfers In	2,952,000	3,936,000	3,936,000	(984,000)
Total Other Financing Sources, (Uses)	5,010,295	3,936,000	3,936,000	1,074,295
Net Change in Fund Balance	1,497,215	(1,165,115)	(1,165,115)	(2,662,330)
Beginning Fund Balance	-	1,168,115	1,168,115	(1,168,115)
Ending Fund Balance	<u>\$ 1,497,215</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ (1,494,215)</u>

(1) Appropriation Level

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

DRINKING WATER FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Water Sales	\$ 3,313,854	\$ 4,396,000	\$ 4,396,000	\$ (1,082,146)
Service Installations	35,636	10,000	10,000	25,636
Rents and Leases	190,640	180,000	180,000	10,640
Investment Revenue	8,838	3,000	3,000	5,838
Other Operating Revenues	54,162	35,000	35,000	19,162
	<u>3,603,131</u>	<u>4,624,000</u>	<u>4,624,000</u>	<u>(1,020,869)</u>
Total Revenues				
EXPENDITURES:				
Personnel Services	673,414	1,107,000	1,107,000 (1)	433,586
Materials and Services	1,249,643	1,681,600	1,681,600 (1)	431,957
Debt Service	198,531	209,063	209,063 (1)	10,532
Contingency	-	706,108	706,108 (1)	706,108
	<u>2,121,589</u>	<u>3,703,771</u>	<u>3,703,771</u>	<u>1,582,182</u>
Total Expenditures				
Excess of Revenues Over, (Under) Expenditures	1,481,543	920,229	920,229	561,314
Other Financing Sources, (Uses):				
Transfer of Operations from District	1,037,804	-	-	1,037,804
Transfers Out	(1,451,997)	(1,936,000)	(1,936,000) (1)	484,003
	<u>(414,193)</u>	<u>(1,936,000)</u>	<u>(1,936,000)</u>	<u>1,521,807</u>
Total Other Financing Sources, (Uses)				
Net Change in Fund Balance	1,067,350	(1,015,771)	(1,015,771)	2,083,121
Beginning Fund Balance	-	1,015,771	1,015,771	(1,015,771)
Ending Fund Balance	<u>\$ 1,067,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,350</u>

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

WASTEWATER RECLAMATION FUND

	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
REVENUES:				
Wastewater Charges	\$ 7,113,046	\$ 9,206,000	\$ 9,206,000	\$ (2,092,954)
System Development Charges	98,135	100,000	100,000	(1,865)
Other Charges for Services	16,083	12,000	12,000	4,083
Investment Revenue	1,477	1,000	1,000	477
Total Revenues	7,228,742	9,319,000	9,319,000	(2,090,259)
EXPENDITURES:				
Personnel Services	1,392,144	1,857,000	1,857,000 (1)	464,856
Materials and Services	986,952	1,383,450	1,383,450 (1)	396,498
Contingency	-	431,412	431,412 (1)	431,412
Total Expenditures	2,379,097	3,671,862	3,671,862	1,292,765
Excess of Revenues Over, (Under) Expenditures	4,849,645	5,647,138	5,647,138	(797,493)
Other Financing Sources, (Uses):				
Transfer of Operations from District	1,196,820	-	-	1,196,820
Transfers Out	(5,413,000)	(6,855,000)	(6,855,000) (1)	1,442,000
Total Other Financing Sources, (Uses)	(4,216,180)	(6,855,000)	(6,855,000)	2,638,820
Net Change in Fund Balance	633,465	(1,207,862)	(1,207,862)	1,841,327
Beginning Fund Balance	-	1,207,862	1,207,862	(1,207,862)
Ending Fund Balance	\$ 633,465	\$ -	\$ -	\$ 633,465

