

ADMINISTRATIVE OFFICE
14496 SE River Road
Oak Grove, OR 97267
Tel. (503) 654-7765
Fax (503) 653-1973



TREATMENT PLANT
14275 S. Clackamas River Dr.
Oregon City, OR 97045
Tel. (503) 723-3505
Fax (503) 723-3508

Regular Meeting

North Clackamas County Water Commission

Board of Commissioners

Thursday, January 27, 2022

Virtual Meeting Online

<https://us02web.zoom.us/j/83107897310>

Call-In: (833) 548-0282

Meeting ID: 831 0789 7310

AGENDA

5:30 PM Convene Regular Board Meeting

- 1. Call Meeting to Order (Flag Salute)**
- 2. Welcome Visitors – Public**
- 3. Public Comment**
 - 3.1 Public Comment
- 4. Approval of Minutes**
 - 4.1 Approval of Minutes of the September 23, 2021 Regular Meeting
- 5. Adoption of Consent Calendar**
 - 5.1 Authorization of Checks for September, October, November, and December 2021
- 6. Board Discussion**
 - 6.1 Appoint Budget Officer (FY2022-23)
 - 6.2 Adopt Budget Calendar (FY2022-23)
 - 6.3 Receive FY2020-21 Audit
 - 6.4 Approve True-Up from FY2020-21
- 7. Monthly Items**
 - 7.1 Financial Reports
 - 7.2 Operations Report
 - 7.3 Manager's Report
 - 7.4 Business from the Board
- 8. Adjourn Regular Meeting**
 - 8.1 Adjourn

NORTH CLACKAMAS COUNTY WATER COMMISSION

JANUARY 27, 2022

Agenda Item 4.1

Minutes of September 23, 2021
Board of Commissioners Meeting

BOARD MEMBERS PRESENT:

Paul Gornick	Oak Lodge Water Services
Kevin Williams	Oak Lodge Water Services
Matt Tracy	City of Gladstone
Chris Hawes	Sunrise Water Authority
Kevin Bailey	Sunrise Water Authority

STAFF PRESENT:

Wade Hathhorn	Sunrise Water Authority
Gail Stevens	Oak Lodge Water Services
Laural Casey	Oak Lodge Water Services

ATTENDEES:

Aleah Binkowski-Burk	Oak Lodge Water Services
Todd Heidgerken	Clackamas River Water
Rusty Garrison	Clackamas River Water

1. Convene Regular Meeting

Chair Williams called the Board of Commissioners meeting to order at 5:31 p.m.

2. Welcome Visitors & Public

Chair Williams welcomed members of the public.

3. Public Comment

Chair Williams asked Recorder Casey if there were any members of the public in attendance. There were three.

4. Approval of Minutes

4.1 Approval of Minutes of the June 24, 2021 Budget Hearing & Regular Meeting

Commissioner Tracy moved to approve the June 24, 2021 minutes. Commissioner Gornick seconded. Chair Williams asked Recorder Casey to conduct a roll call vote. Voting Aye: Commissioners Tracy, Hawes, Williams, and Gornick.

MOTION CARRIED

5. Adoption of Consent Calendar

NORTH CLACKAMAS COUNTY WATER COMMISSION

JANUARY 27, 2022

5.1 Authorization of Checks for June, July, and August 2021

Finance Director Stevens confirmed that checks for the months of June, July, and August 2021 were included in the meeting packet.

5.2 Re-Appoint Legal Counsel of Record

General Manager Hathhorn recommended to continue receiving legal services from Cable Huston.

Chair Williams called for a motion. Commissioner Gornick moved to approve the consent calendar as presented. Commissioner Hawes seconded. Chair Williams asked Recorder Casey to conduct a roll call vote. Voting Aye: Commissioners Tracy, Hawes, Williams, and Gornick.

MOTION CARRIED

Commissioner Bailey arrived at 5:38 p.m.

6. Board Discussion

6.1 Election of Officers for FY 2021-22

General Manager Hathhorn reviewed the traditional representation of each partner agency in the Board officer positions of Chair and Vice Chair.

Commissioner Bailey nominated Commissioner Hawes for the Chair position. Commissioner Williams seconded. Recorder Casey conducted a roll call vote. Voting Aye: Commissioners Tracy, Hawes, Bailey, Williams, and Gornick.

MOTION CARRIED

Commissioner Williams nominated Commissioner Gornick for the Vice Chair position. Commissioner Hawes seconded. Recorder Casey conducted a roll call vote. Voting Aye: Commissioners Tracy, Hawes, Bailey, Williams, and Gornick.

MOTION CARRIED

6.2 Update CRW-NCCWC Water Supply Agreement

General Manager Hathhorn reported on the status of the current negotiations between Clackamas River Water and the Commission.

Commissioner Williams moved that following the anticipated termination of the existing Water Supply Agreement with CRW at the end of 2021, to approve a month-to-month extension of that agreement for a period up to June 30, 2022 to allow for a new agreement to be mutually adopted by the parties. Commissioner Gornick seconded.

NORTH CLACKAMAS COUNTY WATER COMMISSION

JANUARY 27, 2022

General Manager Hathhorn stated both parties would work to meet the deadline at the end of the year. Todd Heidgerken spoke to the forthcoming month-to-month interim agreement. Rusty Garrison commented that the Commission was in a good place with plenty of operating room.

Chair Hawes asked Recorder Casey to conduct a roll call vote. Voting Aye: Commissioners Tracy, Hawes, Bailey, Williams, and Gornick.

7. Monthly Items

7.1 Financial Reports

Finance Director Stevens overviewed the Financial Report for June and July 2021.

The Board acknowledged receipt of the Report.

7.2 Operations Report

General Manager Hathhorn overviewed the Operations Report highlighting continued record water production and the Plant's maximum production threshold.

7.3 Manager's Report

General Manager Hathhorn overviewed the Manager's Report highlighting low river flows, voluntary curtailment campaigns, and apprenticeship program interviews.

General Manager Hathhorn requested the Board acknowledge receipt of the Moss Adams letter of engagement for the fiscal year 2021 financial audit. Chair Hawes acknowledged Board receipt and approval to proceed.

7.4 Business from the Board

Chris Hawes thanked the other Commissioners for their vote of confidence in him as Chair for the next year.

8. Adjourn Regular Meeting

Chair Hawes adjourned the regular meeting at 5:59 p.m.

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Agenda Item 5.1

Subject: Authorization of Checks for September, October, November, and December 2021

Presenter(s): Gail Stevens, Finance Director

Board Action: The Board is requested to formally authorize the check run.

Attachments: Bank Transaction Report and Bank Reconciliation

Background: The Board is responsible for reviewing and approving monthly check runs.

Analysis: In the four-month period September – December 2021, there were 120 valid checks issued numbered 30249 through 30368 totaling \$469,198.68 and 40 electronic withdrawals totaling \$127,285.40 – total period payments of \$596,484.08. There were no voided checks during current period.

Options: None

Staff Recommendation: Approve check run as presented for September, October, November, and December 2021.

Draft Motion: Move to approve all checks and electronic withdrawals for the period September, October, November, and December 2021 totaling \$596,484.08, noting there were no voided checks from previous periods.

Bank Reconciliation
 Checks by Date
 User: Gail
 Printed: 01/19/2022 - 10:45PM
 Cleared and Not Cleared Checks
 Print Void Checks

ACH Disbursement Activity

Number	Issue Date	Vendor	Comment	Module Void	Clear Date	Amount
0	9/1/2021	Corporate Trust Services Wells Fargo Bank		AP	9/30/2021	750.00
0	9/9/2021	Wells Fargo Remittance Ctr MC		AP	9/30/2021	12,468.83
0	9/10/2021	Payroll Direct Deposit		PR	9/30/2021	5,180.39
0	9/13/2021	Wells Fargo Banks		AP	9/30/2021	188.18
0	9/17/2021	Oregon PERS		AP	10/31/2021	1,966.60
0	9/17/2021	Internal Revenue Service-ACH		AP	9/30/2021	2,518.74
0	9/17/2021	OR Department of Revenue		AP	9/30/2021	740.09
0	9/24/2021	Internal Revenue Service-ACH		AP	9/30/2021	2,505.54
0	9/24/2021	Oregon PERS		AP	10/31/2021	1,943.06
0	9/24/2021	OR Department of Revenue		AP	9/30/2021	738.85
0	9/24/2021	Payroll Direct Deposit		PR	9/30/2021	6,351.97
0	10/8/2021	Internal Revenue Service-ACH		AP	10/31/2021	2,150.72
0	10/8/2021	OR Department of Revenue		AP	10/31/2021	650.01
0	10/8/2021	Payroll Direct Deposit		PR	10/31/2021	5,808.65
0	10/9/2021	Wells Fargo Remittance Ctr MC		AP	10/31/2021	2,471.76
0	10/12/2021	Wells Fargo Banks		AP	10/31/2021	262.12
0	10/22/2021	Internal Revenue Service-ACH		AP	10/31/2021	1,961.79
0	10/22/2021	OR Department of Revenue		AP	10/31/2021	596.95
0	10/22/2021	Payroll Direct Deposit		PR	10/31/2021	5,458.55
0	11/5/2021	Internal Revenue Service-ACH		AP	11/30/2021	2,690.91
0	11/5/2021	OR Department of Revenue		AP	11/30/2021	825.23
0	11/5/2021	Payroll Direct Deposit		PR	11/30/2021	7,433.14
0	11/9/2021	Wells Fargo Remittance Ctr MC		AP	11/30/2021	4,599.80
0	11/12/2021	Wells Fargo Banks		AP	11/30/2021	171.48
0	11/15/2021	Oregon PERS		AP	11/30/2021	127.16
0	11/19/2021	Internal Revenue Service-ACH		AP	11/30/2021	2,767.83
0	11/19/2021	OR Department of Revenue		AP	11/30/2021	843.99
0	11/19/2021	Payroll Direct Deposit		PR	11/30/2021	7,357.28
0	12/3/2021	Internal Revenue Service-ACH		AP		2,675.29
0	12/3/2021	OR Department of Revenue		AP		819.20
0	12/3/2021	Payroll Direct Deposit		PR		7,210.47
0	12/9/2021	Wells Fargo Remittance Ctr MC		AP		4,583.62
0	12/13/2021	Wells Fargo Banks		AP		167.29
0	12/17/2021	Internal Revenue Service-ACH		AP		2,945.02
0	12/17/2021	OR Department of Revenue		AP		881.83
0	12/17/2021	Payroll Direct Deposit		PR		7,795.55
0	12/28/2021	Oregon PERS		AP		6,996.14
0	12/30/2021	Internal Revenue Service-ACH		AP		2,965.44
0	12/30/2021	OR Department of Revenue		AP		885.33
0	12/30/2021	Payroll Direct Deposit		PR		7,830.60

ACH Disbursement Activity Subtotal						127,285.40
Voided ACH Activity						-
Adjusted ACH Disbursement Activity Subtotal						127,285.40

Paper Check Disbursement Activity

Number	Issue Date	Vendor	Comment	Module Void	Clear Date	Amount
30249	9/9/2021	Atlas Copco Compressors Inc		AP	9/30/2021	451.60
30250	9/9/2021	Cascade Columbia Distribution		AP	9/30/2021	2,275.00
30251	9/9/2021	MOSS ADAMS LLP		AP	9/30/2021	3,675.00
30252	9/9/2021	Oregon City Garbage Co.		AP	9/30/2021	51.55
30253	9/9/2021	Ring Bender LLP		AP	9/30/2021	10.25
30254	9/9/2021	UPS		AP	9/30/2021	33.11
30255	9/10/2021	Employee Paycheck		PR	9/30/2021	1,170.93
30256	9/15/2021	Buel Impressions Printing		AP	9/30/2021	245.00
30257	9/15/2021	Hasa, Inc		AP	9/30/2021	2,774.00
30258	9/15/2021	PACIFIC FENCE & WIRE CO		AP	9/30/2021	3,794.00
30259	9/15/2021	Portland Engineering Inc.		AP	9/30/2021	1,030.00
30260	9/15/2021	RH2 Engineering, Inc		AP	9/30/2021	3,078.38
30261	9/15/2021	Stein Oil Co.		AP	9/30/2021	61.03
30262	9/17/2021	Cintas Corporation - 463		AP	9/30/2021	81.87
30263	9/17/2021	Cintas Corporation No. 2		AP	9/30/2021	247.82
30264	9/17/2021	Clackamas River Water Provider		AP	9/30/2021	106,642.00
30265	9/17/2021	Hach Company		AP	9/30/2021	2,418.97
30266	9/24/2021	Christine Rains Graphic Design		AP	9/30/2021	1,650.00
30267	9/24/2021	Goble Sampson Associates Inc.		AP	9/30/2021	1,540.19

