



TUALATIN VALLEY
WATER DISTRICT

Annual Comprehensive Financial Report



Willamette Water Supply System large diameter pipe installation

**For the fiscal years ended
June 30, 2021 and 2020**

1850 SW 170th Ave., Beaverton, OR 97003
Phone: (503) 848-3000

www.TVWD.org

TUALATIN VALLEY WATER DISTRICT
Washington County, Oregon

Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2021 and 2020

Prepared by Finance Department

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TUALATIN VALLEY
WATER DISTRICT



Introductory Section



Commissioner Bernice Bagnall



Commissioner Jim Doane



Commissioner Jim Duggan



Commissioner Dick Schmidt



Commissioner Todd Sanders

Board of Commissioners sets policies

The District is governed by a five-member Board of Commissioners, who are elected to four-year terms by the District's voters. The Board of Commissioners sets the District's policies. The Board typically holds a Business Meeting on the third Wednesday of each month and conducts a work session on the first Tuesday of each month. Visit tvwd.org for meeting dates and times.

TUALATIN VALLEY WATER DISTRICT
COMMISSIONERS AS OF JUNE 30, 2021

<u>NAME, BOARD POSITION</u>	<u>FOUR YEAR TERMS</u>
Bernice Bagnall, President	June 30, 2021
Dick Schmidt, Vice President	June 30, 2021
James Duggan, PE, Treasurer	June 30, 2021
Todd Sanders, Ph.D., Secretary	June 30, 2023
Jim Doane, PE, Acting Secretary	June 30, 2023

REGISTERED AGENT

Tom Hickmann, PE, Chief Executive Officer

REGISTERED OFFICE

1850 SW 170th Avenue
Beaverton, OR 97003

MANAGERIAL EMPLOYEES

Tom Hickmann, PE, Chief Executive Officer
Clark Balfour, General Counsel
Amy Blue, Human Resources Director
Tim Boylan, Information Technology Services Director
Andrew Carlstrom, Manager, Customer Service
David Kraska, PE, Director, Water Supply Program
Paul Matthews, Chief Financial Officer
Carrie Pak, PE, Chief Engineer



TUALATIN VALLEY
WATER DISTRICT



December 20, 2021

To: The Board of Commissioners and Customers served by the Tualatin Valley Water District

We respectfully submit the Tualatin Valley Water District (District or TVWD) *Annual Comprehensive Financial Report* (ACFR) for the fiscal year (FY) ended June 30, 2021 (FY 2021). Management is responsible for the representations contained herein. We believe the information presented is accurate in all material respects and that the manner of presentation fairly discloses the financial condition of the District as of June 30, 2021, and the results of operations for FY 2021.

Moss Adams LLP has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2021. The independent auditor's report on the District's financial statements is located at the beginning of the *Financial Section* of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an introduction, overview, and analysis of the *Basic Financial Statements* presented in this report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Tualatin Valley Water District

The District is a domestic water supply district operating as authorized by Oregon Revised Statutes (ORS), Chapter 264. The District is not a component unit of another entity as defined by the Governmental Accounting Standards Board (GASB).

A five-member Board of Commissioners (Board), elected at-large to overlapping four-year terms, governs the District. The Board sets policy and appoints a Chief Executive Officer (CEO), who is charged with management of the District.

The District is located west of the City of Portland, in suburban Washington County, Oregon. The District serves unincorporated urban areas of Washington County and portions of the cities of Beaverton, Hillsboro, and Tigard. As of June 30, 2021, the District served 60,248 connections and an estimated population of 217,800.

Located in northwestern Oregon, Washington County is one of the counties that comprise the Portland-Vancouver-Hillsboro Metropolitan Statistical Area. In the early 20th century, the economy of Washington County area grew because of fertile agricultural and timberlands, and its access to the Willamette and Columbia rivers. In the mid-20th century, the area began developing as a suburb of Portland, and has since developed its own economic base. Large private employers include Intel, Maxim Integrated Products, Nike, Reser's Fine Foods, and Providence Health Systems.



The District's primary purpose is the supply of potable water to residents and local businesses and supply of water for fire protection purposes. In addition to serving water customers, the District provides contracted services to neighboring utilities for services such as meter reading, utility billing, and delivery of wheeled water.

The District also manages three joint ventures; the Willamette River Water Coalition (WRWC), the Willamette Intake Facilities Commission (WIFC), and the Willamette Water Supply System Commission (WWSSC), which is also a component unit of the District. As a component unit of the District, the WWSSC is presented in its own column in the District's *Statements of Net Position* and *Statements of Revenues, Expenses, and Changes in Net Position*. None of the joint ventures are included as part of the primary government in the *Statements of Net Position* and *Statements of Revenues, Expenses and Changes in Net Position*.

The WRWC was formed in 1997 as a joint venture of the District and the cities of Sherwood, Tigard, and Tualatin. The WRWC was created to develop and maintain water rights on the Willamette River for regional needs. Financial statements of the WRWC are prepared and reviewed separately.