(1) Appropriation Level

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

WATERSHED PROTECTION FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Watershed Protection Charges	\$ 21,062	\$ 1,593,000	\$ 1,593,000	\$ (1,571,938)
Other Charges for Services	1,249,741	25,000	25,000	1,224,741
Investment Revenue	1,756	2,000	2,000	(244)
Total Revenues	1,272,559	1,620,000	1,620,000	(347,441)
EXPENDITURES:				
Personnel Services	48,997	160,000	160,000 (1)	111,003
Materials and Services	232,347	249,800	249,800 (1)	17,453
Debt Service	120,000	120,000	120,000 (1)	-
Contingency	-	300,095	300,095 (1)	300,095
Total Expenditures	401,343	829,895	829,895	428,551
Excess of Revenues Over, (Under) Expenditures	871,216	790,105	790,105	81,111
Other Financing Sources, (Uses):				
Transfer of Operations from District	433,160	-	-	433,160
Transfers Out	(818,497)	(1,258,000)	(1,258,000) (1)	439,503
Total Other Financing Sources, (Uses)	(385,337)	(1,258,000)	(1,258,000)	872,663
Net Change in Fund Balance	485,879	(467,895)	(467,895)	953,774
Beginning Fund Balance	-	467,895	467,895	(467,895)
Ending Fund Balance	\$ 485,879	\$ -	\$ -	\$ 485,879

(1) Appropriation Level

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

WASTEWATER REVENUE BOND DEBT SERVICE FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Investment Revenue	\$ 11,928	\$ 1,000	\$ 1,000	\$ 10,928
EXPENDITURES:				
Debt Service				
Principal	2,205,452	2,676,291	2,676,291	470,839
Interest	641,694	757,853	757,853	116,159
Total Expenditures	<u>2,847,146</u>	<u>3,434,144</u>	<u>3,434,144</u>	(1) <u>586,998</u>
Excess of Revenues Over, (Under) Expenditures	(2,835,218)	(3,433,144)	(3,433,144)	597,926
Transfer of Operations from District	592,137	-	-	592,137
Transfers In	<u>2,848,000</u>	<u>3,435,000</u>	<u>3,435,000</u>	<u>(587,000)</u>
Total Other Financing Sources, (Uses)	<u>3,440,137</u>	<u>3,435,000</u>	<u>3,435,000</u>	<u>5,137</u>
Net Change in Fund Balance	604,919	1,856	1,856	603,063
Beginning Fund Balance	<u>-</u>	<u>592,666</u>	<u>592,666</u>	<u>(592,666)</u>
Ending Fund Balance	<u><u>\$ 604,919</u></u>	<u><u>\$ 594,522</u></u>	<u><u>\$ 594,522</u></u>	<u><u>\$ 10,397</u></u>

(1) Appropriation Level

OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023

DRINKING WATER CAPITAL IMPROVEMENT FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Investment Revenue	\$ 100,477	\$ 30,000	\$ 30,000	\$ 70,477
System Development Charges	220,262	100,000	100,000	120,262
Total Revenues	320,739	130,000	130,000	190,739
EXPENDITURES:				
Capital Outlay	1,776,137	2,839,000	2,839,000 (1)	1,062,863
Contingency	-	288,000	288,000 (1)	288,000
Total Expenditures	1,776,137	3,127,000	3,127,000	1,350,863
Excess of Revenues Over, (Under) Expenditures	(1,455,399)	(2,997,000)	(2,997,000)	1,541,601
Other Financing Sources, (Uses):				
Transfer of Operations from District	4,588,850	-	-	4,588,850
Proceeds from asset sales	13,600	-	-	13,600
Transfers In	695,997	928,000	928,000	(232,003)
Total Other Financing Sources, (Uses)	5,298,447	928,000	928,000	4,370,447
Net Change in Fund Balance	3,843,048	(2,069,000)	(2,069,000)	5,912,048
Beginning Fund Balance	-	3,911,900	3,911,900	(3,911,900)
Ending Fund Balance	<u>\$ 3,843,048</u>	<u>\$ 1,842,900</u>	<u>\$ 1,842,900</u>	<u>\$ 2,000,148</u>