Bank Reconciliation

Checks by Date

User: Gail

Printed: 01/19/2022 - 10:45PM

Cleared and Not Cleared Checks

Print Void Checks

30268	9/24/2021	Hasa, Inc	AP	9/30/2021	3,408.44
30269	9/24/2021	MOSS ADAMS LLP	AP	9/30/2021	525.00
30270	9/24/2021	Oregon Department of Transportation	AP	10/31/2021	122.00
30271	9/24/2021	Pamplin Media Group	AP	9/30/2021	42.14
30272	9/24/2021	Stein Oil Co.	AP	9/30/2021	216.54
30273	9/24/2021	Sunrise Water Authority	AP	10/31/2021	10,444.34
30274	9/24/2021	Team Electric Company	AP	9/30/2021	1,491.00
30275	9/28/2021	Buel Impressions Printing	AP	9/30/2021	282.70
30276	9/28/2021	OR Dept of Environmental Quality	AP	9/30/2021	765.00
30277	9/28/2021	Portland General Electric	AP	10/31/2021	62,759.36
30278	9/28/2021	Team Electric Company	AP	9/30/2021	570.00
30279	9/28/2021	UPS	AP	10/31/2021	13.70
30280	9/28/2021	Verizon Wireless	AP	10/31/2021	965.87
30281	10/1/2021	Employee Business Expense Reimbursement	AP	10/31/2021	237.92
30282	10/6/2021	NW Natural	AP	10/31/2021	83.54
30283	10/8/2021	Stein Oil Co.	AP	10/31/2021	215.12
30284	10/15/2021	AFLAC	AP	10/31/2021	307.40
30285	10/15/2021	Cascade Columbia Distribution	AP	10/31/2021	1,065.00
30286	10/15/2021	Cintas Corporation - 463	AP	10/31/2021	81.87
30287	10/15/2021	Henderson Turf & Wear, Inc.	AP	10/31/2021	135.00
30288	10/15/2021	Oregon City Garbage Co.	AP	10/31/2021	51.55
30289	10/15/2021	Special Dist Assoc Of Oregon	AP	10/31/2021	3,505.35
30290	10/15/2021	Taurus Power & Controls, Inc.	AP	10/31/2021	19,209.00
30291	10/22/2021	Cintas Corporation - 463	AP	10/31/2021	73.51
30292	10/22/2021	Cintas Corporation No. 2	AP	10/31/2021	99.00
30293	10/22/2021	Hasa, Inc	AP	10/31/2021	3,299.40
30294	10/22/2021	Portland Engineering Inc.	AP	11/30/2021	295.00
30295	10/22/2021	Stein Oil Co.	AP	10/31/2021	230.61
30296	10/22/2021	Trotter & Morton - Portland	AP	10/31/2021	3,815.50
30297	10/22/2021	Verizon Wireless	AP	10/31/2021	204.11
30298	10/22/2021	Special Districts Insurance Sv	AP	11/30/2021	2,978.94
30299	10/22/2021	Sunrise Water Authority	AP	10/31/2021	5,137.60
30300	10/29/2021	AFLAC	AP	11/30/2021	307.40
30301	10/29/2021	Clackamas River Water Provider	AP	11/30/2021	35,622.00
30302	10/29/2021	MOSS ADAMS LLP	AP	11/30/2021	400.00
30303	10/29/2021	NW Natural	AP	11/30/2021	106.93
30304	10/29/2021	Portland General Electric	AP	11/30/2021	32,711.45
30305	10/29/2021	Team Electric Company	AP	11/30/2021	1,515.00
30306	11/5/2021	ABC Fire Extinguisher, Inc.	AP	11/30/2021	268.00
30307	11/5/2021	Cintas Corporation - 463	AP	11/30/2021	155.38
30308	11/5/2021	OR Dept of Environmental Quality	AP	11/30/2021	3,642.00
30309	11/5/2021	Oregon City Garbage Co.	AP	11/30/2021	51.55
30310	11/5/2021	Employee Business Expense Reimbursement	AP	11/30/2021	192.00
30311	11/5/2021	Sharpe Mixers, Inc.	AP	11/30/2021	25,620.07
30312	11/5/2021	Special Districts Insurance Sv	AP	11/30/2021	801.61
30313	11/10/2021	Field Instruments & Controls, Inc.	AP	11/30/2021	295.99
30314	11/10/2021	Oak Lodge Water Services District	AP	11/30/2021	2,200.12
30315	11/10/2021	Special Districts Insurance Sv	AP	11/30/2021	6,183.49
30316	11/10/2021	Stein Oil Co.	AP	11/30/2021	76.06
30317	11/10/2021	Team Electric Company	AP	11/30/2021	434.79
30318	11/19/2021	ADT Commerical	AP	11/30/2021	434.70
30319	11/19/2021	Cascade Columbia Distribution	AP	11/30/2021	1,780.00
30320	11/19/2021	Cintas Corporation - 463	AP	11/30/2021	73.51
30321	11/19/2021	Cintas Fas Lockbox 636525	AP	11/30/2021	99.00
30322	11/19/2021	Forklift Services of Oregon	AP	11/30/2021	429.21
30323	11/19/2021	Hasa, Inc	AP	11/30/2021	3,633.24
30324	11/19/2021	Oak Lodge Water Services District	AP	11/30/2021	12,371.20
30325	11/19/2021	Portland Engineering Inc.	AP		155.00
30326	11/19/2021	Ritz Portland	AP	11/30/2021	201.23
30327	11/19/2021	Verizon Wireless	AP	11/30/2021	204.09
30328	11/24/2021	Portland General Electric	AP	11/30/2021	145.58
30329	11/24/2021	Stein Oil Co.	AP	11/30/2021	289.18
30330	12/3/2021	ABC Fire Extinguisher, Inc.	AP		24.00
30331	12/3/2021	Cascade Columbia Distribution	AP		1,185.00
30332	12/3/2021	NW Natural	AP		176.48
30333	12/3/2021	OR Department of Revenue	AP		203.00
30334	12/3/2021	Portland General Electric	AP		27,631.78
30335	12/3/2021	ROSEMOUNT INC	AP		1,562.00
30336	12/3/2021	Team Electric Company	AP		1,685.00

Bank Reconciliation

Checks by Date

User: Gail

Printed: 01/19/2022 - 10:45PM

Cleared and Not Cleared Checks

Print Void Checks

30337	12/16/2021	Employee Business Expense Reimbursement	AP	500.00
30338	12/17/2021	AFLAC	AP	307.40
30339	12/17/2021	Cintas Fas Lockbox 636525	AP	373.73
30340	12/17/2021	Ferguson Enterprises, Inc.	AP	87.57
30341	12/17/2021	Forklift Services of Oregon	AP	198.79
30342	12/17/2021	State of Oregon Government Ethics Commission	AP	548.83
30343	12/17/2021	Hach Company	AP	2,537.01
30344	12/17/2021	Hasa, Inc	AP	3,319.68
30345	12/17/2021	Larry Potter Landscape Services	AP	1,260.00
30346	12/17/2021	League of Oregon Cities	AP	80.00
30347	12/17/2021	MOSS ADAMS LLP	AP	17,430.00
30348	12/17/2021	Oregon Association of Water Utilities	AP	255.00
30349	12/17/2021	Oregon City Garbage Co.	AP	51.55
30350	12/17/2021	Portland Engineering Inc.	AP	50.00
30351	12/17/2021	Special Districts Insurance Sv	AP	4,107.61
30352	12/17/2021	Stein Oil Co.	AP	114.52
30353	12/17/2021	Sunrise Water Authority	AP	7,555.33
30354	12/17/2021	Team Electric Company	AP	150.00
30355	12/30/2021	AFLAC	AP	307.40
30356	12/30/2021	Cintas Corporation - 463	AP	193.32
30357	12/30/2021	Ferguson Enterprises, Inc.	AP	129.00
30358	12/30/2021	Hach Company	AP	453.48
30359	12/30/2021	Oak Lodge Water Services District	AP	4,093.00
30360	12/30/2021	Oregon Business Forms	AP	74.07
30361	12/30/2021	Portland Engineering Inc.	AP	70.00
30362	12/30/2021	Employee Business Expense Reimbursement	AP	400.00
30363	12/30/2021	Sharpe Mixers, Inc.	AP	610.73
30364	12/30/2021	Stein Oil Co.	AP	138.49
30365	12/30/2021	Sunrise Water Authority	AP	5,137.60
30366	12/30/2021	U.S. Crane & Hoist Inc	AP	571.00
30367	12/30/2021	Univar USA Inc	AP	1,160.00
30368	12/30/2021	Verizon Wireless	AP	204.32
Paper Check Disbursement Activity Subtotal				469,198.68
Voided Paper Check Disbursement Activity				-
Adjusted Paper Check Disbursement Activity Subtotal				469,198.68

Total Void Check Count:	-
Total Void Check Amount:	-
Total Valid Check Count:	160.00
Total Valid Check Amount:	596,484.08
Total Check Count:	160.00
Total Check Amount:	596,484.08

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Agenda Item 6.1

Subject: Approve appointment of FY2022-23 Budget Officer

Presenter(s): Wade Hathhorn, General Manager

Board Action: Formally approve appointment of FY2022-23 Budget Officer

Attachments: None

Background: The NCCWC Board of Directors have chosen to follow Oregon Budget Law ORS 294.900 to 294.930. Those rules require the appointment of a Budget Officer to oversee the preparation of the FY2022-23 Budget.

Analysis: Staff recommends the appointment of Gail Stevens, Finance Director, as the Budget Officer for the NCCWC's FY2022-23 Budget process.

Options: Make alternative appointment

Staff Recommendation: Appoint Gail Stevens as the Budget Officer for the NCCWC's FY2022-23 Budget Process

Draft Motion: Move to appoint Gail Stevens as the Budget Officer for the NCCWC's FY2022-23 Budget process.

NORTH CLACKAMAS COUNTY WATER COMMISSION

JANUARY 27, 2022

Agenda Item 6.2

Subject: Adopt FY2022-23 Budget Calendar

Presenter(s): Gail Stevens, Finance Director

Board Action: Formally adopt FY2022-23 Budget Calendar

Attachments: None

Background: Oregon Budget Law ORS 294.414 to 294.428 requires specific procedures for scheduling and noticing budget committee meetings and related documents for the FY2022-23 Budget process.

Analysis: Staff recommends the following calendar of FY2022-23 Budget Committee meetings and notices:

January 27, 2022 - Appoint Budget Officer and Approve Budget Schedule

March 9, 2022 - Publish notice of Budget Committee Meeting

March 18, 2022 - Send proposed budget document to Budget Committee

March 24, 2022 - Appoint Budget Committee and Hold Budget Committee Meeting (5:30pm via Zoom)

April 7, 2022 – Second Budget Committee Meeting (if necessary)

June 8, 2022 - Publish Notice and Summary of Budget Adoption Hearing

June 23, 2022 - Conduct Public Hearing to Adopt Budget

Options: Amend recommended budget calendar

Staff

Recommendation: Adopt proposed FY2022-23 Budget Calendar

Draft Motion: Move to adopt FY2022-23 Budget calendar as presented.

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Agenda Item 6.3

Subject: Receipt of FY2020-21 Audit

Presenter(s): Gail Stevens, Finance Director

Board Action: Acknowledge receipt of the FY2020-21 Audit

Attachments: Copy of the FY2020-21 Audit for the NCCWC
Communication to Those Charged with Governance

Background: The NCCWC is required by law to conduct an annual audit of its financial affairs (ORS 297.425). Such audits shall at a minimum meet the standards established by the Oregon Secretary of State. The NCCWC has, in turn, retained Moss Adams LLP as their preferred auditing firm for conducting this work.

Copies of the Audit are available via request to the Finance Director.

Analysis: Staff recommends the Chair acknowledge (for the record) receipt of the FY2020-21 Audit for the NCCWC. Staff will highlight any notable comments by the auditors as part of this discussion item.

Options: None

Staff Recommendation: Acknowledge receipt of the FY2020-21 audit and the AU-C260 (Letter to Those Charged with Governance).

Draft Motion: No motion required. Record to reflect the receipt of audit report and letter.

NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2021

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

FOR THE YEARS ENDED JUNE 30, 2020 and 2021

FINANCIAL REPORT

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NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON

JUNE 30, 2021

Board of Commissioners

Chris Hawes - Chair

Paul Gornick – Vice Chair

Kevin Williams

Matt Tracey

Kevin Bailey

Registered Agent

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

NORTH CLACKAMAS COUNTY WATER COMMISSION
CLACKAMAS COUNTY, OREGON

TABLE OF CONTENTS

FINANCIAL SECTION:

REPORT OF INDEPENDENT AUDITORS i-iii

MANAGEMENT’S DISCUSSION & ANALYSIS 1-5

BASIC FINANCIAL STATEMENTS:

Statements of Net Position 6

Statements of Revenues, Expenses, and Changes in Net Position 7

Statements of Cash Flows 8

Notes to Basic Financial Statements 9-27

REQUIRED SUPPLEMENTARY INFORMATION:

Required Pension Information –
Schedule of the Proportionate Share of the Net Pension Liability and
Schedule of Contributions 28-29

SUPPLEMENTARY INFORMATION:

Budgetary Reporting

Combining Balance Sheet – All Funds (Budgetary Basis) 30

Combining Schedule of Revenues, Expenditures, Other Financing Sources and Uses
and Changes in Fund Balance – Actual and Budget (Budgetary Basis) 31

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

General Fund 32

Plant Reserve Fund 33

Revenue Bond Debt Service Reserve Fund 34

Revenue Bond Debt Redemption Fund 35

OTHER INFORMATION:

Program Compliance Information

Coverage Computation

Revenue Bonds

Water Revenue Obligations, Series 2001 36

Report of Independent Auditors Required by Oregon State Regulations 37

FINANCIAL SECTION

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Report of Independent Auditors

The Board of Commissioners
North Clackamas County Water Commission

Report on the Financial Statements

We have audited the accompanying financial statements of North Clackamas County Water Commission (the "Commission"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Clackamas County Water Commission as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability and schedule of contributions be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's financial statements. The combining schedules and budgetary schedules 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 combining and budgetary basis schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 combining schedules and budgetary schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The program compliance information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The program compliance information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 23, 2021, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the North Clackamas County Water Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ended June 30, 2020 and 2021. We encourage readers to consider the information presented here in conjunction with additional information that are furnished in the notes to the financial statements.

Financial Highlights

- At June 30, 2021, the Commission's assets and deferred outflows exceeded its liabilities and deferred inflows by \$30.80 million; of this amount, \$25.21 million represents investment in capital assets, net of related debt; while \$5.50 million represents unrestricted net position, which may be used to satisfy ongoing obligations to members and creditors.
- Net position increased \$0.50 million or 1.64% with revenues of \$2.86 million exceeding expenses of \$2.39 million.
- The Commission has \$25.29 million invested in capital assets, net of accumulated depreciation; of this amount, \$9.9 million is comprised of water rights. Net capital assets decreased by \$0.55 million (or 2.11%) for the year as a result of scheduled depreciation.

Overview of the Financial Statements

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

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)

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

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

Financial Summary

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

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

Fiscal year ended June 30,

	<u>Restated 2019</u>	<u>2020</u>	<u>2021</u>
Operating Revenues	\$ 2,463	\$ 2,452	\$ 2,855
Operating Expenses	2,319	2,435	2,392
Operating Income	144	17	463
Non-operating revenue	81	82	34
Change in Net Position	225	99	497
Beginning Net Position	30,027	30,201	30,300
Prior Period Adjustment	(50)	0	0
Beginning Net Position	29,977	30,201	30,300
Ending Net Position	<u>\$ 30,201</u>	<u>\$ 30,300</u>	<u>\$ 30,797</u>

The Commission’s General Fund accounts for all revenues and related costs of providing water to the members. Actual operating revenue exceeded expenses, yielding positive operating income, in all three fiscal years. While operating revenues increased in fiscal 2020-21, operating expenses decreased slightly from the prior year most notably in personal services (vacancies) and depreciation.

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

Personnel services expense increased nearly 23% from 2019 to 2020 with the addition of new positions and overtime and increases in benefits costs (medical and retirement costs). Fiscal 20-2021 reflects a small drop in personnel services costs (3%) due to vacancies offsetting increases in benefits and salary increases.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)

Materials and services were basically flat from 2019 to 2020 and increased just over 8% from 2020 to 2021 as operations returned to something more consistent with pre-pandemic levels. Professional services, contracted services, utilities and chemicals are the primary drivers within this category.