The WIFC was formed in 2018 as a joint venture of the District and the cities of Beaverton, Hillsboro, Sherwood, Tigard, and Wilsonville. The WIFC was created to manage, operate, and provide for the capital needs of the Willamette Intake Facilities (WIF). Financial statements for the WIFC are prepared and audited separately.

The WWSSC was formed in 2019 as a joint venture of the District and the cities of Beaverton and Hillsboro. The WWSSC was created to construct, own, and operate the Willamette Water Supply System (WWSS), a cost-effective, reliable, and resilient water supply system for the region. Financial statements for the WWSSC are prepared and audited separately.

The District ended FY 2021 in a strong financial position with combined cash reserves and investments of \$95.1 million. This includes resources of \$14.4 million for contingency reserves appropriated in the 2019-21 biennial budget. The District is continuing to retain a high level of reserves to fund its significant ongoing investments in the WWSSC and WIFC.

The District prepares a biennial budget, which serves as the foundation for the District's budgetary control. A budget is prepared for each fund and the budget is adopted by fund and by major functional category (e.g., personnel services, materials & services, etc.).

For budgetary information on the 2019-21 biennium, please refer to the *Budgetary Basis Schedules* beginning on page 76.

Local Economy

As described above, the District is located in suburban Washington County, Oregon. Washington County's population growth has outpaced growth in the rest of the state for over two decades. In the prior five years, the County's population grew at a rate of 1.57% which is higher than the growth in population for Oregon state-wide (which was 1.20%). Based on the most recent data available, Washington County's population as of June 2021 was estimated to be 631,001 which is about 15% of the population of the state of Oregon. Per capita income in Washington County is the highest in Oregon. Based on the most recent Bureau of Economic Analysis data available, the county's per capita income is estimated to be \$70,315 for 2021 and was approximately 21% higher than the estimated state-wide per capita income of \$58,401.



The County's unemployment rate decreased from 9.2% at the end of FY 2020, due to COVID-19, to 4.9% at the end of FY 2021. The decrease took place mainly over the months of June through November 2020, with only a gradual decrease from December 2020 through June 2021. Leisure and hospitality showed the biggest decrease in employment during the past year of approximately 32% or over 8,800 jobs. Other industries showing significant decreases in employment from the prior year were Professional and Business Services (7%, 4,180 jobs), Government (10%, 2,340 jobs) and Information, Publishing, & Telecommunications (19%, 2,100 jobs). At the end of FY 2021, Washington County maintained a moderately lower unemployment rate, 4.9%, as compared to the rest of the state, which had an unemployment rate of 5.6%. This trend has held steady for more than ten years. The District continues to monitor employment trends for implications to operations, customers, and water demand.

For the ten years, through FY 2021, excluding FY 2019, the number of connections serviced by the District grew an average of 1.0% annually. During FY 2019 the total number of water meters serving the District's customers decreased about 5.4% and in FY 2020 and 2021 they increased by less than 1.0%. In FY 2018 the District executed an intergovernmental agreement (IGA) with the City of Beaverton. This IGA provides certainty for the District's service area and a method to manage the City's further withdrawals through an orderly process. In FY 2019 and FY 2020, the City withdrew service area from the District. This resulted in a decrease of over 4,000 meters during those two fiscal years. As of June 30, 2021, the District has a total of 60,248 meters. The IGA, which is in effect through 2058, restricts further withdrawals of service area by the City.

Substantially all the District's operating revenues are derived from the sale of water to residential, commercial, and industrial customers. Water sales depend in part on: (1) the District's residential population, growth, and water demand; (2) economic conditions that affect production and growth by commercial and industrial customers; (3) weather conditions, which affect the demand for irrigation; and (4) District water conservation efforts.

Approximately 5.2% of meter connections serve commercial and industrial customers. However, these customers comprised about 29% of the District's retail water usage in FY 2021. Non-residential water use has held steady at between 29% and 31% of total District usage during the past five years.

During the previous five-year period, water sold averaged 10.2 million CCF (one CCF equals one hundred cubic feet or approximately 748 gallons). During FY 2021, the District sold 9.9 million CCF of water, an 8.9% increase from FY 2020. Operating revenues were \$77.7 million in FY 2021 or 10.8% higher than FY 2020. Water sales, which comprise 96% of the District's operating revenues, increased by \$8 million from FY 2020. The FY 2021 revenue increase was a result of weather and the large impact that the COVID-19 crises had on water demand in FY 2020.

A more complete discussion of the District's financial condition is presented in the MD&A beginning on page 15.



Financial planning and major initiatives

The District has adopted the mission statement, vision, and values as shown below. These are the guiding principles used when making strategic and long-term planning decisions.

TVWD Vision

Delivering the Best

Water ◊ Service ◊ Value

TVWD Mission

To Provide Our Community Quality Water and Customer Service

TVWD Values

Reliability ◊ Integrity ◊ Stewardship ◊ Excellence ◊ Safety

In 2012, the Board adopted a set of desired results to reinforce its policy objectives and decision-making. The District refers to these as desired results to emphasize the District's focus more on the results of actions than the actions themselves. These desired results stem from the District's vision, mission, and values and summarize what the District's Board and management seeks to accomplish through policies and programs.