(1) Appropriation Level

**OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023**

WASTEWATER RECLAMATION CAPITAL IMPROVEMENT FUND

	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
REVENUES:				
Investment Revenue	\$ 105,457	\$ 30,000	\$ 30,000	\$ 75,457
Total Revenues	<u>105,457</u>	<u>30,000</u>	<u>30,000</u>	<u>75,457</u>
EXPENDITURES:				
Capital Outlay	2,471,734	4,017,295	4,017,295 (1)	1,545,561
Contingency	-	361,834	361,834 (1)	361,834
Total Expenditures	<u>2,471,734</u>	<u>4,379,129</u>	<u>4,379,129</u>	<u>1,907,395</u>
Excess of Revenues Over, (Under) Expenditures	(2,366,277)	(4,349,129)	(4,349,129)	1,982,852
Other Financing Sources, (Uses):				
Transfer of Operations from District	4,431,301	-	-	4,431,301
Proceeds from asset sales	33,900	-	-	33,900
Transfers In	1,125,000	1,500,000	1,500,000	(375,000)
Total Other Financing Sources, (Uses)	<u>5,590,201</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>4,090,201</u>
Net Change in Fund Balance	3,223,924	(2,849,129)	(2,849,129)	6,073,053
Beginning Fund Balance	-	4,006,108	4,006,108	(4,006,108)
Ending Fund Balance	<u>\$ 3,223,924</u>	<u>\$ 1,156,979</u>	<u>\$ 1,156,979</u>	<u>\$ 2,066,945</u>

(1) Appropriation Level

**OAK LODGE WATER SERVICES DISTRICT
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Period Ended June 30, 2023**

WATERSHED PROTECTION CAPITAL IMPROVEMENT FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Investment Revenue	\$ 57,923	\$ 10,000	\$ 10,000	\$ 47,923
Total Revenues	<u>57,923</u>	<u>10,000</u>	<u>10,000</u>	<u>47,923</u>
EXPENDITURES:				
Capital Outlay	21,377	300,000	300,000 (1)	278,624
Contingency	-	50,000	50,000 (1)	50,000
Total Expenditures	<u>21,377</u>	<u>350,000</u>	<u>350,000</u>	<u>328,624</u>
Excess of Revenues Over, (Under) Expenditures	36,546	(340,000)	(340,000)	376,546
Other Financing Sources, (Uses):				
Transfer of Operations from District	2,208,500	-	-	2,208,500
Transfers In	62,497	250,000	250,000	(187,503)
Total Other Financing Sources, (Uses)	<u>2,270,997</u>	<u>250,000</u>	<u>250,000</u>	<u>2,020,997</u>
Net Change in Fund Balance	2,307,543	(90,000)	(90,000)	2,397,543
Beginning Fund Balance	-	2,173,058	2,173,058	(2,173,058)
Ending Fund Balance	<u>\$ 2,307,543</u>	<u>\$ 2,083,058</u>	<u>\$ 2,083,058</u>	<u>\$ 224,485</u>

(1) Appropriation Level

OTHER INFORMATION

PROGRAM COMPLIANCE INFORMATION

COVERAGE INFORMATION – REVENUE BONDS

**State of Oregon Department of Environmental Quality (DEQ)
Clean Water State Revolving Fund (CWSRF) Loans**

OAK LODGE WATER SERVICES DISTRICT
Program Compliance Information - Coverage Computation
Debt Service Coverage Information - Wastewater Program Budgetary Basis
State of Oregon Department of Environmental Quality (DEQ) Clean Water State Revolving Fund (CWSRF) Loans
Fiscal Period ended June 30, 2023

	Gross Revenue	Operating Expenses	Net Operating Revenues	Minimum Net Operating Revenue	Net Revenue Available / (Working capital required)	Coverage Met	
06/30/23	\$ 7,228,742	\$ 3,504,097	\$ 3,724,645	\$ 3,007,040	\$ 717,605	Yes	(9)
09/16/22	1,772,173	913,203	(1,760,760)	-	(1,760,760)	No	(8)
06/30/22	8,570,834	3,532,933	4,788,295	3,679,339	1,108,956	Yes	
06/30/21	8,607,714	3,782,539	4,725,454	3,226,884	1,498,570	Yes	
06/30/20	6,949,886	3,882,260	3,067,626	3,684,340	(616,715)	No	(7)
06/30/19	8,256,278	4,778,834	3,477,444	3,385,907	91,537	Yes	
06/30/18	8,101,313	4,755,379	3,345,934	3,422,556	(76,622)	No	(7)
06/30/17	4,083,854	2,492,189	1,591,665	2,058,150	(466,485)	No	(7)