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

STATEMENTS OF NET POSITION

(in thousands)

	Fiscal year ended June 30,		
	Restated 2019	2020	2021
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	\$ 4,387	\$ 5,073	\$ 6,230
Non-Current Assets			
Capital Assets (Net)	26,359	25,831	25,286
Other Assets	3	5	4
Total Non-Current Assets	<u>26,363</u>	<u>25,836</u>	<u>25,290</u>
Total Assets	<u>30,749</u>	<u>30,909</u>	<u>31,520</u>
Deferred Outflows	135	140	162
Total Assets and Deferred Outflows	<u><u>\$ 30,884</u></u>	<u><u>\$ 31,049</u></u>	<u><u>\$ 31,682</u></u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current Liabilities:	\$ 134	\$ 224	\$ 352
Long-Term Liabilities:			
Proportionate Share of Net Pension Liability	331	406	503
Bonds Payable, Less Current Portion	150	75	0
Total Long-Term Liabilities	<u>481</u>	<u>481</u>	<u>503</u>
Total Liabilities	<u>615</u>	<u>704</u>	<u>855</u>
Deferred Inflows	69	45	30
Total Liabilities and Deferred Inflows	<u>683</u>	<u>749</u>	<u>885</u>
Net Position:			
Net Investment in Capital Assets	26,139	25,681	25,211
Restricted	82	82	82
Unrestricted	3,979	4,537	5,504
Total Net Position	<u>30,201</u>	<u>30,300</u>	<u>30,797</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 30,884</u></u>	<u><u>\$ 31,049</u></u>	<u><u>\$ 31,682</u></u>

Net position serves as one useful indicator of a government’s financial condition. At the close of the fiscal year ended June 30, 2021 the Commission’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by nearly \$31 million (Net Position). The largest portion of net position (82%) reflects the Commission’s investment in capital assets, net of related debt. The Commission uses these capital assets to provide water to its members; consequently, these assets are not available for future spending. A small portion of net position (0.3%) reflects cash resources that are restricted as a result of legal loan reserve requirements. The remaining portion of net position (18%) is unrestricted and may be used to meet the Commission’s ongoing obligations to members and creditors.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)

Capital Assets

The Commission’s capital assets include investments in land, buildings, machinery and equipment, and water treatment and distribution systems. Current period capital expenditures totaled just under \$190,000. These expenditures capitalized, increasing total capital assets, which were then reduced by depreciation expense of approximately \$735,000. Total net capital assets decreased by almost \$550,000 or 2%. At June 30, 2021, the Commission had \$25.3 million invested in a broad range of capital assets, net of accumulated depreciation, including \$9.9 million invested in water rights. See Note 1 Subsection H as well as Note 4 of the Notes to Basic Financial Statements for additional information on capital assets.

Debt Administration

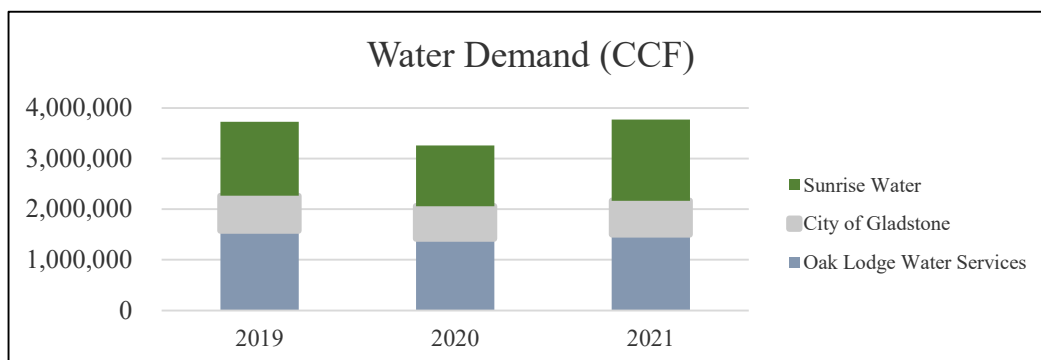
The Commission has \$75,000 in long-term debt outstanding at June 30, 2021, which will be fully retired at the end of fiscal year 2021-22. Total long-term debt decreased by \$75,000 during the year due to scheduled principal payments. Please refer to Note 6 in the Notes to Basic Financial Statements for additional detail.

Economic Factors and Next Year’s Budget and Rates

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

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

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



NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)

The chart illustrates a decline in demand for fiscal year 2019-20 overall with a return to demand levels in fiscal year 2020-21 consistent with fiscal year 2018-19. The reduced demand in fiscal year 2019-20 is attributable to several factors including weather and the impacts of the COVID-19 pandemic. The increase in fiscal year 2020-21 is largely a function of the demand from Sunrise Water and Oak Lodge Water Services, with the City of Gladstone basically the same as in prior years.

Both Oak Lodge and Gladstone rely solely on the Commission for their water. The two agencies are looking to improve the management of their demands by reducing water loss within their respective distribution (delivery) systems. Each agency either has or is in the process of conducting water audits intended to close the gap between water purchased from the Commission and water sold to customers. Water demand for Oak Lodge increased 6% from 2020 to 2021 following a decrease of 10% from 2019 to 2020, whereas demand from Sunrise Water increased 34% from 2020 to 2021 following a decrease of nearly 18% from 2019 to 2020.

The Commission’s water treatment plant is now about 20 years old and as such is requiring repair and replacement of several key capital elements. The existing capital plan estimates an additional \$4.34 million in capital investment is required in the next six years. This amount is planned to be funded by existing reserves within the Plant Reserve fund. Notwithstanding, the Board has authorized the continued funding of future capital through annual reserves created from water sales (subject to transfer to the Plant Reserve fund). The plan expects to create an additional \$500-\$700 thousand each year through wholesale service charges. Hence, in the next six years, the Commission is expected to accumulate \$3-\$4 million in additional capital reserves, thus adequately funding its future capital requirements. Unless there are unforeseen conditions, the Commission has no plans to issue debt of any kind.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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North Clackamas County Water Commission
Clackamas County, Oregon

Statements of Net Position
June 30, 2020 and 2021

	<u>2020</u>	<u>2021</u>
Assets:		
Current:		
Cash and Investments	\$ 4,590,944	\$ 5,612,745
Cash and Investments - Restricted	82,318	82,318
Accounts Receivable	12,022	16,345
Prepaid Assets	32,979	35,779
Intergovernmental Receivables	354,474	483,253
Total Current Assets	5,072,737	6,230,440
Non-Current:		
Capital Assets (Net)	25,830,997	25,285,757
OPEB Asset - GASB 75 Implicit Rate Subsidy	5,185	3,729
Total Non-current Assets	25,836,182	25,289,486
Total Assets	30,908,919	31,519,926
Deferred Outflows of Resources:		
Net Pension Related Deferrals	140,020	161,012
OPEB Related Deferrals	210	1,326
Total Deferred Outflows of Resources	140,230	162,338
Total Assets and Deferred Outflows	\$ 31,049,149	\$ 31,682,264
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 130,258	\$ 265,464
Accrued Compensated Absences	14,243	9,366
Accrued Interest	4,028	2,014
Long-term Debt - Current Portion	75,000	75,000
Total Current Liabilities	223,529	351,844
Long-term Liabilities:		
Proportionate Share of Net Pension Liability	405,570	503,384
Long-term Debt	75,000	-
Total Long-Term Liabilities	480,570	503,384
Total Liabilities	704,099	855,228
Deferred Inflows of Resources:		
Net Pension Related Deferrals	43,540	29,467
OPEB Related Deferrals	1,044	585
Total Deferred Inflows of Resources	44,584	30,052
Total Liabilities and Deferred Inflows	748,683	885,280
Net Position:		
Net Investment in Capital Assets	25,680,997	25,210,757
Restricted	82,318	82,318
Unrestricted	4,537,151	5,503,909
Total Net Position	30,300,466	30,796,984
Total Liabilities, Deferred Inflows and Net Position	\$ 31,049,149	\$ 31,682,264

The accompanying notes are an integral part of these statements.

North Clackamas County Water Commission
Clackamas County, Oregon

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2021

	<u>2020</u>	<u>2021</u>
Operating Revenue:		
Water Sales	\$ 2,452,110	\$ 2,841,457
Miscellaneous	-	13,705
Total Operating Revenues	<u>2,452,110</u>	<u>2,855,162</u>
Operating Expenses:		
Personnel Services	519,567	503,893
Materials and Services	1,067,226	1,153,541
Depreciation and Amortization	848,190	735,201
Total Operating Expenses	<u>2,434,983</u>	<u>2,392,635</u>
Net Income From Operations	17,127	462,527
Non-operating Revenues, (Expenses)		
Earnings on Investments	91,013	38,802
Interest Expense	(8,852)	(4,811)
Total Non-operating Revenues	<u>82,161</u>	<u>33,991</u>
Change in Net Position	99,288	496,518
Beginning Net Position	<u>30,201,178</u>	<u>30,300,466</u>
Ending Net Position	<u>\$ 30,300,466</u>	<u>\$ 30,796,984</u>

The accompanying notes are an integral part of these statements.

North Clackamas County Water Commission
Clackamas County, Oregon

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2021

	2020	2021
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 2,461,801	\$ 2,722,060
Cash Paid to Suppliers	(959,205)	(1,021,135)
Cash Paid to Employees	(498,360)	(446,139)
Net Cash Provided (Used) By Operating Activities	1,004,236	1,254,786
Cash Flows From Capital Related Financing Activities:		
Purchase of Capital Assets	(319,755)	(189,962)
Principal Payments on Debt	(70,000)	(75,000)
Interest Payments on Debt	(10,731)	(6,825)
Net Cash Provided, (Used) By Financing Activities	(400,486)	(271,787)
Cash Flows From Investing Activities:		
Earnings on Investments	91,013	38,802
Net Cash Provided, (Used) By Investing Activities	91,013	38,802
Net Increase in Cash	694,763	1,021,801
Beginning Cash and Cash Equivalents	3,978,499	4,673,262
Ending Cash and Cash Equivalents	\$ 4,673,262	\$ 5,695,063
 (1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:		
Cash and Investments	\$ 4,590,944	\$ 5,612,745
Cash and Investments - Restricted	82,318	82,318
Subtotal	\$ 4,673,262	\$ 5,695,063
 Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities		
Net Income, (Loss) From Operations	\$ 17,127	\$ 462,526
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation expense	848,190	735,201
Proportional Pension Estimate, Inflows/Outflows	44,625	62,749
OPEB Estimate and Net Outflow/Inflow of Resources	(802)	(119)
Decrease, (Increase) In:		
Accounts Receivable	(12,022)	(4,323)
Prepaid Assets	(923)	(2,800)
Intergovernmental Receivables	21,712	(128,779)
Increase, (Decrease) In:		
Unearned Revenue	-	-
Accounts Payable	108,944	135,206
Accrued Vacation Payable	(22,615)	(4,877)
Net Cash Provided, (Used) By Operating Activities	\$ 1,004,236	\$ 1,254,786

The accompanying notes are an integral part of these statements.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

General Fund

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

Plant Reserve Fund

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

Revenue Bond Debt Service Reserve Fund

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

Revenue Bond Debt Redemption Fund

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

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

D. Estimates

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

E. Budget

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

Expenditures cannot legally exceed the adopted appropriation levels. Appropriations lapse at fiscal year-end. Supplemental appropriations may occur if the Board approves them due to a need, which was not determined at the time the budget was adopted. There were no supplemental appropriations during the period July 1, 2020 to June 30, 2021. Expenditures of the various funds were within authorized appropriations for the period July 1, 2020 through June 30, 2021.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

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

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

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

G. Investments

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

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

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

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

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

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

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

Water System	30-75 years
Buildings	50 years
Equipment	5 years

I. Vacation and Sick Pay

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

J. Retirement Plans

Substantially all the Commission's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as 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.

K. Net Position

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

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

L. Deferred Outflows/Inflows of Resources

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

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

2. CASH AND INVESTMENTS

Cash and cash equivalents

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

Investments

The Commission participates in the LGIP, which is an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill, and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State’s Office audits the Pool annually. The Division’s report on the Pool as of and for the year ended June 30, 2021 was unmodified and may be obtained at the Oregon State Treasury, 350 Winter St. NE, Ste 100, Salem, OR 97310.

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

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments at June 30, 2020 and 2021, (recorded at fair value) consisted of the following:

	2020	2021
Cash on hand	\$ 276	\$ 276
Demand deposits	208,443	515,516
Investments	4,464,543	5,102,246
Cash at Fiscal Agent	-	77,025
Total cash and investments	<u>\$ 4,673,262</u>	<u>\$ 5,695,063</u>

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

<u>Investment Type</u>	<u>Amortized Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 5,102,246	\$ 5,102,246	\$ -
Total investments	<u>\$ 5,102,246</u>	<u>\$ 5,102,246</u>	<u>\$ -</u>

The Commission had the following investments and maturities at June 30, 2020:

<u>Investment Type</u>	<u>Amortized Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 4,464,543	\$ 4,464,543	\$ -
Total investments	<u>\$ 4,464,543</u>	<u>\$ 4,464,543</u>	<u>\$ -</u>

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Commission's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides Insurance for the Commission's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest-bearing accounts and the aggregate of all interest-bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program. Oregon Revised Statutes and Commission policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. As of June 30, 2021, the total bank balance per the bank statements was \$515,516. Of these deposits, \$250,000 was covered by federal depository insurance while the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP).

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTS RECEIVABLE

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

4. CAPITAL ASSETS

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

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

Capital Assets and the related changes for the year ended June 30, 2020, are summarized below:

	Restated Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 701,351	\$ -	\$ -	\$ 701,351
Intangibles	9,915,662	-	-	9,915,662
Construction in Progress	7,299	-	7,299	-
Total Capital Assets Not Being Depreciated	<u>10,624,312</u>	<u>-</u>	<u>7,299</u>	<u>10,617,013</u>
Capital Assets Being Depreciated:				
Water Treatment Plant	26,938,304	287,511	140,891	27,084,924
Equipment	1,353,461	39,543	32,186	1,360,818
Transmission Line	1,970,274	-	-	1,970,274
Total Capital Assets Being Depreciated	<u>30,262,039</u>	<u>327,054</u>	<u>173,077</u>	<u>30,416,016</u>
Total Capital Assets	<u>40,886,351</u>	<u>327,054</u>	<u>180,376</u>	<u>41,033,029</u>
Less Accumulated Depreciation for:				
Water Treatment Plant	13,211,423	747,118	140,891	13,817,650
Equipment	838,402	74,801	32,186	881,017
Transmission Line	477,094	26,271	-	503,365
Total Accumulated Depreciation	<u>14,526,919</u>	<u>848,190</u>	<u>173,077</u>	<u>15,202,032</u>
Total Capital Assets Being Depreciated, Net	<u>15,735,121</u>	<u>(521,136)</u>	<u>-</u>	<u>15,213,984</u>
Total Capital Assets, Net	<u>\$ 26,359,433</u>	<u>\$ (521,136)</u>	<u>\$ 7,299</u>	<u>\$ 25,830,997</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

5. ACCRUED COMPENSATORY LEAVE ABSENCES

Changes in Accrued Compensated Absences Liability

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

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

	<u>Balance</u> <u>June 30, 2020</u>	<u>Increases</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Total leave liability	\$ 14,243	\$ 12,082	\$ 16,959	\$ 9,366

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Total leave liability	\$ 36,859	\$ 17,581	\$ 40,197	\$ 14,243

6. LONG-TERM DEBT

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

	<u>Revenue</u> <u>Bonds</u>		<u>Revenue</u> <u>Bonds</u>
Balance, 7/1/19	\$ 220,000	Balance, 7/1/20	\$ 150,000
Additions	-	Additions	-
Reductions	(70,000)	Reductions	(75,000)
Balance, 6/30/20	<u>\$ 150,000</u>	Balance, 6/30/21	<u>\$ 75,000</u>

Amounts Payable			
<u>In Fiscal Year:</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>
2021-2022	<u>75,000</u>	<u>2,025</u>	5.40%
Total	<u>\$ 75,000</u>	<u>\$ 2,025</u>	

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

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:

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

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

- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent 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.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the years ended June 30, 2020 and June 30, 2021 were \$41,538 and \$36,995, respectively, excluding amounts to fund employer specific liabilities. At June 30, 2020 and June 30, 2021, the Commission reported a net pension liability of \$405,570 and \$503,384, respectively, for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2018. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2020, the Commission's proportion was .002 percent.