TUALATIN VALLEY WATER DISTRICT DESIRED RESULTS

1. The water supply meets community needs and expectations.
2. The community is confident in our water, service, and employees.
3. We are good stewards of our financial resources.
4. We are good stewards of natural resources.
5. We are good stewards of our own assets and resources (people & physical assets).

The District's strategic planning process results in the identification of key initiatives for the biennium. These initiatives include the development of the long-term water supply on the Willamette River, which the District considers an integral part of its core mission.

Unrestricted net position has increased steadily as the District continues its investment in the WWSSC. Major goals of the WWSSC are to construct a new water filtration plant, more than 30 miles of water pipelines, and water storage tanks – all built to modern seismic standards. The District works with Washington County and the cities along the pipeline route to coordinate projects. Planning and construction of the WWSS infrastructure is anticipated to be completed by 2026.

In FY 2020, the WWSSC began work on the Raw Water Facilities project and Wilsonville Area Pipeline projects. Additionally, the Water Treatment Plant site was annexed into the City of Sherwood. In FY 2021 the WWSSC made substantial progress on construction of five pipeline projects and continued construction of the Raw Water Facilities as well as the expansion and seismic upgrade of the Willamette Intake Facilities. WWSSC advanced design on 11 pipeline projects plus the reservoir and treatment plant projects. Land use approvals were secured from the City of Sherwood for the Water Treatment Plant site. Additionally, Water Infrastructure Finance and Innovation Act (WIFIA) loans were renegotiated by two of the WWSSC Partners to take advantage of historically low interest rates. Finally, the WWSSC:

- Convened a blue-ribbon panel of industry experts to review the Water Supply Integration project;
- Continued management of local-, state-, and federal-level permitting activities;



- Maintained an active community and stakeholder outreach program; and
- Supported the regional economy with targeted efforts to involve local businesses in upcoming WWSSC construction work.

For more information on WWSSC projects visit the website <http://www.ourreliablewater.org/>. For more information on the WWSSC, visit its website <https://www.tvwd.org/wwss>

The District has determined that its legacy custom-developed utility billing system has reached the end of its useful life and needs to be replaced with a commercial, off-the-shelf customer information system (CIS). The District is working with its utility billing partner, Clean Water Services (CWS), on the project to replace the legacy system. The CIS partnership includes IGAs for each of three phases: selection; implementation; and ongoing operations under the new CIS. The District is serving as the managing agency for the CIS partnership. During FY 2020, the District, working with CWS, completed an extensive CIS vendor selection process and entered into a contract with the selected vendor, Open International LLC. The implementation phase began in late fall 2020 and cutover to the new CIS, as well as post go-live stabilization, is planned for calendar year 2022. The CIS implementation is expected to result in the upgrade of a key operational system and provide a more robust customer experience through a new customer self-service portal. In parallel with implementation effort, staff will complete and present to the Board a new ongoing billing operations agreement between the District and CWS.

As part of the District's mains replacement program which evaluates existing pipelines and prioritizes the replacement of segments of pipelines based on risk of failure, condition, and several other factors, the District completed construction of several pipeline replacement projects. These projects were identified as part of the District's Water Master Plan to upgrade existing piping to improve fire flow, capacity, and seismic resiliency. FY 2021 included a new transmission pipeline to improve the fire flow and seismic resiliency in the southeast portion of the District, known as the Metzger North-South 498 Zone Improvements project. This pipeline is a critical component of the water system. Several other pipeline projects were completed in the same timeframe.

The District conducts regular water quality testing to confirm that all water meets or is better than federal and state drinking water standards. The District tested for more than 200 contaminants at multiple locations throughout the water system and customers' homes during FY 2021. These tests include substances such as lead, manganese, disinfection by-products, *E. coli*, a potentially harmful bacteria, and a variety of other contaminants related to protection of public health. In addition, the District's source waters are also tested regularly for contaminants. The Portland Water Bureau (PWB), which provides about 73% of the District's supply and is currently an unfiltered source, has continued to detect low levels of *Cryptosporidium* in the Bull Run Watershed during ongoing monitoring. According to the PWB and its public health partners at Multnomah County, water from the Bull Run Watershed is safe to drink. However, as a customer of the PWB, the District continues to monitor the situation. The Joint Water Commission, the District's other primary supply originating from the upper Tualatin River Watershed, is a filtered source which uses a conventional water treatment process to remove contaminants that might occur. Together these efforts provide assurance that the District is delivering safe drinking water every day to its customers.



Financial Information

Presented below are the District's financial controls, financial operating results, and financial goals and policies.