	Operating expenses				Reserve for Capital Replacement	Coverage Requirement			
	Personnel Services	Materials & Services	Administrative Services	Subtotal		Subject CWSRF Debt Service	100% of Remaining Debt Service	Minimum Net Operating Revenue	
06/30/23	\$ 1,392,144	\$ 986,952	\$ -	\$ 1,125,000	\$ 3,504,097	\$ 642,227	\$ 2,364,813	\$ 3,007,040	
09/16/22	359,116	179,087	-	375,000	913,203	586,999	2,445,428	-	
06/30/22	1,517,099	1,015,834	-	1,000,000	3,532,933	1,233,911	1,988,376	3,679,339	
06/30/21	1,771,817	1,010,722	-	1,000,000	3,782,539	1,238,508	1,988,376	3,226,884	
06/30/20	1,699,353	882,907	-	1,300,000	3,882,260	1,305,168	2,379,172	3,684,340	
06/30/19	2,349,273	1,507,420	-	922,141	4,778,834	1,309,814	2,076,093	3,385,907	
06/30/18	2,411,290	1,760,797	-	583,291	4,755,378	1,314,373	2,108,183	3,422,556	
06/30/17	854,155	774,874	-	863,161	2,492,190	702,500	1,355,650	2,058,150	

- 1 Gross revenues comprise fees and charges generated in the wastewater program including system development charges but excludes proceeds from grants and developer contributions.
- 2 Operating expenses comprise both direct and indirect activities necessary for the sanitary sewer program including a reasonable estimate of reserves required for the repair and replacement of sanitary sewer capital assets based on the an estimate of their useful lives.
- 3 The reserve for repair and replacement amount is an allocation of new sanitary sewer revenue generated in the general fund which is estimated to have been reserved for ongoing repair and replacements of existing capital assets in the sanitary sewer program.
- 4 The District expects to pay all debt service with net operating revenues of the sanitary sewer program
- 5 Refer to the Notes to the Basic Financial Statements for detailed information about the District's debt.
- 6 Remaining revenue available (working capital required) reflects retained earnings available or working capital required for reserves and other future expenditures.
- 7 The District has maintained adequate reserves and as a result not been subject to any consequences for years in which the District failed to satisfy coverage requirements.
- 8 This calculation is typically for a 12 month period. This line is for 2.5 months of operations prior to the Transfer to the Authority on 09/16/2022.
- 9 This calculation is typically for a 12 month period. This line is for 9.5 months of operations subsequent to the Transfer to the Authority on 09/16/2022. When including the results of operations from both short periods, the Authority met the covenants at June 30, 2023.

PROGRAM COMPLIANCE INFORMATION

COVERAGE INFORMATION – REVENUE BONDS

**JP Morgan Chase
Direct Placement**

OAK LODGE WATER SERVICES DISTRICT
Program Compliance Information - Coverage Computation
Wastewater Revenue Bond Debt Service Coverage Compliance Report
JP Morgan Chase Wastewater Loan Agreement Compliance Information
Fiscal Period Ended June 30, 2023 (5)

	Parity Bond Debt Service				Parity Bond and Subordinate Obligation Debt Service			
	Annual Debt Service	Minimum Coverage Required	Actual Coverage Experienced	Coverage Satisfaction Yes or No	Annual Debt Service	Minimum Coverage Required	Actual Coverage Experienced	Coverage Satisfaction Yes or No
06/30/23	\$ 1,726,050	120%	120%	Yes	\$ 2,368,277	100%	153%	Yes
09/16/22	-	120%	120%	Yes	586,999	100%	155%	Yes
06/30/22	1,725,676	120%	289%	Yes	2,959,587	100%	168%	Yes
06/30/21	1,730,575	120%	288%	Yes	2,969,083	100%	152%	Yes
06/30/20	569,325	120%	664%	Yes	1,812,342	100%	209%	Yes
06/30/19	379,325	120%	1065%	Yes	1,626,767	100%	248%	Yes
06/30/18	138,032	120%	2578%	Yes	1,389,816	100%	256%	Yes