The rates in effect for the year ended June 30, 2021 were:

- (1) Tier 1/Tier 2 – 22.97%
- (2) OPSRP general services – 18.96%

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Deferred outflows and inflows as of June 30, 2020 comprised as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 22,366	\$ -
Changes of assumptions	55,020	-
Net difference between projected and actual earnings on investments	-	11,497
Changes in proportion	17,599	26,412
Differences between employer contributions and employer's proportionate share of contributions	3,497	5,631
Total (prior to post-MD contributions)	<u>98,482</u>	<u>43,540</u>
Contributions subsequent to the MD	41,538	N/A
Subtotal	<u>\$ 140,020</u>	<u>\$ 43,540</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	15,529
2023	31,348
2024	30,103
2025	18,130
2026	(560)
Thereafter	-
Total	<u>\$ 94,550</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Actuarial Methods and Assumptions:

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 from the PERS audited financials dated September 17, 2020.

Valuation Date	December 31, 2018 rolled forward to June 30, 2020
Measurement Date	June 30, 2020
Experience Study Report	2018, Published July 24, 2019
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Long-term expected rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Cost of living adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service:
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Portfolio	7.5%	17.5%	17.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

(Source: June 30, 2020 PERS ACFR; p. 102)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, April 24, 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption 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.

Asset Class	Target	Annual Arithmetic Return
Core Fixed Income	9.60%	4.14%
Short-Term Bonds	9.60%	3.70%
Bank/Leveraged Loans	3.60%	5.40%
High Yield Bonds	1.20%	6.13%
Large/Mid Cap US Equities	16.17%	7.35%
Small Cap US Equities	1.35%	8.35%
Micro Cap US Equities	1.35%	8.86%
Developed Foreign Equities	13.48%	8.30%
Emerging Market Equities	4.24%	10.35%
Non-US Small Cap Equities	1.93%	8.81%
Private Equity	17.50%	11.95%
Real Estate (Property)	10.00%	6.19%
Real Estate (REITS)	2.50%	8.29%
Hedge Fund of Funds – Diversified	1.50%	4.28%
Hedge Fund – Event-driven	0.38%	5.89%
Timber	1.13%	6.36%
Farmland	1.13%	6.87%
Infrastructure	2.25%	7.51%
Commodities	1.13%	5.34%
Assumed Inflation – Mean		2.50%

(Source: June 30, 2020 PERS ACFR; p. 74)

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission’s proportionate share of the net pension liability to changes in the discount rate – The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease <u>(6.20)</u>	Discount Rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Commission’s proportionate share of the net pension liability	\$ 747,483	\$ 503,384	\$ 298,695

Changes Subsequent to the Measurement Date

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

OPSRP Individual Account Program (OPSRP IAP)

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

Pension Benefits: Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions: Employees of the Commission pay six (6) percent of their covered payroll. The Commission did not make any optional contributions to member IAP accounts for the year ended June 30, 2020 or 2021.

8. OTHER POST-EMPLOYMENT BENEFITS (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the Commission contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit, other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating members are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the Commission contributed 0.06 percent of annual covered OPERF payroll and 0.00 percent of OPSRP payroll under a contractual requirement in effect through June 30, 2021. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Commission's contributions to RHIA for the year ended June 30, 2021 was \$0 which equaled the required contributions for the year.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

At June 30, 2021, the Commission maintained a net post-employment benefit asset in the amount of \$3,729 for its proportionate share of the net post-employment benefit asset for the RHIA. The post-employment benefit asset was measured as of June 30, 2020, 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, 2018.

The Commission's proportion of the net post-employment benefit asset was based on a projection of the Commission's long-term share of contributions to the RHIA relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2020, the Commission's proportion was less than 0.01 percent. The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

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

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

Deferred outflows and inflows as of June 30, 2020 comprised as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 684
Changes of assumptions	-	5
Net difference between projected and actual earnings on investments	-	320
Changes in proportion	79	35
Differences between employer contributions and employer's proportionate share of contributions	-	-
Total (prior to post-MD contributions)	79	1,044
Contributions subsequent to the MD	131	N/A
Subtotal	<u>\$ 210</u>	<u>\$ 1,044</u>

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	117
2023	339
2024	153
2025	132
2026	-
Thereafter	-
Total	<u>\$ 741</u>

9. DEFERRED COMPENSATION PLAN

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

10. RISK MANAGEMENT

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

During the year ended June 30, 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments took actions in response to the pandemic, which have ranged by jurisdiction, resulting in a variety of negative economic consequences. The impacts of the pandemic have continued through the fiscal year ended June 30, 2021 with the general economy seeing improvements in some areas and further decline in others. The direct impacts on the Commission during fiscal year 2020-21 have not been significant in terms of water sales revenues or costs of operations. The Commission continues to monitor developments in the pandemic and related activities affecting operations.

11. NET POSITION

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

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Ending fund balance	\$ 4,942,479	\$ 5,964,976
Revenue bond liability and other	(168,271)	(86,380)
Capital assets, net of accumulated depreciation	25,830,997	25,285,758
GASB 68 net pension asset/(liability) and related deferred inflows/outflows	(309,090)	(371,840)
GASB 75 net pension asset/(liability) and related deferred inflows/outflows	4,351	4,470
Net Position	<u>\$ 30,300,466</u>	<u>\$ 30,796,984</u>

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Member investments in net position comprised the following:

Investment in NCCWC	Member Share	June 30, 2020	June 30, 2021
Oak Lodge Water Services District	42%	\$ 12,726,195	\$ 12,934,734
Sunrise Water Authority	48%	14,544,224	14,782,552
City of Gladstone	10%	3,030,047	3,079,698
Subtotal	<u>100%</u>	<u>\$ 30,300,466</u>	<u>\$ 30,796,984</u>

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Commission did not have any significant commitments at the close of the fiscal year ended June 30, 2021.

13. RELATED PARTY

Revenue – In the financial years ended June 30, 2020 and June 30, 2021 the Commission earned a total of \$2,437,654 and \$2,828,963, respectively, from Oak Lodge Water Services District, Sunrise Water Authority, and the City of Gladstone.

Expense – In the financial years ended June 30, 2020 and June 30, 2021 the Commission paid a total of \$33,000 and \$48,000 to Oak Lodge Water Services District for financial services and the Commission paid a total of \$45,000 and \$33,000 to Sunrise Water Authority for management services, respectively.

14. NEW PRONOUNCEMENTS

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

In January 2017, GASB issued Statement No. 84, “Fiduciary Activities.” The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for financial and reporting purposes and how the activities should be reported. The Commission adopted GASB Statement No. 84 in conjunction with Statement No. 97 during the fiscal year ended June 30, 2021, which did not impact the financial statements.

GASB Statement 87, “Leases”. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Implementation was initially required in reporting periods beginning after December 15, 2019 but GASB Statement 95 has delayed the effective day by eighteen months, so implementation is now required in reporting periods beginning after June 15, 2021.

GASB Statement 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period”. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Implementation was initially required in reporting periods beginning after December 15, 2019 but GASB Statement 95 has delayed the effective date by twelve months, so implementation is now required in reporting periods beginning after December 15, 2020.

GASB Statement 91, “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Implementation was initially required in reporting periods beginning after December 15, 2020 but GASB Statement 95 has delayed the effective date by twelve months, so implementation is now required in reporting periods beginning after December 15, 2021.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

GASB Statement 92, “Omnibus 2020”. The primary objectives of this Statement are to address practice issues identified during implementation and application of certain GASB Statements, including Statement 73, “Pensions and Related Assets Not in Scope of GASB 68”; Statement 84, “Fiduciary Activities”; Statement 87, “Leases”; Asset Retirement Obligations (ARO)s; inter-entity transfers; and other topics. The requirements related to Statement 73, Statement 84, and AROs are effective for fiscal years beginning after June 15, 2020 while the requirements related to Statement 87 are effective upon issuance; except GASB Statement 95 has delayed the effective date for paragraphs 6 and 7 by eighteen months which now require implementation in reporting periods beginning after June 15, 2021.

GASB Statement 93, “Replacement of Interbank Offered Rates”. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). The removal of LIBOR as an appropriate benchmark interest rate was initially effective for reporting periods ending after December 31, 2021, while all other requirements are effective for reporting periods beginning after June 15, 2020; except GASB Statement 95 has delayed the effective date for paragraph 13 and 14 by eighteen months which now require implementation in reporting periods beginning after June 15, 2021.

GASB Statement 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The primary objective of this Statement is to address issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement 95, “Postponement of the Effective Dates of Certain Authoritative Guidance”. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately.

GASB Statement 96, “Subscription-Based Information Technology Arrangements”. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

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SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.002%	\$ 503,384	\$ 285,718	176%	75.80%
2020	0.002%	405,570	261,982	155%	80.23%
2019	0.002%	330,549	255,438	129%	82.07%
2018	0.002%	289,598	246,762	117%	83.10%
2017	0.003%	392,862	268,100	147%	80.50%
2016	0.003%	182,899	198,044	92%	91.90%
2015	0.003%	(74,802)	200,489	-38%	103.60%
2014	0.003%	168,405	195,400	84%	92.00%

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ -	\$ -	\$ -	\$ 285,718	0.00%
2020	41,538	41,538	-	263,023	15.79%
2019	38,297	38,297	-	261,982	14.62%
2018	32,671	32,671	-	255,438	12.79%
2017	20,995	20,995	-	246,762	8.51%
2016	21,240	21,240	-	268,100	7.92%
2015	14,992	14,992	-	198,044	7.57%
2014	18,152	18,152	-	200,489	9.05%

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

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

NORTH CLACKAMAS COUNTY WATER COMMISSION

Clackamas County, Oregon

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2020**

Changes in Plan Provisions

There were no changes in plan provisions occurred since the December 31, 2018 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2018 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2018 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Resources

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

SUPPLEMENTARY INFORMATION

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

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

Combining Balance Sheet – All Funds (Budgetary Basis)	30
Combining Schedule of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balance – Actual and Budget (Budgetary Basis)	31
Schedule of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual	
General Fund	32
Plant Reserve Fund	33
Revenue Bond Debt Service Reserve Fund	34
Revenue Bond Debt Redemption Fund	35

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BUDGETARY REPORTING

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

**Combining Balance Sheet
June 30, 2021**

	<u>General Fund</u>	<u>Plant Reserve Fund</u>	<u>Revenue Bond Debt Service Reserve Fund</u>	<u>Revenue Bond Debt Redemption Fund</u>	<u>Total</u>
Assets:					
Current:					
Cash and Investments	\$ 749,258	\$ 4,843,170	\$ 102,321	\$ (76,711)	\$ 5,618,038
Cash with Fiscal Agent	-	-	-	77,025	77,025
Accounts Receivable	16,345	-	-	-	16,345
Intergovernmental Receivables	483,253	-	-	-	483,253
Prepaid Asset	35,779	-	-	-	35,779
Total Current Assets	1,284,635	4,843,170	102,321	314	6,230,440
Total Assets	\$ 1,284,635	\$ 4,843,170	\$ 102,321	\$ 314	\$ 6,230,440
Liabilities and Fund Balances:					
Current Liabilities:					
Accounts Payable	\$ 185,322	\$ 61,610	\$ -	\$ -	\$ 246,932
Payroll Liabilities	18,532	-	-	-	18,532
Total Current Liabilities	203,854	61,610	-	-	265,464
Total Liabilities	203,854	61,610	-	-	265,464
Fund Balances	1,080,781	4,781,560	102,321	314	5,964,976
Total Liabilities and Fund Balances	\$ 1,284,635	\$ 4,843,170	\$ 102,321	\$ 314	\$ 6,230,440
Add/(deduct) to reconcile to GAAP basis statement of net position:					
Budgetary ending fund balance					\$ 5,964,976
Capital assets, net depreciation					25,285,757
Accrued compensated absences payable					(9,366)
Accrued interest expense payable					(2,014)
Long term debt					(75,000)
Net pension liability					(503,384)
OPEB asset					3,729
Deferred outflows of resources					162,338
Deferred inflows of resources					(30,052)
Ending net position					<u>\$ 30,796,984</u>

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

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021**

	General Fund	Plant Reserve Fund	Revenue Bond Debt Service Reserve Fund	Revenue Bond Debt Redemption Fund	Total
Revenues:					
Interest	\$ 2,537	\$ 35,456	\$ 808	\$ 1	\$ 38,802
Water Sales	2,841,457	-	-	-	2,841,457
Miscellaneous	13,705	-	-	-	13,705
Total Revenues	2,857,699	35,456	808	1	2,893,964
Expenditures:					
Personnel Services	446,139	-	-	-	446,139
Materials and Services	1,153,541	-	-	-	1,153,541
Capital Outlay	-	189,962	-	-	189,962
Debt Service:					
Principal	-	-	-	75,000	75,000
Interest	-	-	-	6,825	6,825
Total Expenditures	1,599,680	189,962	-	81,825	1,871,467
Excess of Revenues Over, (Under) Expenditures	1,258,019	(154,506)	808	(81,824)	1,022,497
Other Financing Sources, (Uses):					
Transfers In	-	600,000	-	80,000	680,000
Transfers Out	(680,000)	-	-	-	(680,000)
Total Other Financing Sources	(680,000)	600,000	-	80,000	-
Net Change in Fund Balance	578,019	445,494	808	(1,824)	1,022,497
Beginning Fund Balance	502,762	4,336,066	101,513	2,138	4,942,479
Ending Fund Balance	\$ 1,080,781	\$ 4,781,560	\$ 102,321	\$ 314	\$ 5,964,976
Change in fund balance across all funds:					\$ 1,022,497
Add/(deduct) to reconcile to GAAP basis change in net position:					
Change in accrued compensated absences					4,877
Principal payments on long-term debt					75,000
Change in accrued interest					2,014
Capital outlay expenditures capitalized					189,962
Depreciation					(735,201)
Change in deferred outflow of resources, adjustment to pension expense					20,992
Change in deferred inflow of resources, adjustment to pension expense					14,073
Change in deferred outflow of resources, adjustment to OPEB expense					1,116
Change in deferred inflow of resources, adjustment to OPEB expense					459
Change in Net pension liability/(asset)					(97,814)
Change in OPEB liability/(asset)					(1,457)
Change in net position					\$ 496,518

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2021

	<u>General Fund</u>		
	<u>ACTUAL</u>	<u>ORIGINAL AND FINAL BUDGET</u>	<u>VARIANCE POSITIVE, (NEGATIVE)</u>
Revenues:			
Interest	\$ 2,537	\$ 13,000	\$ (10,463)
Water Sales	2,841,457	2,522,950	318,507
Miscellaneous	13,705	-	13,705
Total Revenues	<u>2,857,699</u>	<u>2,535,950</u>	<u>321,749</u>
Expenditures:			
Water Treatment	1,599,680	1,830,950 (1)	231,270
Operating Contingency	-	304,650 (1)	304,650
Total Expenditures	<u>1,599,680</u>	<u>2,135,600</u>	<u>535,920</u>
Excess of Revenues Over, (Under) Expenditures	<u>1,258,019</u>	<u>400,350</u>	<u>857,669</u>
Other Financing Uses:			
Transfers Out	<u>(680,000)</u>	<u>(680,000) (1)</u>	<u>-</u>
Total Other Financing Sources	<u>(680,000)</u>	<u>(680,000)</u>	<u>-</u>
Net Change in Fund Balance	578,019	(279,650)	857,669
Beginning Fund Balance	<u>502,762</u>	<u>279,650</u>	<u>223,112</u>
Ending Fund Balance	<u><u>\$ 1,080,781</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,080,781</u></u>