1. Controls.

- a. **Internal Controls:** The District maintains a system of internal accounting controls that is reviewed annually by management. The controls are designed to safeguard the District's assets and provide accurate recording of transactions. New controls are evaluated to assure that their value exceeds their cost prior to implementation.
- b. **Purchasing Controls:** The District's Local Contract Review Board (LCRB) Rules were amended in 2013 to reflect changes in Oregon's Public Procurement Statute, ORS 279. The LCRB rules are reviewed periodically and amended as needed to maintain compliance with statutory requirements.
- c. **Budgetary Controls:** The District maintains accounting records by fund. The funds are described in the Notes to the Basic Financial Statements beginning on page 38. A budget is prepared biennially, by fund, to control the District's operations. During the budget process, a six-year capital improvement plan (CIP) is revised and adopted. The first two years of the six-year CIP are appropriated in the biennial budget.

2. **FY 2021 Financial Operating Results.** A discussion of the FY 2021 operating results and changes in net position is contained in the MD&A, beginning on page 15, in the *Financial Section* of this report.

3. **Financial Goals and Policies.** The District's Financial Management Policies were adopted by the Board by resolution 08-19 on March 20, 2019. These policies address financial planning, budgeting, rate setting, debt management, accounting standards and reporting, internal controls, and other financial goals and objectives. As directed by these policies, the District's Board adopted the current Financial Plan by resolution 15-19 on May 15, 2019 and approved an updated Financial Plan by resolution 04-21 on May 19, 2021. The Financial Plan was based on a 30-year financial forecasting model, and a 30-year capital funding plan. Overall, the District's financial policies set forth operating principles for the effective management of financial risk, cost containment, and debt issuance. Where applicable in this Transmittal Letter and MD&A, references are made to the financial policies guiding the District's planning activities and operating results.

Awards

Several District staff serve as committee members and officers for national and regional professional organizations. These include the American Water Works Association (AWWA) and its Pacific Northwest Section, Association of Metropolitan Water Agencies, American Backflow Association, Oregon Water/Wastewater Agency Response Network, Special Districts Association of Oregon, and Oregon Government Finance Officers Association.



During FY 2021, the District was honored to receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020. This is the 31st consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized report that must satisfy both generally accepted accounting principles and applicable legal requirements. The District's management believes this FY 2021 Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement program requirements and will again submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

We wish to thank the accounting and management staff for their efforts in preparing this report and for their service throughout the year. We also want to thank you, the members of the Board of Commissioners, for your interest and continuing support in planning and conducting the financial management of the District in a responsible and progressive manner.