Coverage Revenue Calculation

June 30,	Gross Revenue	Adjustments	Adjusted Gross Revenue	Operating Expense	Adjustments	Adjusted Operating Expense	Adjusted Net Operating Revenue	Adjustments	Adjusted Coverage Revenue
06/30/23	\$ 7,228,742	\$ -	\$ 7,228,742	\$ 3,504,097	\$ -	\$ 3,504,097	\$ 3,724,645	\$ (98,135)	\$ 3,626,510
09/16/22	1,772,173	-	1,772,173	850,115	-	850,115	922,058	(10,330)	911,728
06/30/22	8,570,834	-	8,570,834	3,532,933	-	3,504,097	5,066,737	(82,640)	4,984,097
06/30/21	8,608,622	(908)	8,607,714	3,782,539	(908)	3,781,631	4,826,083	(309,900)	4,516,183
06/30/20	9,099,407	(121,521)	8,977,886	4,610,260	(4,220)	4,606,040	4,371,846	(592,263)	3,779,583
06/30/19	8,256,278	(71,844)	8,184,434	3,856,693	(27,411)	3,829,282	4,355,152	(315,502)	4,039,650
06/30/18	8,101,313	(64,586)	8,036,727	4,172,087	(30,157)	4,141,930	3,894,796	(336,016)	3,558,780

Debt Service Detail Information

Wastewater Revenue Bonds

June 30,	Parity Bonds JP Morgan Subordinate Obligations			Wastewater Revenue Bonds			Debt Service Grand Total	Net Coverage Revenue Remaining	Excluded Revenue Adjustments	Net Remaining Resources Available
	Parity Bonds JP Morgan	Subordinate Obligations State of Oregon	Subtotal	GO Bonds Series 2010	IFA	Subtotal				
06/30/23	\$ 1,726,050	\$ 642,227	\$ 2,368,277	\$ -	\$ 478,869	\$ 478,869	\$ 2,847,146	\$ 779,364	\$ -	\$ 779,364
09/16/22	-	586,999	586,999	-	-	-	586,999	324,729	-	324,729
06/30/22	1,725,676	1,233,911	2,959,587	-	452,218	452,218	3,411,805	1,572,292	98,135	1,670,427
06/30/21	1,730,575	1,238,508	2,969,083	-	638,100	638,100	3,607,183	909,000	309,900	1,218,900
06/30/20	569,325	1,243,017	1,812,342	1,164,800	527,747	1,692,547	3,504,889	274,694	592,263	866,957
06/30/19	379,325	1,247,442	1,626,767	1,168,000	528,768	1,696,768	3,323,535	716,114	349,932	1,066,046
06/30/18	138,032	1,251,784	1,389,816	1,440,250	529,901	1,970,151	3,359,967	198,813	370,445	569,258

1 Parity bond means any obligation that is secured by Net Revenues on an equal basis with the 2017 JP Morgan Chase Loan.

2 Subordinate obligations means obligations having a lien on the Net Revenues which is subordinate to the lien of the 2017 JP Morgan Chase Loan.

3 General obligation bonds means any obligation that is secured by the full faith and credit of the District and which may as necessary be repaid with property tax revenue.

4 Net coverage revenue reflects remaining coverage revenue, after deducting all debt service, that is available for reserves and future expenditures.

5 The period ended December 31, 2022 reflects debt service requirements through September 16, 2022 when all assets and liabilities were transferred to the Authority, a newly formed entity.

6 The period ended June 30, 2023 reflects debt service requirements beginning September 16, 2022 when all assets and liabilities were transferred to the Authority, a newly formed entity. If these two periods were combined, the debt service requirement would have been met.

Source: Oak Lodge Water Service Authority Records

PROGRAM COMPLIANCE INFORMATION

CONTINUING DISCLOSURES

REVENUE BONDS

**JP Morgan Chase
Direct Placement**

OAK LODGE WATER SERVICES DISTRICT
Program Compliance Information - Coverage Computation Detail Information
Wastewater Revenue Bond Debt Service Coverage Compliance Report
JP Morgan Chase Wasterwater Loan Agreement Compliance Information
Fiscal Period Ended June 30, 2023

Gross Revenue Adjustments

Additions:

Rate Stabilization Account Withdrawals

-

Subtractions:

Rate Stabilization Account Deposits

-

Exclusions:

- a) Interest income derived from escrow fund for defeasance or refunding.
 - b) Gifts, grants, donations, and other federal or state contributions with restrictions to uses inconsistent with payment of the parity bonds.
 - c) Debt proceeds
 - d) Liability Insurance proceeds other than business interruption insurance guarding against loss of revenues.
 - e) Casualty insurance proceeds utilized for the repair or replacement of wastewater system assets.
 - f) Capital asset disposal proceeds
 - g) Ad valorem or other taxes imposed other than charges for service that become "taxes" only because they are imposed on property or property owners.
 - h) Income generated from ownership or operation of any separate utility system.
 - i) Intallment payments for line or branch charges, connection fees, or local improvement districts pledged as security for a borrowing other than a bond.
 - j) Federal interest subsidies for interest subsidy bonds.
- Subtotal

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-

Operating Expense Adjustments:

Exclusions:

- a) IRS Section 148 rebates or penalties paid from gross revenues
- b) Litigation settlements and judgements paid against the District.
- c) Depreciation and amortization of property values or losses and other non-cash expenses.
- d) Capital expenditures.
- e) Interest and other debt service payments, apying agent fees, broker-dealer fees, and similar charges for maintenance of borrowings.
- f) Expenses incurred from ownership or operation of any serparate utility system.
- g) Liability insurance proceeds expenditures.
- h) Casualty insurance proceeds expenditures for repair or replacement of wastewater system assets.
- i) Grant proceeds expenditures regardless of whether they are dedicated to a specific purposes or available for general operations.
- j) Extraordinary, non-recurring expenses.
- k) Expenditures allocable to any other funding source which does not constitute gross revenues of the wastewater system.

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Subtotal

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OAK LODGE WATER SERVICES AUTHORITY
Revenue Bond Continuing Disclosure Information
Top Ten Rate Payers
Current Fiscal Period & Fiscal Period Three Years Prior

Customer	2020			2023 (a)		
	Rank	Revenue	%	Rank	Revenue	%
City of Gladstone	1	\$ 521,979	3.79%	1	\$ 560,880	3.68%
Willamette View, Inc.	2	434,438	3.16%	2	487,075	3.20%
Rose Villa Inc.	3	152,933	1.11%	3	168,518	1.11%
Cheseapeake Pointed II Apartments	5	122,494	0.89%	4	130,875	0.64%
The Bluffs	4	131,506	0.96%	5	126,613	0.83%
Vineyard Place Retirement Center	7	91,770	0.67%	6	97,114	0.61%
North Clackamas School District #12				7	94,700	0.86%
Fred Meyer				8	84,690	0.62%
Fox Pointe Apartments	6	94,672	0.69%	9	92,382	0.56%
Holly Acres Apartments	8	88,917	0.65%	10	89,829	0.59%
Highland Terrace Apartments	9	86,282	0.63%			
Homewoods on the Willamette	10	83,172	0.60%			
Top Ten Customers' Total Service Charge Revenue		\$ 1,808,162			\$ 1,932,676	
Grand Total District Service Charge Revenue		13,767,248			15,221,387	
% of Grand Total District Service Charge Revenue		13.13%			12.7%	

(a) 2023 is based on the 12 month fiscal period without regard to Authority vs District
Source: Oak Lodge Water Services Authority Records

REPORT OF INDEPENDENT AUDITORS
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 Directors
Oak Lodge Water Services Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Oak Lodge Water Services Authority (the Authority) as of and for the period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 27, 2026.

Compliance

As part of obtaining reasonable assurance about whether the Authority'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; accordingly, we do not express such an opinion.

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

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Authority 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, except as follows:

- The Authority failed to file the audited financial statements with the Secretary of State within six months after the close of the fiscal year under audit, which is required by ORS 297.465.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. During our audit, we did identify deficiencies in internal control that we consider to be material weaknesses and significant deficiencies as defined above. Discussion of the deficiencies can be found in our Communication to Those Charged with Governance and Internal Control Related Matters dated February 27, 2026.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors and management of the Authority 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, Principal
for Baker Tilly US, LLP
Portland, Oregon
February 27, 2026

End of Report