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2021

<u>Plant Reserve Fund</u>			
	ACTUAL	ORIGINAL AND FINAL BUDGET	VARIANCE POSITIVE, (NEGATIVE)
Revenues:			
Interest	\$ 35,456	\$ 97,736	\$ (62,280)
Total Revenues	35,456	97,736	(62,280)
Expenditures			
Capital Outlay:			
Plant Expenditures	189,962	501,000	311,038
Total Capital Outlay	189,962	501,000 (1)	311,038
Contingency	-	300,000	300,000
Total Contingency	-	300,000 (1)	300,000
Total Expenditures	189,962	801,000	611,038
Excess of Revenues Over, (Under) Expenditures	(154,506)	(703,264)	548,758
Other Financing Uses			
Transfers In	600,000	600,000	-
Total Other Financing Sources	600,000	600,000	-
Net Change in Fund Balance	445,494	(103,264)	548,758
Beginning Fund Balance	4,336,066	4,343,805	(7,739)
Ending Fund Balance	\$ 4,781,560	\$ 4,240,541	\$ 541,019

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2021

Revenue Bond Debt Service Reserve Fund

	ACTUAL	ORIGINAL AND FINAL BUDGET	VARIANCE POSITIVE, (NEGATIVE)
Revenues:			
Interest	\$ 808	\$ 2,291	\$ (1,483)
Total Revenues	808	2,291	(1,483)
Beginning Fund Balance	101,513	101,808	(295)
Ending Fund Balance	\$ 102,321	\$ 104,099	\$ (1,778)

North Clackamas County Water Commission
Clackamas County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget
For the Year Ended June 30, 2021

Revenue Bond Debt Redemption Fund

	<u>ACTUAL</u>	<u>ORIGINAL AND FINAL BUDGET</u>	<u>VARIANCE POSITIVE, (NEGATIVE)</u>
Revenues:			
Interest	\$ 1	\$ 48	\$ (47)
Total Revenues	1	48	(47)
Expenditures			
Debt Service			
Principal	75,000	75,000	-
Interest	6,075	6,075	-
Fiscal Agent Fees	750	750	-
Total Debt Service	81,825	81,825 (1)	-
Excess of Revenues Over, (Under) Expenditures	(81,824)	(81,777)	(47)
Other Financing Sources			
Transfers In	80,000	80,000	-
Total Other Financing Sources	80,000	80,000	-
Net Change in Fund Balance	(1,824)	(1,777)	(47)
Beginning Fund Balance	2,138	2,138	-
Ending Fund Balance	\$ 314	\$ 361	\$ (47)

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS

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

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NORTH CLACKAMAS COUNTY WATER COMMISSION
 Program Compliance Information - Coverage Computation
 Debt Service Coverage Information - Water Treatment Program Budgetary Basis
 Revenue Bonds, 2001 Series
 Fiscal Year Ended June 30, 2021

June 30,	Gross Revenue	Operating Expenses	Net Operating Revenues	Annual Debt Service	Net revenue available / (working capital required)	Coverage	Coverage Met
2021	\$ 2,857,699	\$ 2,389,642	\$ 468,057	\$ 81,075	\$ 386,982	5.77	Yes
2020	2,455,780	2,285,341	170,439	79,990	90,449	2.13	Yes

Operating Expenses

June 30,	Personnel Services	Materials & Services	Reserve for Capital Replacement	Subtotal
2021	\$ 446,139	\$ 1,153,541	\$ 789,962	\$ 2,389,642
2020	498,360	1,067,227	719,754	2,285,341

¹ Gross revenues comprise all fees and charges resulting from the provision of water service, revenues from product sales, and all other revenues placed in the General Fund as well as any interest earnings on the General Fund and water system development ch

² Operating Expenses means all expenses incurred for operation, maintenance and repair of the Water Facilities, including but not limited to administrative expenses, financial and auditing expenses, insurance premiums, claims (to the extent monies are not a

³ The reserve for capital replacement amount is an allocation of new revenue generated in the general fund which is estimated to have been reserved for ongoing repair and replacement of existing capital assets in the water treatment program.

⁴ The District expects to pay all debt service with net operating revenues.

⁵ Refer to the Notes to the Basic Financial Statements for detailed information about the District's debt.

⁸ Remaining revenue available / (working capital required) reflects retained earnings available or working capital required for reserves and other future expenditures.

Source: North Clackamas County Water Commission Records

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**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

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

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Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Auditing Standards*

Board of Commissioners
North Clackamas County Water Commission

We have audited the basic financial statements of North Clackamas County Water Commission (the “Commission”) as of and for the year ended June 30, 2021 and have issued our report thereon dated December 23, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s 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 as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance of which could have a direct and material effect on the determination of financial statement amounts.

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2021 and 2022.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. Discussion of these deficiencies can be found in our Communication to Those Charged with Governance and Internal Control Related Matters dated December 23, 2021

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

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

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COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
AND INTERNAL CONTROL RELATED MATTERS

NORTH CLACKAMAS COUNTY WATER COMMISSION

June 30, 2021

Communication to Those Charged with Governance and Internal Control Related Matters

To the Board of Commissioners
North Clackamas County Water Commission

We have audited the financial statements of North Clackamas County Water Commission (the Commission) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 23, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 14, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements, budgetary basis schedules and additional information, presented as supplementary information, prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we considered the Commission's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We are also responsible for performing tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance of which could have a direct and material effect on the determination of financial statement amounts.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in the notes to the financial statements.

No new accounting policies were adopted that impacted financial reporting and there were no other changes in the application of existing policies during fiscal year 2021. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements include:

Pension liability and related pension expense – This represents the amount of annual expense recognized for pensions and the related pension liability. The amount is actuarially determined, with management input. We have evaluated the key factors and assumptions used to develop the annual expense in determining that it is reasonable in relation to the combined and individual financial statements taken as a whole.

Unbilled Revenue – Unbilled revenue is a measure of revenue earned through the end of the reporting period that has yet to be billed. This generally represents accounts with billing cycles that start in the reporting year and end in the subsequent year. We have evaluated the key factors and assumptions used to develop unbilled revenue in determining that it is reasonable in relation to the financial statements taken as a whole. The Commission records unbilled revenue as part of accounts receivable on the statements of net position.

Recovery Periods for the Cost of Capital Assets – This represents the depreciation of capital assets. Management's estimate of the recovery periods for the cost of capital assets is based on regulatory-prescribed depreciation recovery periods. We have evaluated the key factors and assumptions used to develop the recovery periods in determining that they are reasonable in relation to the financial statements taken as a whole.

Other Post-Employment Benefit Obligations – This represents the amount of annual expenses recognized for post-employment benefits. The amount is actuarially determined with management input. We have evaluated the key factors and assumptions used to develop the annual expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 7 - Defined benefit pension plan

We did not note any other disclosures in the financial statements which we consider sensitive to potential users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements made subsequent to the start of audit final fieldwork. An audit adjustment may or may not indicate matters that could have a significant effect on the Commission's financial reporting process (that is, cause future financial statements to be materially misstated). We identified the following audit adjustments during the course of our audit procedures.

- To record GASB 68 and 75 net pension/OPEB asset (liability) and income (expense) in the amount of \$99,389.
- To accrue for PGE electricity expense totaling \$10,409.

Passed adjustments are those entries found during the course of the audit that management has decided to not post to the financial statements. We did not identify any passed audit adjustments during the course of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 23, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Commission’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Communication of Internal Control Related Matters

In planning and performing our audit of the financial statements of the Commission as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Commission's internal control to be a material weakness:

Net Pension and OPEB Asset (Liability) and Related Pension and OPEB Expense (Credit) –
As part of our testing of the net pension and OPEB liability and related expense (credit), we noted the Commission did not record the appropriate year-end entries to update its financial records in response to the new measurement date information provided by Oregon PERS, which resulted in a material misstatement to the financial statements. We recommend that the District establish year end closing procedures to review the pension and OPEB accounts and compare those to the most recent information provided by Oregon PERS to ensure the Commission's records reflect the most up to date information.

Control deficiencies and other matters identified during our June 30, 2021 audit are included in Appendix A below, while Appendix B summarizes the prior year comments that have been partially resolved in the current year, and Appendix C includes prior year comments that have been resolved.

This communication is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
December 23, 2021

Appendix A
June 30, 2021 Recommendations

In addition to the required communications, we have identified the following matters for your consideration. Our recommendations are based on observations and testing during the course of our audit. These recommendations should be evaluated by management and the Board of Commissioners for implementation and the Commission should conduct a cost benefit analysis including consideration of the risks for the recommended action.

Other Matters

Listing of public procurement contracts – As part of our testing of compliance with state procurement requirements, we noted that the Commission does not maintain a centralized list of all contracts executed during the year. We recommend that this process be centralized with one employee to help track all procurements and ensure all documentation required is maintained on file to support the Commission's compliance with the State's procurement requirements.

Capital asset reconciliation to the general ledger – We noted that the Commission does not currently have a control in place to reconcile certain key, full-accrual accounts on a routine basis, specifically capital assets. To reduce the burden of the year end closing process, we recommend that the activity per the asset tracking system be routinely reconciled to the capital outlay accounts on a quarterly basis. This reconciliation should be formally documented and reviewed by someone other than the person performing the reconciliation as part of the Commission's close process.

Accounts Payable Accruals – During our testing, we noted amounts where the Commission did not appropriately accrue for all services related to fiscal year 2021. An audit adjustment was posted to the financial statements to correctly accrue for those services. We recommend that the Commission establish controls to review year-end accruals to ensure that costs are recorded in the period in which the service was provided.

Appendix B
Prior Year Recommendations Partially Resolved in 2021

Asset tracking system – We noted that the Commission does not currently utilize an asset tracking system to track and monitor costs by project throughout the year, and to document when projects were placed into commercial operation and should be moved to assets in service for financial reporting purposes. We recommend that the Commission consistently utilize an electronic project tracking system to capture all the costs by project each year and to utilize reports from the system to monitor the costs by project to identify any significant variances from budget or estimate. The information in this system should also be reconciled to the general ledger on a monthly basis and any projects placed into service should be closed to assets in service on the general ledger.

2021 Update – During our current year audit procedures, we noted that all capital projects are tracked in a spreadsheet that is reviewed periodically based upon what is approved in the capital budget. This allows the Commission to capture all the costs by project and to monitor the costs by project to identify any significant variances from budget or estimate. As the asset tracking spreadsheet is unprotected we recommend that the Commission consider moving the asset information to an electronic asset tracking system to help prevent unauthorized changes and to reduce the risk of manual or other formula errors.

Pay rate and other employee master file changes – We noted during our payroll testing that once a pay rate is entered into the system, there is no formal review to verify that the rates were entered correctly. We recommend that the Commission run reports of any changes made to the employee master file on a monthly basis to verify the accuracy and timeliness of the changes. Such review should be formally documented to evidence who performed the review and when it was completed.

2021 Update – During our current year audit procedures, we noted that the District implemented a formal review each pay period to verify the accuracy and timeliness of pay rate changes. However, as this formal review was not implemented until August 2020 we noted that it partially resolved in 2021.

Purchase orders – We noted that the Commission's current policy requires purchase orders to be utilized for any inventory items over \$500. However, non-inventory items do not have a similar requirement. We recommend that the Commission update its policy to require purchase order on non-inventory items over \$500 as well. The purchase orders should be reviewed and approved by someone other than the person requesting the purchase.

2021 Update – During our current year audit procedures, we noted that the District implemented a formal procurement policy requiring purchase orders on all purchases over \$1,000. Additionally, the Commission also implemented the use of an electronic purchase order system to better track and enforce procurement rules. However, as this was not implemented until December 2020, we noted that it partially resolved in 2021.

Appendix C
Prior Year Control Deficiencies Resolved in 2021

Cutoff of expenditures – During our testing, we noted amounts where the service period per the invoice spanned over both fiscal year 2019 and 2020, but the total amount of the invoice was expensed in fiscal year 2020. We recommend that the Commission establish controls to review year end cutoff to ensure that costs are recorded in the period in which the service was provided or the materials were received.

2021 Update – During our current year audit procedures, we noted that accounts payable are reconciled at year-end, which includes a review of cutoff. We believe the comment has been resolved in the current year.

Procurement policy – During our inquiries we noted that the Commission does not have its own procurement policy and instead follows the Oak Lodge Water Services District policy. We recommend that the Commission draft its own policy and obtain approval from the Board of Commissioners over the formal, written procurement policy.

2021 Update – During our current year audit procedures, we noted that a formal, written procurement policy was approved by the Board of Commissioners. We believe the comment has been resolved in the current year.

Journal entries – During our review of IT access, we noted that the Finance Director has the ability to both prepare and post journal entries without a secondary approval. Additionally, we noted the former Finance Director still had access within the system. We recommend that any manual journal entry have a documented approval from someone other than the person responsible for posting the entry and that the former Finance Director's system access be revoked.

2021 Update – During our current year audit procedures, we noted that manual journal entries had a documented approval from someone other than the person responsible for posting the entry and that any entries posted by the Finance Director are reviewed by another person monthly. Additionally, we noted that the former Finance Director's system access has been revoked. We believe the comment has been resolved in the current year.

Review of reconciliations – During our testing, we noted no evidence to support that reconciliations are reviewed and approved timely by someone other than the person preparing the reconciliations. This includes bank reconciliations, accounts payable reconciliations, as well as other monthly reconciliations. We recommend that each reconciliation be reviewed monthly and that the review be documented.

2021 Update – During our current year audit procedures, we noted that the Commission formalized month-end close procedures to ensure that all reconciliations are reviewed and approved timely by someone other than the person preparing the reconciliations. We believe the comment has been resolved in the current year.

IT user access – We noted that the Commission does not regularly perform and document its review of user access to the various systems supporting the financial reporting function. We recommend that the Commission perform routine reviews of user access, at least annually, to determine whether access to the systems are appropriately updated, terminated users have been removed timely, and any segregation of duties conflicts are identified.

2021 Update – During our current year audit procedures, we noted that the District implemented a formal review of user groups and roles on an annual basis to ensure that access to the systems are appropriately updated and that terminated users are removed timely. We believe the comment has been resolved in the current year.