Respectfully,



Tom Hickmann, PE
Chief Executive Officer

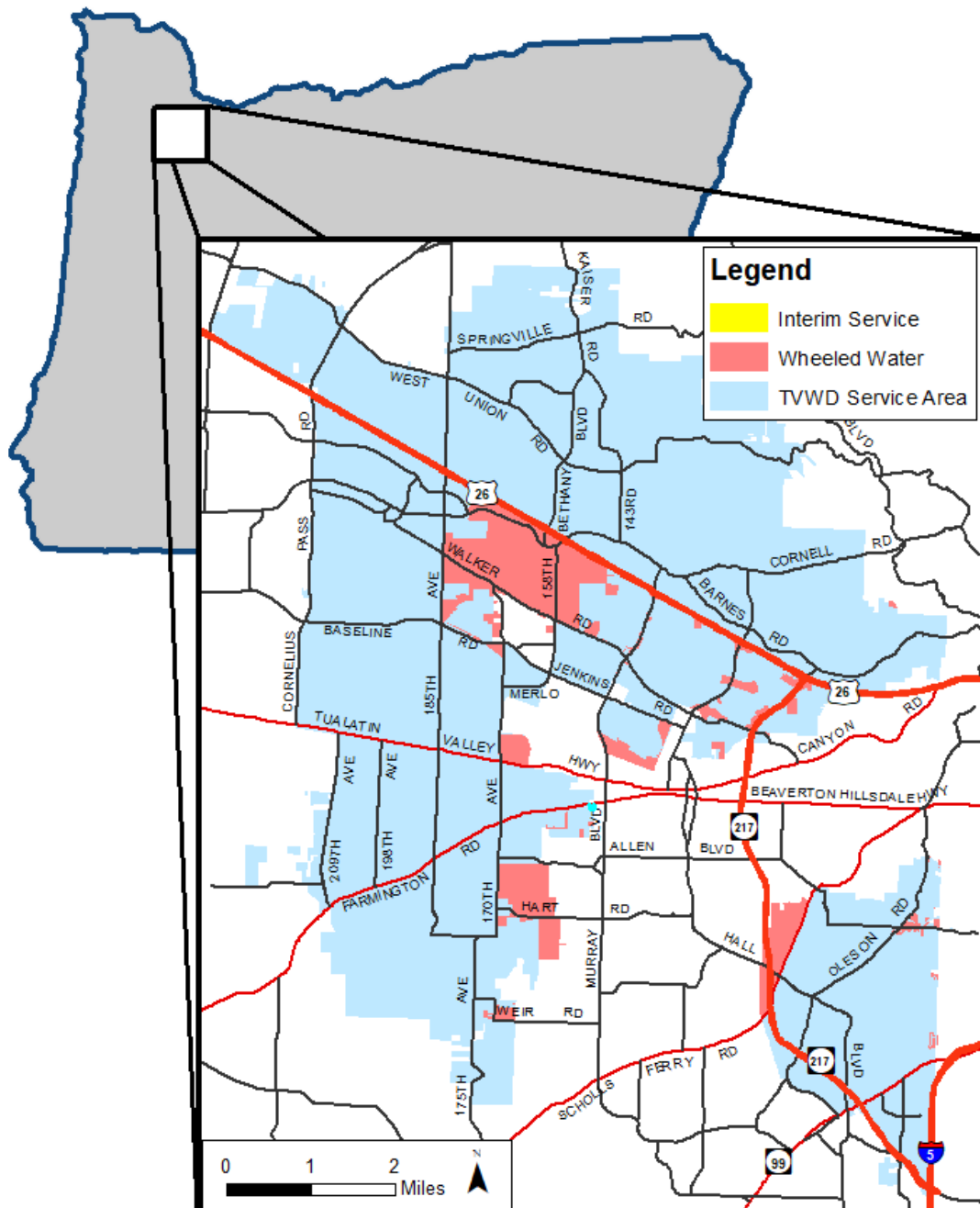


Paul L. Matthews
Chief Financial Officer



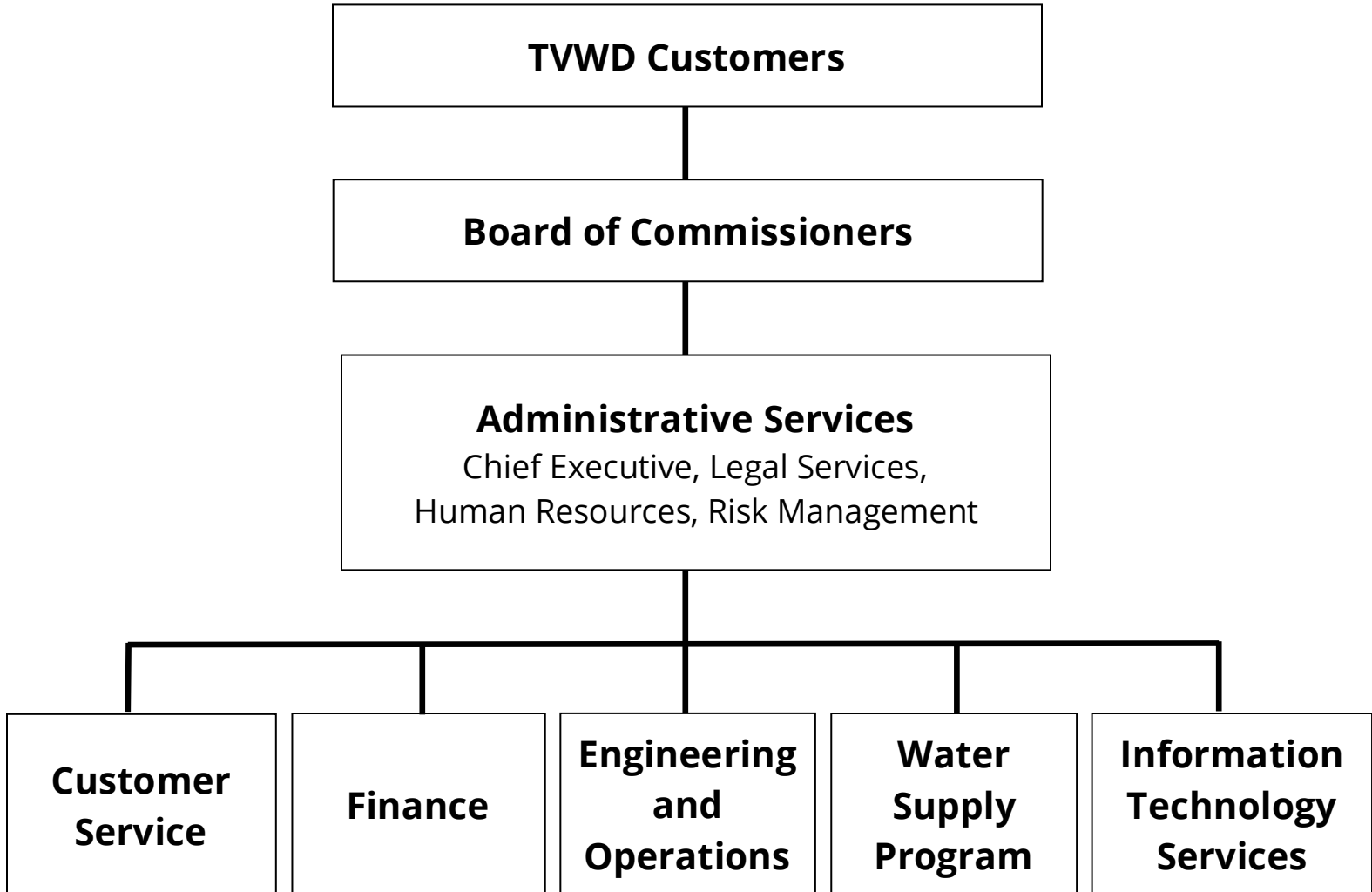
District Service Area

The District provides drinking water to a growing region in Washington County, Oregon, nestled within the Portland Metropolitan area. This includes the communities of Aloha, Bethany, Cedar Hills, Cedar Mill, Cooper Mountain, Progress, Metzger, and Rock Creek, and parts of the cities of Beaverton, Hillsboro, and Tigard. The District provided about 23 million gallons of water per day in fiscal year 2021 to more than 59,500 residential and business customers, with a population of about 217,800 people. The District serves major employers such as Intel, Maxim Integrated Products, Nike, Reser's Fine Foods, and Providence Health Systems.





Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Tualatin Valley Water District
Oregon**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Report of Independent Auditors

The Board of Commissioners
Tualatin Valley Water District
Washington County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of Tualatin Valley Water District (the District) and Willamette Water Supply System Commission (WWSSC), a component unit of the District, 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 basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Tualatin Valley Water District and Willamette Water Supply System Commission as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Budgetary Basis Schedules, which is included as supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 Budgetary Basis Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying Introductory and Statistical sections are also not a required part of the basic financial statements but are supplementary information provided for purposes of additional analysis. We did not audit or perform any other procedures on this information and express no opinion 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 20, 2021, on our consideration of the District'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 20, 2021



Financial Section



River water



Reservoirs



Aquifer Storage
and Recovery



Regional
Partnerships



Water
conservation

Providing reliability and resilience

The District is fortunate to have multiple quality water sources for its customers. The Portland Water Bureau provides about 77% of the District's water, with the other 23% supplied from the Joint Water Commission. Shifting the amount of water we receive from each source benefits customers because it allows us to minimize service interruptions, and manage water storage and financial resources more efficiently and reliably. The District maintains 752 miles of pipe, 23 reservoirs holding 67 million gallons of water, and 13 active pump stations. During FY 2021, the District supplied about 8.25 billion gallons of water.

TUALATIN VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the District for the fiscal years ended June 30, 2021, and 2020. Readers should consider the information presented here in conjunction with the *Basic Financial Statements*, the *Notes to Basic Financial Statements*, and the additional information contained in *Management's Letter of Transmittal* of this report.

Financial Highlights

- Total assets and deferred outflows of resources of the District at June 30, 2021 was \$563.5 million and included net capital assets of \$237.1 million; investments in joint ventures of \$195.8 million; non-utility property of \$4.4 million; total current assets of \$112.5 million; and total deferred outflows of resources of \$13.6 million. Overall, total assets and deferred outflows of resources for the District increased 8.6% from fiscal year (FY) 2020 and 13.7% since FY 2019.
- The District's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) on June 30, 2021, by \$527.3 million. This amount reflects an increase of \$39.5 million or 8.1% from FY 2020 and 17.1% since FY 2019. For the fiscal year ended June 30, 2021, unrestricted net position in the amount of \$297.5 million includes \$95.1 million in cash and investments that may be used to meet the District's ongoing obligations. This represents an 11.5% increase in unrestricted net position from FY 2020 and 65.2% increase since FY 2019.
- At June 30, 2021, net capital assets totaled \$237.1 million, an increase of \$13.8 million or 6.2% from FY 2020 and a decrease of \$42.4 million or 15.2% since FY 2019. Leased assets went from \$8.5 million in FY 2019 to \$0.0 in FY 2020 and FY 2021. Long-term liabilities totaled \$16.5 million, a decrease of 15.4% from FY 2020 and 35.5% from FY 2019. These fluctuations were primarily related to capital and leased assets and lease liabilities being transferred to the Willamette Water Supply System Commission (WWSSC), at its formation, as of July 1, 2019.
- Operating revenues for FY 2021 were \$77.7 million, an increase of \$7.6 million or 10.8% from FY 2020 and 6.4% since FY 2019. The FY 2021 increase was mostly a result of the impact of the COVID-19 crisis on revenue in FY 2020. The District's financial policies dictate that it adjusts rates annually to maintain sufficient revenues to support ongoing operations and current and future capital improvements.
- Operating expenses for FY 2021 were \$42.3 million, reflecting an overall decrease of \$0.7 million or 1.6%, from FY 2020 and an increase of 6.0% since FY 2019. More operating expenses were capitalized in FY2021 than in prior years. Labor and benefit costs decreased by \$0.2 million or 0.9% from FY 2020 and increased by \$2.1 million or 10.6% since FY 2019. The decrease in labor and benefits expense, when an increase would normally be expected, was due in part to the impact of the \$10 million side account deposit reducing the District's PERS expenses. The District also, held some position vacancies as they arose during the COVID-19 crisis.