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Agenda Item 6.4

- Subject:** Adopt Resolution 2022-1 Waiving True-Up for FY2020-21
- Presenter(s):** Wade Hathhorn, General Manager
- Board Action:** The Board is requested to adopt Resolution 2022-1 waiving the true-up for FY2020-21.
- Attachments:** Resolution 2022-1 Waiving the True-Up for FY2020-21
- Background:** The NCCWC operates under an authorized annual budget that is based on forecasted revenue (resources) and expenditures (requirements). Following a formal audit of the “closed books” from the previous fiscal year, the Agreement that governs the NCCWC calls for a “true-up” to be established between the “actuals” and “budgeted” costs.
- Section 2.2(ii) states: “The budgeted costs shall be used to establish a projected price of water based on projected demand (i.e. use) from the NCCWC by all Members. Following the close of each fiscal period, a “true-up” will be established to reconcile the projected and actual cost of water. Any resulting reimbursement (or surcharge) owed to the Members shall be paid (or collected) within sixty (60) days of written notice to the Members, unless approved otherwise by the Board.”
- Analysis:** Following FY2020-21, the actual water sales (or resources) were sufficient the total planned operating expenditures, leaving excess revenue totaling \$331,978. Under the Agreement, the member agencies would be eligible for reimbursement of their respective amounts based on relative water use.
- Staff is recommending the Board formally adopt Resolution 2022-1, thereby waiving the true-up for FY2020-21. The excess funds would remain within the General Fund and be held as part of the fund’s balance as anticipated in the FY2022-23 budget.
- Options:** Reject Resolution 2021-2 and issue a reimbursement to member agencies totaling \$331,978 based on their respective actual water use.
- Draft Motion(s):** Move to adopt Resolution 2022-1 waiving the true-up for FY2020-21, as presented.

NORTH CLACKAMAS COUNTY WATER COMMISSION

Resolution No. 2022-1

A RESOLUTION WAIVING THE TRUE-UP FROM FY2020-21

WHEREAS, the FY2020-21 Adopted Budget authorized requirements totaling \$8,043,426; and

WHEREAS, those planned requirements included General Fund operating expenses of \$2,331,950 for personnel, materials and services, and capital, along with a transfer of \$600,000 to the Plant Reserve Fund; and

WHEREAS, the actual resources in the General Fund (from water sales) for the same fiscal period were sufficient to cover the planned requirements, leaving excess revenue from water sales totaling \$331,978; and

WHEREAS, Section 2.2(ii) of the Intergovernmental Agreement (IGA) governing the NCCWC calls for a true-up to be made each year between the actual and budgeted costs, unless approved otherwise by the Board of Directors; and

WHEREAS, the true-up from FY2020-21 would cause a reimbursement of \$331,978 to the member agencies based on their respective actual water usage; and

WHEREAS, the waiver of such reimbursement shall have no detrimental impact on the future finances of the NCCWC.

NOW, THEREFORE BE IT RESOLVED, BY THE NORTH CLACKAMAS COUNTY WATER COMMISSION BOARD OF DIRECTORS THAT:

Any reimbursement of excess revenue to the member agencies (i.e. true-up) called for under Section 2.2(ii) of the Intergovernmental Agreement (IGA) governing the NCCWC shall be formally waived for FY2020-21, allowing the excess revenue from this fiscal period to remain within the General Fund.

Approved by the Board of Director's on this 27th day of January 2022.

By _____
Chris Hawes, Chair

By _____
Wade Hathorn, General Manager

Attest this 27th day of January 2022

NORTH CLACKAMAS COUNTY WATER COMMISSION

JANUARY 27, 2022

Agenda Item 7.1

Subject: Year to Date Financial Statements

Presenter(s): Gail Stevens, Finance Director

Board Action: None Required

Attachments: .1 Water Production and Cost Summary FY2020-21 YTD June 2021 Updated
.2 Monthly Water Production and Cost Summary July 2021 Updated
.3 Monthly Water Production and Cost Summary August 2021
.4 Monthly Water Production and Cost Summary September 2021
.5 Monthly Water Production and Cost Summary October 2021
.6 Monthly Water Production and Cost Summary November 2021
.7 Water Production and Cost Summary FY2021-22 YTD Nov 2021
.8 Water Sales FY2021-22 and Comparison to FY2020-21
.9 Budget to Actuals Report FY2021-22 YTD Period 05 November 2021

Background: A summary of financial reports is presented for review. Reports are through the end of November (Period 05) for FY2021-22; for comparison basis by calendar 41.7% through FY2021-22.

Analysis: Through December 2021, Water Sales are 61.26% of budget and 12.1% ahead for the same period prior year. Expenditures are 29.34% of budget.

Options: None

Staff Recommendation: Review financial statements as presented.

Draft Motion: None required. Chair should acknowledge receipt of the financial reports for the periods of September, October, November, and December 2021 as presented.

NCCWC

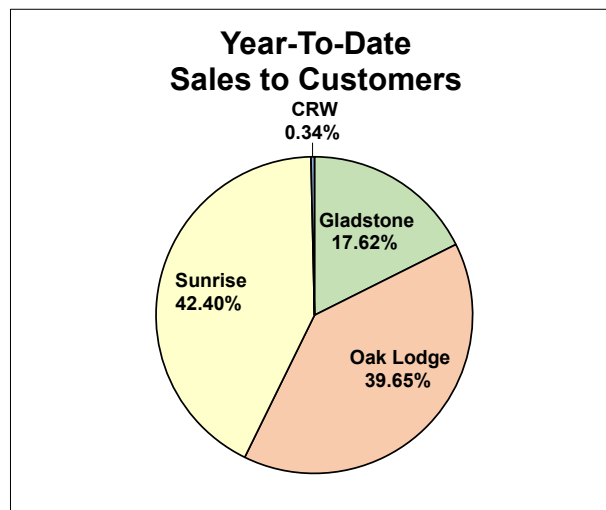
Water Production and Cost Summary - Year to Date 07/01/20 - 6/30/21

Updated

	Combined	Production SSF/Membrane	Production SFWB	Production CRW
Average Daily Production (MG)	7.76	7.75	0.02	-
<hr/>				
	TOTAL	NCCWC Plant	SFWB	Production CRW
Water Production/Purchases (MG)	2,832.99	2,827.30	5.69	-
Water Production/Purchases (ccf) (divide MG by 0.000748)	3,787,420	3,779,813	7,607	-
<hr/>				
NCCWC Expenditures (\$):		NCCWC Plant	SFWB	CRW
Operations				
Personnel Services	\$ 445,163	\$ 445,163	\$ -	\$ -
Electricity	\$ 472,041	\$ 472,041	\$ -	\$ -
Water Treatment	\$ 102,132	\$ 102,132	\$ -	\$ -
Other -Material & Services	\$ 233,525	\$ 233,525	\$ -	\$ -
Capital Outlay	\$ 189,962	\$ 189,962	\$ -	\$ -
Transfer	\$ 680,000	\$ 680,000	\$ -	\$ -
Administration				
Contracted Services	\$ 127,709	\$ 127,709	\$ -	\$ -
Professional Services	\$ 209,579	\$ 209,579	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 2,460,111	\$ 2,460,111	\$ -	\$ -
<hr/>				
Cost: w/o Debt \$(/ccf):	\$ 0.65	\$ 0.65	\$ -	\$ -

VOLUME PURCHASED:

		Gladstone	Oak Lodge	Sunrise	CRW
Water Sales (MG)	2,832.48	499.02	1,123.00	1,200.89	9.58
Total Water Sales (ccf)	3,786,739	667,134	1,501,336	1,605,467	12,802
% Water Sales per Entity (ccf)	100%	17.62%	39.65%	42.40%	0.34%
Gladstone Rate	\$ 0.74370	\$ 496,148			
OLWD Rate	\$ 0.74370		\$ 1,116,544		
SWA Rate	\$ 0.74370			\$ 1,193,986	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069				\$ 13,195
YTD Weighted Avg Cost	\$ 0.74467				
YTD Gain/(Loss) w/out Debt	\$ 0.09512				



NCCWC

Monthly Water Production and Cost Summary - July 2021

Updated

	<u>Combined</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Average Daily Production (MG)	15.13	15.08	(0.00)	0.04

	<u>TOTAL</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Water Production/Purchases (MG)	468.95	467.59	(0.00)	1.36
Water Production/Purchases (ccf) (divide MG by 0.000748)	626,941	625,120	(3)	1,824

NCCWC Expenditures (\$):

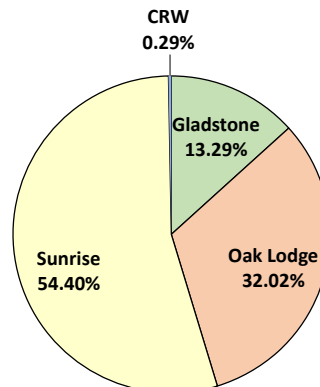
		<u>SSF/Membrane</u>	<u>SFWB</u>	<u>CRW</u>
Operations:				
Personnel Services	\$ 54,916	\$ 54,916	\$ -	\$ -
Electricity	\$ 71,099	\$ 71,099	\$ -	\$ -
Water Treatment	\$ 13,100	\$ 13,100	\$ -	\$ -
Other - Material & Services	\$ 6,827	\$ 6,827	\$ -	\$ -
Capital Outlay	\$ 4,759	\$ 4,759	\$ -	\$ -
Transfer	\$ 130,000	\$ 130,000	\$ -	\$ -
Administration:				
Contracted Services	\$ 12,715	\$ 12,715	\$ -	\$ -
Professional Services	\$ 35,622	\$ 35,622	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 329,037	\$ 329,037	\$ -	\$ -
Cost w/out Debt: \$/(ccf):	\$ 0.52	\$ 0.53	\$ -	\$ -

VOLUME PURCHASED:

		<u>Gladstone</u>	<u>Oak Lodge</u>	<u>Sunrise</u>	<u>CRW</u>
Water Sales (MG)	468.68	62.29	150.07	254.96	1.36
Water Sales (ccf)	626,581	83,277	200,623	340,857	1,824
% Water Sales per Entity (ccf)	100%	13.29%	32.02%	54.40%	0.29%

GLAD Rate	\$ 0.76670	\$63,848			
OLWD Rate	\$ 0.76670		\$153,818		
SWA Rate	\$ 0.76670			\$261,335	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069				\$1,880
Monthly Weighted Avg Cost	\$ 0.76747				
Monthly Gain/(Loss) w/out Debt	\$ 0.24264				

Monthly Sales By Customer



NCCWC

Monthly Water Production and Cost Summary - August 2021

	<u>Combined</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Average Daily Production (MG)	15.56	15.52	-	0.04

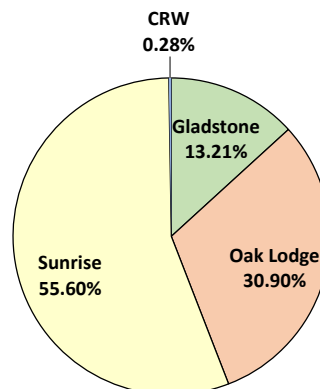
	<u>TOTAL</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Water Production/Purchases (MG)	482.47	481.11	-	1.36
Water Production/Purchases (ccf) (divide MG by 0.000748)	645,019	643,195	-	1,824

NCCWC Expenditures (\$):		<u>SSF/Membrane</u>	<u>SFWB</u>	<u>CRW</u>
Operations:				
Personnel Services	\$ 21,295	\$ 21,295	\$ -	\$ -
Electricity	\$ 68,846	\$ 68,846	\$ -	\$ -
Water Treatment	\$ 12,176	\$ 12,176	\$ -	\$ -
Other - Material & Services	\$ 7,806	\$ 7,806	\$ -	\$ -
Capital Outlay	\$ 14,268	\$ 14,268	\$ -	\$ -
Transfer	\$ 50,000	\$ 50,000	\$ -	\$ -
Administration:				
Contracted Services	\$ 5,291	\$ 5,291	\$ -	\$ -
Professional Services	\$ 4,665	\$ 4,665	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 184,347	\$ 184,347	\$ -	\$ -
Cost w/out Debt: \$/(ccf):	\$ 0.29	\$ 0.29	\$ -	\$ -

<u>VOLUME PURCHASED:</u>	<u>Gladstone</u>	<u>Oak Lodge</u>	<u>Sunrise</u>	<u>CRW</u>
Water Sales (MG)	479.27	63.32	148.10	266.49
Water Sales (ccf)	640,730	84,647	197,994	356,265
% Water Sales per Entity (ccf)	100%	13.21%	30.90%	55.60%

GLAD Rate	\$ 0.76670	\$64,899		
OLWD Rate	\$ 0.76670		\$151,802	
SWA Rate	\$ 0.76670		\$273,148	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069			\$1,880
Monthly Weighted Avg Cost	\$ 0.76745			
Monthly Gain/(Loss) w/out Debt	\$ 0.48165			

Monthly Sales By Customer



NCCWC Monthly Water Production and Cost Summary -

September 2021

	<u>Combined</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Average Daily Production (MG)	12.03	11.99	0.00	0.03

	<u>TOTAL</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Water Production/Purchases (MG)	360.81	359.81	0.00	1.00
Water Production/Purchases (ccf) (divide MG by 0.000748)	482,364	481,030	1	1,333

NCCWC Expenditures (\$):

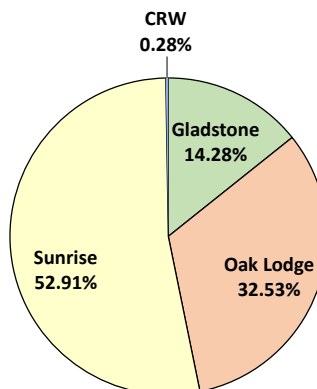
		<u>SSF/Membrane</u>	<u>SFWB</u>	<u>CRW</u>
Operations:				
Personnel Services	\$ 26,086	\$ 26,086	\$ -	\$ -
Electricity	\$ 62,759	\$ 62,759	\$ -	\$ -
Water Treatment	\$ 8,433	\$ 8,433	\$ -	\$ -
Other - Material & Services	\$ 10,384	\$ 10,384	\$ -	\$ -
Capital Outlay	\$ 2,338	\$ 2,338	\$ -	\$ -
Transfer	\$ 50,000	\$ 50,000	\$ -	\$ -
Administration:				
Contracted Services	\$ 17,138	\$ 17,138	\$ -	\$ -
Professional Services	\$ 770	\$ 770	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 177,908	\$ 177,908	\$ -	\$ -
Cost w/out Debt: \$/(ccf):	\$ 0.37	\$ 0.37	\$ -	\$ -

VOLUME PURCHASED:

		<u>Gladstone</u>	<u>Oak Lodge</u>	<u>Sunrise</u>	<u>CRW</u>
Water Sales (MG)	358.45	51.19	116.60	189.66	1.00
Water Sales (ccf)	479,198	68,433	155,879	253,553	1,333
% Water Sales per Entity (ccf)	100%	14.28%	32.53%	52.91%	0.28%

GLAD Rate	\$ 0.76670	\$52,468			
OLWD Rate	\$ 0.76670		\$119,512		
SWA Rate	\$ 0.76670			\$194,399	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069				\$1,374
Monthly Weighted Avg Cost	\$ 0.76743				
Monthly Gain/(Loss) w/out Debt	\$ 0.39861				

Monthly Sales By Customer



NCCWC Monthly Water Production and Cost Summary -

October 2021

	<u>Combined</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Average Daily Production (MG)	5.46	5.43	-	0.03

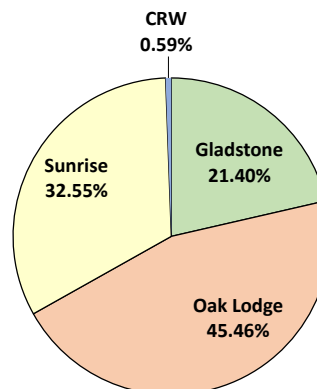
	<u>TOTAL</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Water Production/Purchases (MG)	169.36	168.36	-	1.00
Water Production/Purchases (ccf) (divide MG by 0.000748)	226,414	225,080	-	1,334