TUALATIN VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Overall, the District's net operating income was \$35.4 million for FY 2021 as compared to \$27.1 million in FY 2020, and \$33.1 million in FY 2019. Operating revenues continue to exceed the cost of operations. In FY 2021, the District generated an operating margin of 45.6% as compared to 38.7% in FY 2020 and 45.3% in FY 2019. Recent increases in net operating income are intended to smooth future rate increases required to support investments in the Willamette Water Supply System (WWSS) and other District capital improvements.
- Total nonoperating revenues (expenses) was (\$2.4) million in FY 2021, and \$1.9 million in FY 2020, a decrease of \$4.3 million from FY 2020. Investment interest income and unrealized gain (loss) on investments decreased a combined \$3.1 million from FY 2020 to FY 2021.
- At June 30, 2021, the District reported a net pension liability of \$15.2 million, a decrease of \$3.0 million or 16.5% from the net pension liability of \$18.2 million reported in FY 2020, and a decrease of \$0.3 million or 1.9% since FY 2019. The District reported pension expense of \$3.1 million in FY 2021 and \$3.0 million in FY 2020. For more information, refer to the *Pension Plans* beginning on page 48 in *Notes to Basic Financial Statements*.
- The District's total OPEB liability decreased from \$1.4 million in FY 2020 to \$1.3 million in FY 2021, a decrease of 0.1%. For more information, refer to *Other Postemployment Benefits* beginning on page 57 in the *Notes to Basic Financial Statements*.
- The District owns several properties that contain water storage reservoirs, pump stations, administrative facilities, and other properties held for use in future years. Each of these sites is maintained by District staff. No sites owned by the District have been declared as a site needing pollution remediation.

Overview of the Financial Statements

This section provides an introduction to the District's *Basic Financial Statements*. The District is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District's *Basic Financial Statements* are comprised of four components; 1) *Statements of Net Position*, 2) *Statements of Revenues, Expenses and Changes in Net Position*, 3) *Statements of Cash Flows*, 4) *Notes to Basic Financial Statements*. This report also contains *Required Supplementary Information* in addition to the *Basic Financial Statements* themselves.

The *Statements of Net Position* present the current and long-term portions of assets and liabilities separately. The change in net position provides a useful indicator of whether the financial position of the District, and that of its component unit, WWSSC, is improving or deteriorating over time. These statements include assets and deferred outflows of resources and liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). They also provide the basis for evaluating the capital structure and assessing liquidity and financial flexibility of the District and WWSSC.

TUALATIN VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statements of Revenues, Expenses and Changes in Net Position present information showing profitability and credit worthiness as well as the change in net position during the two most recent fiscal years. These statements show income and expenses from operations, nonoperating revenues and expenses, and reconcile the change from one fiscal year to the next. These statements measure the success of the District's operations during the past two years and the success of recovering its costs through user fees and other charges. The component unit, WWSSC, is also presented in a separate column in these statements.

The Statements of Cash Flows are prepared using the direct method and are concerned solely with input and outlay of cash from operating activities, capital and related financing activities and investing activities. These statements also include reconciliations to the *Statements of Revenues, Expenses and Changes in Net Position*. The primary purpose of these statements is to provide information about the District's cash receipts and cash payments during the reporting periods. They demonstrate where cash came from, what cash was used for, and the change in cash balance during the reporting periods.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information provided in the *Basic Financial Statements*.

Financial Analysis

Net Position

As noted above, net position may serve over time as a useful indicator of the District's financial condition. As shown in Table 1 on page 18, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$527.3 million on June 30, 2021 and reflects an increase of \$39.5 million or 8.1% and \$77.0 million or 17.1% over the District's net position at the close of FY 2020 and FY 2019, respectively.

Net investment in capital assets was \$229.8 million or 43.6% of total net position at June 30, 2021, and includes the District's investment in land, buildings, equipment, reservoirs, and pipelines, net of related liabilities. The District uses these capital assets to provide water service to customers; consequently, these assets are not available for future spending. The remaining balance of the District's net position at June 30, 2021 was \$297.5 million and is unrestricted and includes \$95.1 million in cash and investments that may be used to meet the District's ongoing obligations.

Investments in joint ventures consist of capital improvements the District has participated in funding at the Joint Water Commission (JWC), the Barney Reservoir Joint Ownership Commission (BRJOC), the WRWC, the WIFC, and the WWSSC. Losses at JWC, BRJOC, and WIFC consist of depreciation of the plant assets allocated to the partners. The WWSSC was created in July 2019 as a joint venture to own, operate and maintain the WWSS. For more information, refer to *Joint Ventures and Component Unit* beginning on page 41 in *Notes to Basic Financial Statements*.