NCCWC Expenditures (\$):		<u>SSF/Membrane</u>	<u>SFWB</u>	<u>CRW</u>
Operations:				
Personnel Services	\$ 29,168	\$ 29,168	\$ -	\$ -
Electricity	\$ 32,711	\$ 32,711	\$ -	\$ -
Water Treatment	\$ 4,164	\$ 4,164	\$ -	\$ -
Other - Material & Services	\$ 13,002	\$ 13,002	\$ -	\$ -
Capital Outlay	\$ 43,118	\$ 43,118	\$ -	\$ -
Transfer	\$ 50,000	\$ 50,000	\$ -	\$ -
Administration:				
Contracted Services	\$ 12,953	\$ 12,953	\$ -	\$ -
Professional Services	\$ 36,127	\$ 36,127	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 221,244	\$ 221,244	\$ -	\$ -
Cost w/out Debt: \$/(ccf):	\$ 0.98	\$ 0.98	\$ -	\$ -

<u>VOLUME PURCHASED:</u>	<u>Gladstone</u>	<u>Oak Lodge</u>	<u>Sunrise</u>	<u>CRW</u>
Water Sales (MG)	36.17	76.85	55.03	1.00
Water Sales (ccf)	48,356	102,746	73,575	1,334
% Water Sales per Entity (ccf)	21.40%	45.46%	32.55%	0.59%

GLAD Rate	\$ 0.76670	\$37,075		
OLWD Rate	\$ 0.76670		\$78,775	
SWA Rate	\$ 0.76670		\$56,410	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069			\$1,375
Monthly Weighted Avg Cost	\$ 0.76826			
Monthly Gain/(Loss) w/out Debt	\$ (0.20891)			

Monthly Sales By Customer



NCCWC Monthly Water Production and Cost Summary -

November 2021

	<u>Combined</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Average Daily Production (MG)	5.15	5.13	-	0.02

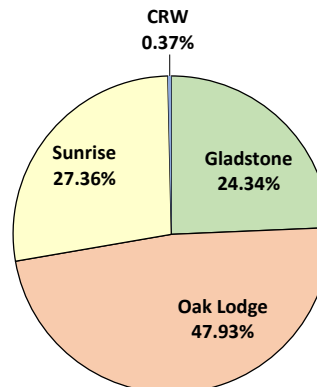
	<u>TOTAL</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Water Production/Purchases (MG)	154.37	153.82	-	0.55
Water Production/Purchases (ccf) (divide MG by 0.000748)	206,377	205,642	-	735

NCCWC Expenditures (\$):		<u>SSF/Membrane</u>	<u>SFWB</u>	<u>CRW</u>
Operations:				
Personnel Services	\$ 30,794	\$ 30,794	\$ -	\$ -
Electricity	\$ 27,777	\$ 27,777	\$ -	\$ -
Water Treatment	\$ 7,645	\$ 7,645	\$ -	\$ -
Other - Material & Services	\$ 10,719	\$ 10,719	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -
Transfer	\$ 50,000	\$ 50,000	\$ -	\$ -
Administration:				
Contracted Services	\$ 5,138	\$ 5,138	\$ -	\$ -
Professional Services	\$ 17,430	\$ 17,430	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 149,504	\$ 149,504	\$ -	\$ -
Cost w/out Debt: \$/(ccf):	\$ 0.72	\$ 0.73	\$ -	\$ -

<u>VOLUME PURCHASED:</u>		<u>Gladstone</u>	<u>Oak Lodge</u>	<u>Sunrise</u>	<u>CRW</u>
Water Sales (MG)	149.94	36.50	71.87	41.02	0.55
Water Sales (ccf)	200,458	48,797	96,084	54,842	735
% Water Sales per Entity (ccf)	100%	24.34%	47.93%	27.36%	0.37%

GLAD Rate	\$ 0.76670	\$37,413			
OLWD Rate	\$ 0.76670		\$73,668		
SWA Rate	\$ 0.76670			\$42,047	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069				\$758
Monthly Weighted Avg Cost	\$ 0.76767				
Monthly Gain/(Loss) w/out Debt	\$ 0.04325				

Monthly Sales By Customer



NCCWC

Water Production and Cost Summary - Year to Date 07/01/21 - 11/30/21

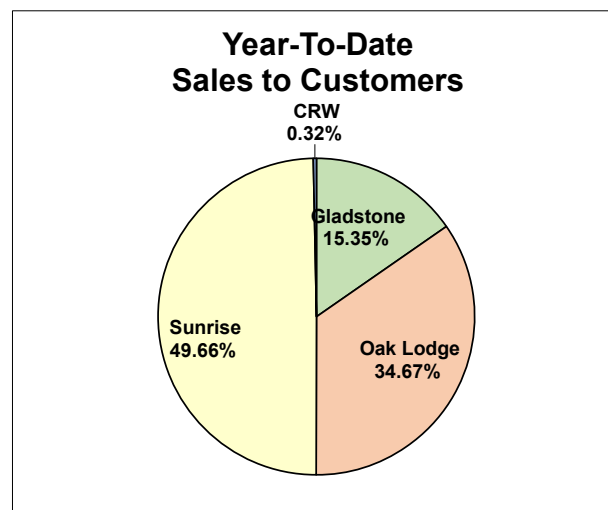
	<u>Combined</u>	<u>Production SSF/Membrane</u>	<u>Production SFWB</u>	<u>Production CRW</u>
Average Daily Production (MG)	10.69	10.66	(0.00)	0.18

	<u>TOTAL</u>	<u>NCCWC Plant</u>	<u>SFWB</u>	<u>Production CRW</u>
Water Production/Purchases (MG)	1,635.96	1,630.69	(0.00)	5.27
Water Production/Purchases (ccf) (divide MG by 0.000748)	2,187,115	2,180,067	(2)	7,050

NCCWC Expenditures (\$):		<u>NCCWC Plant</u>	<u>SFWB</u>	<u>CRW</u>
Operations				
Personnel Services	\$ 162,260	\$ 162,260	\$ -	\$ -
Electricity	\$ 263,193	\$ 263,193	\$ -	\$ -
Water Treatment	\$ 45,518	\$ 45,518	\$ -	\$ -
Other -Material & Services	\$ 48,739	\$ 48,739	\$ -	\$ -
Capital Outlay	\$ 64,482	\$ 64,482	\$ -	\$ -
Transfer	\$ 330,000	\$ 330,000	\$ -	\$ -
Administration				
Contracted Services	\$ 53,235	\$ 53,235	\$ -	\$ -
Professional Services	\$ 94,614	\$ 94,614	\$ -	\$ -
Wholesale Purchases	\$ -	\$ -	\$ -	\$ -
Total Requirements w/out Debt	\$ 1,062,041	\$ 1,062,041	\$ -	\$ -

Cost: w/o Debt \$(/ccf):	\$ 0.49	\$ 0.49	\$ -	\$ -
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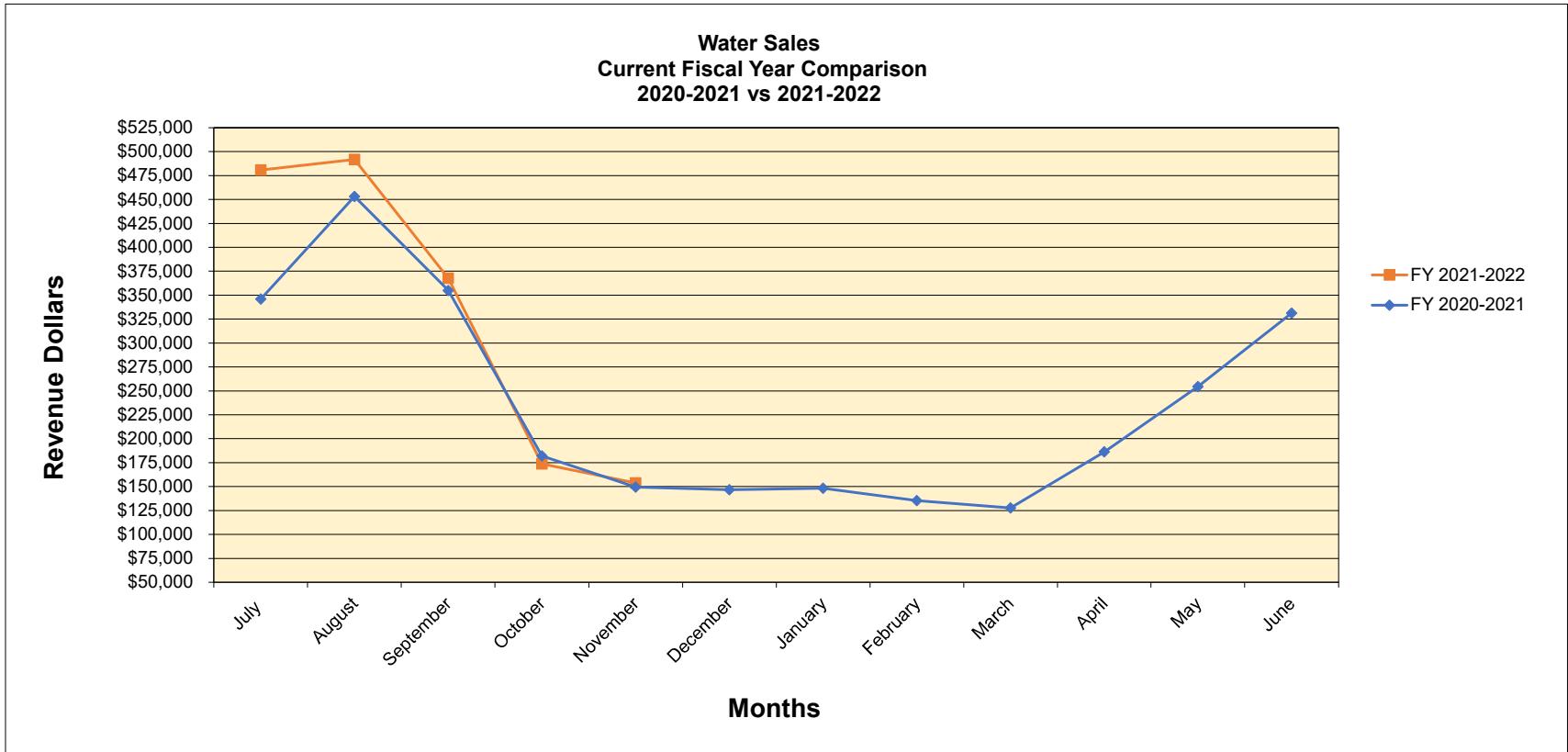
<u>VOLUME PURCHASED:</u>		<u>Gladstone</u>	<u>Oak Lodge</u>	<u>Sunrise</u>	<u>CRW</u>
Water Sales (MG)	1,625.38	249.47	563.49	807.16	5.27
Total Water Sales (ccf)	2,172,978	333,510	753,326	1,079,092	7,050
% Water Sales per Entity (ccf)	100%	15.35%	34.67%	49.66%	0.32%
Gladstone Rate	\$ 0.76670	\$ 255,702			
OLWD Rate	\$ 0.76670		\$ 577,575		
SWA Rate	\$ 0.76670			\$ 827,340	
CRW Water Rate(\$0.73621*1.4) /ccf	\$ 1.03069				\$ 7,266
YTD Weighted Avg Cost	\$ 0.76756				
YTD Gain/(Loss) w/out Debt	\$ 0.28197				



NORTH CLACKAMAS COUNTY WATER COMMISSION

Water Sales Fiscal Year Comparison 2020-2021 vs 2021-2022

	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>Total</u>
GRAPH:													
FY 2020-2021	\$ 346,054	\$ 453,047	\$ 355,034	\$ 181,896	\$ 149,595	\$ 146,775	\$ 148,220	\$ 135,464	\$ 127,756	\$ 186,207	\$ 254,394	\$ 331,290	\$ 2,815,733
FY 2021-2022	\$ 480,881	\$ 491,729	\$ 367,753	\$ 173,635	\$ 153,885								\$ 1,667,883
FY % Comparison	38.96%	8.54%	3.58%	-4.54%	2.87%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	-40.77%



General Ledger Budget to Actual Report

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Period 05 - 05
Fiscal Year 2022



Account Number	Description	Budget	Period Amt	End Bal	% ExpendCollect
10	General Fund				
	<i>Beginning Fund Balance</i>				
10-3000-00	Fund Balance	676,662.00	0.00	287,825.83	42.54
	<i>Beginning Fund Balance</i>	676,662.00	0.00	287,825.83	42.54
	<i>Revenue</i>				
10-4010-00	Interest Income	13,000.00	143.68	965.01	7.42
10-4020-01	Water Sales-OLWSD	1,127,000.00	73,667.60	577,575.04	51.25
10-4020-02	Water Sales-City of Gladstone	498,000.00	37,412.66	255,702.12	51.35
10-4020-03	Water Sales-SWA	1,073,000.00	42,047.36	827,339.84	77.11
10-4020-09	Water Sales-Clackamas RiverWtr	12,000.00	0.00	6,589.64	54.91
	<i>Revenue</i>	2,723,000.00	153,271.30	1,668,171.65	61.26
	<i>Personnel Services</i>				
10-5000-00	Plant Operators	240,000.00	10,545.32	61,647.67	25.69
10-5005-00	OvertimeOn-Call	50,000.00	4,287.64	20,705.37	41.41
10-5030-00	Part-Time Operator	0.00	4,561.44	23,683.26	0.00
10-5040-00	Apprenticeship	42,000.00	3,355.20	4,737.60	11.28
10-5050-00	MedicalDentalVision Ins.	120,000.00	3,137.53	16,487.35	13.74
10-5060-00	Retirement	70,000.00	3,008.50	17,936.71	25.62
10-5070-00	Payroll Taxes	40,000.00	1,898.49	9,172.23	22.93
10-5080-00	Workers Compensation	7,000.00	0.00	7,889.63	112.71
	<i>Personnel Services</i>	569,000.00	30,794.12	162,259.82	28.52
	<i>Materials & Services</i>				
10-5204-00	Water Purchases	10,000.00	0.00	0.00	0.00
10-5206-10	Contracted Services-Management	40,000.00	3,042.00	15,125.60	37.81
10-5206-11	Contracted Svcs-Operations Mgt	93,000.00	0.00	0.00	0.00
10-5206-12	Contracted Svcs-Plant Engineer	25,000.00	2,095.60	10,478.00	41.91
10-5206-13	Contracted Services-Financial	48,000.00	0.00	20,000.00	41.67
10-5206-16	HVAC	15,000.00	0.00	7,631.00	50.87
10-5208-00	General Office Expenses	8,500.00	167.29	3,307.90	38.92
10-5210-00	PermitsLicensing Fees	17,000.00	203.00	4,732.00	27.84
10-5212-00	General Insurance	80,000.00	0.00	0.00	0.00
10-5215-00	ComputersTechnology	10,000.00	129.98	352.22	3.52

Account Number	Description	Budget	Period Amt	End Bal	% ExpendCollect
10-5230-04	Audit Services	25,000.00	17,430.00	22,030.00	88.12
10-5230-06	Legal Services	50,000.00	0.00	10.25	0.02
10-5230-08	Engineering - General	10,000.00	0.00	1,330.00	13.30
10-5230-21	Watershed Services	143,000.00	0.00	71,244.00	49.82
10-5236-10	Water Analysis and Testing	15,000.00	574.20	2,249.12	14.99
10-5236-11	Chemicals	100,000.00	5,213.24	34,651.98	34.65
10-5236-12	Process Instrumentation	10,000.00	1,857.99	8,616.79	86.17
10-5238-00	Telemetry (SCADA)	10,000.00	333.00	773.00	7.73
10-5240-00	Electricity	550,000.00	27,777.36	263,193.42	47.85
10-5244-00	Education Training and Dues	17,250.00	2,174.79	8,270.34	47.94
10-5245-00	Telephone	8,500.00	576.47	3,532.74	41.56
10-5246-00	Travel Expenses	500.00	0.00	0.00	0.00
10-5247-00	Books & Publications	1,000.00	0.00	0.00	0.00
10-5248-00	Public Notices	1,000.00	0.00	42.14	4.21
10-5250-10	Natural Gas	2,000.00	176.48	433.68	21.68
10-5250-20	Garbage	1,000.00	51.55	299.75	29.98
10-5252-00	Miscellaneous Expense	1,000.00	47.35	785.59	78.56
10-5256-00	Commisioner FeesExpenses	1,200.00	0.00	0.00	0.00
10-5300-10	Vehicle Maintenance	5,000.00	569.67	1,949.49	38.99
10-5300-20	FuelsOils	5,000.00	590.35	2,967.23	59.34
10-5300-30	Equipment Rental	5,000.00	0.00	0.00	0.00
10-5300-40	Equipment Maintenance	15,000.00	600.00	600.00	4.00
10-5305-10	Building Maintenance	15,000.00	1,814.00	4,317.70	28.78
10-5305-11	Grounds Maintenance	20,000.00	1,051.97	3,047.87	15.24
10-5305-13	Janitorial Supplies	2,000.00	74.00	260.11	13.01
10-5305-14	Security MonitoringMaint	5,000.00	434.70	1,184.23	23.68
10-5305-15	Plant Maintenance	40,000.00	570.40	8,661.21	21.65
10-5305-16	Intake Structure Maintenance	10,000.00	0.00	0.00	0.00
10-5305-17	Membrane Maintenance	15,000.00	210.34	210.34	1.40
10-5305-20	Safety Supplies	10,000.00	944.04	2,684.60	26.85
10-5310-00	Small Tools & Equipment	10,000.00	0.00	326.39	3.26
	<i>Materials & Services</i>	<i>1,449,950.00</i>	<i>68,709.77</i>	<i>505,298.69</i>	<i>34.85</i>
	<i>Transfers & Contingencies</i>				
10-7300-13	Transfer to Plant Reserve	600,000.00	50,000.00	250,000.00	41.67
10-7300-19	Transfer Rev Bond Redemption	80,000.00	0.00	80,000.00	100.00
10-9000-00	Operating Contingency	350,000.00	0.00	0.00	0.00
	<i>Transfers & Contingencies</i>	<i>1,030,000.00</i>	<i>50,000.00</i>	<i>330,000.00</i>	<i>32.04</i>
10	General Fund	350,712.00	3,767.41	958,438.97	273.28
13	Plant Reserve				
	<i>Beginning Fund Balance</i>				
13-3000-00	Fund Balance	4,680,270.00	0.00	4,781,560.03	102.16
	<i>Beginning Fund Balance</i>	<i>4,680,270.00</i>	<i>0.00</i>	<i>4,781,560.03</i>	<i>102.16</i>
	<i>Revenue</i>				
13-4010-00	Interest Income	50,000.00	2,023.42	10,637.35	21.27
13-4100-10	Transfer In - General Fund	600,000.00	50,000.00	250,000.00	41.67

Account Number	Description	Budget	Period Amt	End Bal	% ExpendCollect
	<i>Revenue</i>	650,000.00	52,023.42	260,637.35	40.10
	<i>Capital Outlay</i>				
13-7000-20	Equipment	317,000.00	0.00	52,388.69	16.53
13-7000-50	Buildings	63,000.00	0.00	0.00	0.00
13-7000-60	Other	75,000.00	0.00	12,093.71	16.12
	<i>Capital Outlay</i>	455,000.00	0.00	64,482.40	14.17
	<i>Transfers & Contingencies</i>				
13-9000-00	Operating Contingency	300,000.00	0.00	0.00	0.00
	<i>Transfers & Contingencies</i>	300,000.00	0.00	0.00	0.00
13	Plant Reserve	4,575,270.00	52,023.42	4,977,714.98	108.80
17	Bond Reserve				
	<i>Beginning Fund Balance</i>				
17-3000-00	Fund Balance	102,472.00	0.00	102,321.03	99.85
	<i>Beginning Fund Balance</i>	102,472.00	0.00	102,321.03	99.85
	<i>Revenue</i>				
17-4010-00	Interest Income	1,000.00	37.90	228.96	22.90
	<i>Revenue</i>	1,000.00	37.90	228.96	22.90
17	Bond Reserve	103,472.00	37.90	102,549.99	99.11
19	Bond Redemption				
	<i>Beginning Fund Balance</i>				
19-3000-00	Fund Balance	318.00	0.00	2,327.85	732.03
	<i>Beginning Fund Balance</i>	318.00	0.00	2,327.85	732.03
	<i>Revenue</i>				
19-4010-00	Interest Income	7.00	0.00	0.00	0.00
19-4100-10	Transfer In - General Fund	80,000.00	0.00	80,000.00	100.00
	<i>Revenue</i>	80,007.00	0.00	80,000.00	99.99
	<i>Materials & Services</i>				
19-5390-20	Principal	75,000.00	0.00	75,000.00	100.00
19-5390-25	Interest	2,025.00	0.00	2,025.00	100.00
19-5390-50	Fiscal Agent Fees	750.00	0.00	0.00	0.00
	<i>Materials & Services</i>	77,775.00	0.00	77,025.00	99.04
19	Bond Redemption	2,550.00	0.00	5,302.85	207.95
Revenue Total		3,454,007.00	205,332.62	2,009,037.96	0.5817
Expense Total		3,881,725.00	149,503.89	1,139,065.91	0.2934
Grand Total		5,032,004.00	55,828.73	6,044,006.79	1.2011

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Agenda Item 7.2

Subject: Operations Report

Presenter(s): Joe Rogers, Plant Supervisor

Board Action: Open discussion

Attachments: None

Topics

Monthly Production

September: The plant produced a total of 307.4 million gallons at an average day rate of 10.25 MGD. Of the total water produced, the slow sand filter produced 224.6 million gallons and the membrane filters produced 82.54 million gallons. The highest production day for the month was 14.6 MGD. The Commission did not purchase or sell water to South Fork during this month.

October: The plant produced a total of 160.9 million gallons at an average day rate of 5.1 MGD. Of the total water produced, the slow sand filter produced 153.9 million gallons and the membrane filters produced 6.3 million gallons. The highest production day for the month was 6.1 MGD. The Commission did not purchase or sell water to South Fork during this month.

November: The plant produced a total of 144.2 million gallons at an average day rate of 4.8 MGD. Of the total water produced, the slow sand filter produced 20.2 million gallons and the membrane filters produced 128.0 million gallons. The highest production day for the month was 5.6 MGD. The Commission did not purchase or sell water to South Fork during this month.

December: The plant produced a total of 150.5 million gallons at an average day rate of 4.8 MGD. Of the total water produced, the slow sand filter produced 63.6 million gallons and the membrane filters produced 89.8 million gallons. The highest production day for the month was 6.0 MGD. The Commission did not purchase or sell water to South Fork during this month.

Staff Notes

The Staff spent most of this quarter training new employees. New to the staff is Tim Schrupp. He is a level one operator with a bachelors of science in Environmental Science. We also have a new apprentice, Roxanne Edgar. The staff is working on social distancing and mask wearing at the plant and has been fortunate that everybody is vaccinated and are healthy. We are constantly working on new projects to keep the plant up to date by replacing aging equipment.

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Agenda Item 7.3

Subject: Manager's Report

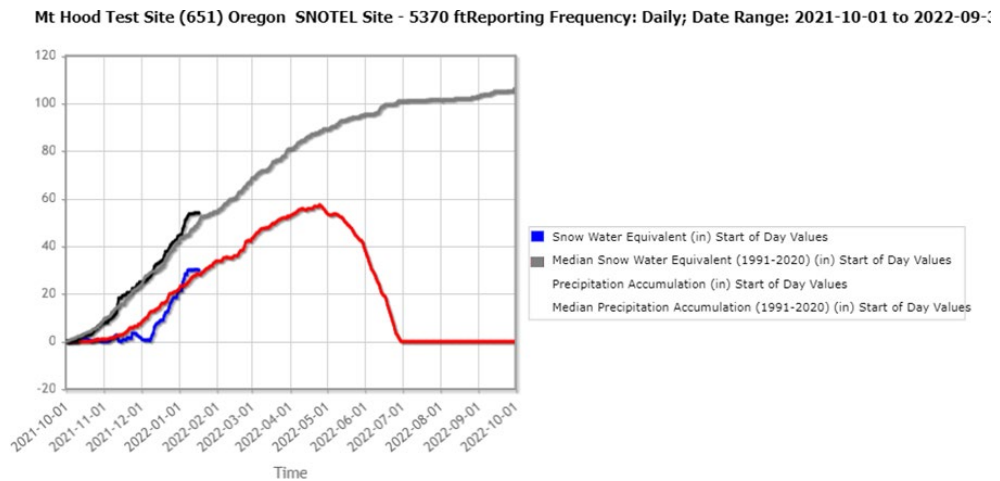
Presenter(s): Wade Hathhorn, General Manager

Board Action: Open discussion

Attachments: None

Update on Snowpack

The snowpack on Mt. Hood this (water) year started off essentially non-existent and then jumped to a "median" year, both in terms of snow water equivalent (SWE) and total precipitation (PREC).



The critical period of "storage" (i.e. snowpack) comes later in the Spring, around mid-May. We will be watching this data as it unfolds again this year. Snow volumes are an important element in the "available water" forecast for the Clackamas River basin.

Update on Water Supply Agreement with CRW

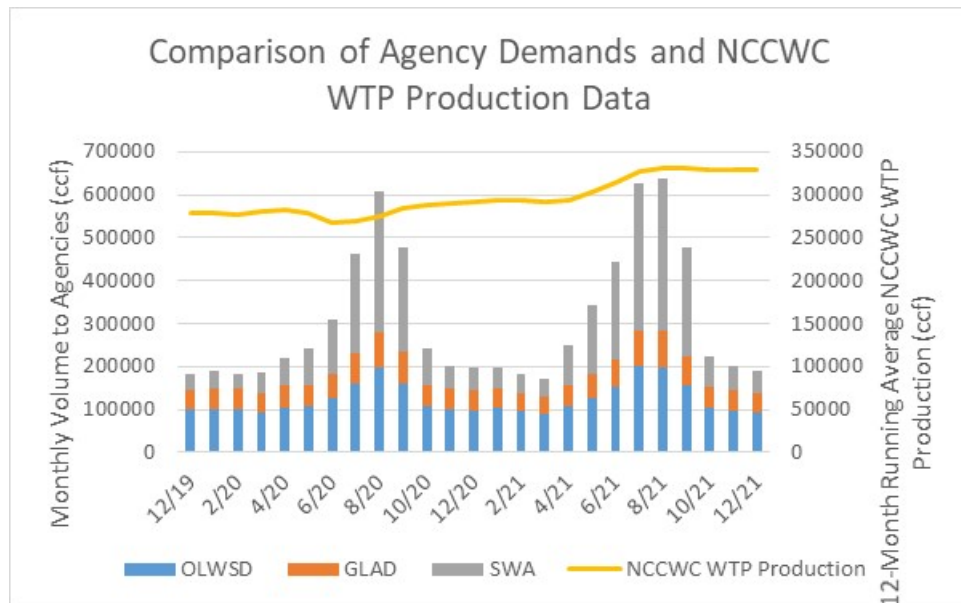
The General Managers of the NCCWC and CRW have been working on draft language for a new Water Supply Agreement between the two agencies. The existing 20-year agreement formally expired at the end 2021 (December 31). The parties, however, have mutually agreed to continue to operate under that agreement on a month-to-month basis through end of this fiscal year, June 30, 2022. The latest round of revisions are awaiting comments and edits from CRW.

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

Summary of Production and Deliveries

The graph below shows a 12-month rolling average of total production and monthly deliveries to member agencies:



The seasonal impacts on demand (deliveries) are evidenced in the drop observed across subsequent summer periods. There is also an upward trend forming in the 12-month rolling average for total production. This would be supported by the known growth occurring within the Sunrise Water Authority.

Update on Pipeline Corrosion Study

The NCCWC acquired possession of Lake Oswego's old raw water pipeline following its abandonment as part of the city's water treatment project with Tigard. That pipeline provides a connection across the Willamette River, extending from Gladstone to West Linn. During the construction of the treatment plant upgrades, a pipeline was supposedly constructed (around the plant) that connected the terminus of the old raw water line to a third pipeline, abandoned by the city of West Linn, that extends out onto Highway 43, where it was supposed to be connected to LO's finished water main. RH2 Engineering has been working to inventory these three segments of pipeline, finding no record drawings (or known locations) of either the pipeline around the plant or the old abandoned West Linn main. They are working closely with staff from both cities to try to locate those segments. They have also discovered (located) much of the old (former) active corrosion control equipment that was serving the old raw water pipeline and are creating plans for its restoration.

Staffing Update

Recall, the NCCWC experienced some turnover in its operator staff last year, leaving the plant staffed by only one senior operator, one entry-level operator, and a temporary operator. In the absence of being able to find (attract) another experienced operator, the temporary staff was offered a regular, full-time position after six months. We have also brought on our first apprentice and they are thriving

NORTH CLACKAMAS COUNTY WATER COMMISSION

January 27, 2022

in the position. That said, the plant still only has one experienced operator (i.e. the plant manager). This situation makes it difficult for the plant manager to be away for any given period and the plant is obviously vulnerable to unplanned absences of that key person. The plant needs another experienced operator, even though it would mark the first time the facility had four operators. Plans to share an operations managers with South Fork have stalled amid COVID and the retirement of the former South Fork General Manager at the end of 2021. The plan is to continue to look for a qualified, experienced operator to be added to the NCCWC staff, with the possibility of cross training (labor sharing) with South Fork in the future.

Revisions to Capital Plan

Staff is discovering several, major unplanned repairs and having to refocus its planned capital expenditures. Some of the larger items being discovered are the need to advance the repair and replacement of the finished water pumps. In the FY 2021-22 Budget, there are \$455,000 of capital improvements authorized in the Plant Reserve Fund, subject also to an additional \$300,000 Contingency. Staff does not anticipate the need to release a portion of the Contingency at this time but has rearranged the list of prioritized capital projects.

Budget Committee

Staff is looking for recommendations for citizen representatives for the NCCWC Budget committee. We will be asking each member agency for representatives, aligned in number (by agency) their respective board representation.