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
Net Position (in millions)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Difference 2021-2020</u>	<u>Difference 2021-2019</u>
ASSETS					
Current assets	\$ 112.5	\$ 136.1	\$ 148.7	\$ (23.6)	\$ (36.2)
Other postemployment benefits	0.1	-	-	0.1	0.1
Investments in joint ventures	195.8	138.6	48.5	57.2	147.3
Leased Assets	-	-	8.5	-	(8.5)
Non-utility property	4.4	4.4	4.4	-	-
Capital assets, net	<u>237.1</u>	<u>223.3</u>	<u>279.5</u>	<u>13.8</u>	<u>(42.4)</u>
Total Assets	549.9	502.4	489.6	47.5	60.3
DEFERRED OUTFLOW OF RESOURCES					
	<u>13.6</u>	<u>16.5</u>	<u>6.0</u>	<u>(2.9)</u>	<u>7.6</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 563.5</u>	<u>\$ 518.9</u>	<u>\$ 495.6</u>	<u>\$ 44.6</u>	<u>\$ 67.9</u>
LIABILITIES					
Current liabilities	\$ 14.8	\$ 10.2	\$ 18.1	\$ 4.6	\$ (3.3)
Long-term liabilities	<u>16.5</u>	<u>19.5</u>	<u>25.6</u>	<u>(3.0)</u>	<u>(9.1)</u>
Total Liabilities	31.3	29.7	43.7	1.6	(12.4)
DEFERRED INFLOWS OF RESOURCES					
	4.9	1.4	1.6	3.5	3.3
NET POSITION					
Net investment in capital assets	229.8	221.1	267.7	8.7	(37.9)
Restricted	-	-	2.6	-	(2.6)
Unrestricted	<u>297.5</u>	<u>266.7</u>	<u>180.0</u>	<u>30.8</u>	<u>117.5</u>
Net Position	<u>527.3</u>	<u>487.8</u>	<u>450.3</u>	<u>39.5</u>	<u>77.0</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 563.5</u>	<u>\$ 518.9</u>	<u>\$ 495.6</u>	<u>\$ 44.6</u>	<u>\$ 67.9</u>

Change in Net Position

As shown in Table 2 below, the District's net position increased by \$39.5 million during FY 2021, an increase of 5.3% or \$2.0 million from FY 2020 and an increase of 19.7% or \$6.5 million since FY 2019. The District's changes in net position were due to the combined changes of the following major components:

- Water sales, which comprised 95.5% of the District operating revenues in FY 2021, increased by \$8.0 million or 12.1% from FY 2020. Water sales have increased by \$4.7 million or 6.8% since 2019. As mentioned earlier weather played a significant role in the water sales increase from FY 2020 to FY 2021. Rate increases to cover operating costs and future infrastructure needs also contributed to the increase in revenue over the last two fiscal years. Other operating revenues were \$3.5

TUALATIN VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

million in FY 2021, a decrease of \$0.4 million from FY 2020 and of \$0.1 million from FY 2019. Other operating revenues consist of reimbursements from other agencies for contractual services performed by the District in addition to right-of-way fees, service fees, permits, and other miscellaneous revenue.

- Total operating expenses was \$42.3 million in FY 2021. This is a decrease of \$0.7 million or 1.6% from \$43.0 million in FY 2020 and an increase of \$2.4 million or 6.0% from FY 2019. The District made a \$10 million PERS side account deposit that began reducing employer rates during the first half of FY 2020. The District also did not fill many staff vacancies when they occurred during the COVID-19 crisis. Therefore, labor and benefits decreased by \$0.2 million from FY 2020 when a moderate increase would otherwise be expected. Operating expenses capitalized, which is subtracted from operating expenses increased from FY 2020 by \$1.9 million.
- The District generated net operating income of \$35.4 million in FY 2021, which produced an operating margin of 45.6% as compared to 38.7% in FY 2020 and 45.3% in FY 2019. Operating revenues continue to exceed operating expenses as required by District *Financial Management Policies*, and the District remains in a healthy financial condition.
- Total nonoperating revenues (expenses) was (\$2.4) million in FY 2021 as compared to \$1.9 million in FY 2020 and (\$9.1) million in FY 2019. Significant components of this change were due to the \$1.1 million decrease in interest income and the \$2.0 million decrease in unrealized gain (loss) in investments from FY2020 to FY2021. The (\$9.1) million in FY 2019 was due to a large withdrawal of customers, and the transfer of related assets to the City of Beaverton.
- Contributions of capital, which are mostly system development charges, were \$6.5 million for FY 2021 as compared to \$8.5 million in FY 2020 and \$9.0 million in FY 2019. Capital contributions vary year-to-year based on the level of development activity.

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Change in Net Position (in millions)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Difference 2021-2020</u>	<u>Difference 2021-2019</u>
OPERATING REVENUES					
Water and other services	\$ 77.7	\$ 70.1	\$ 73.0	\$ 7.6	\$ 4.7
OPERATING EXPENSES					
Water purchased and pumping power	10.3	10.6	10.1	(0.3)	0.2
Labor and benefits	21.9	22.1	19.8	(0.2)	2.1
Operations and maintenance	9.2	7.6	8.0	1.6	1.2
Depreciation expense	7.1	7.0	6.9	0.1	0.2
Less: operating expenses capitalized	(6.2)	(4.3)	(4.9)	(1.9)	(1.3)
Total Operating Expense	<u>42.3</u>	<u>43.0</u>	<u>39.9</u>	<u>(0.7)</u>	<u>2.4</u>
NET OPERATING INCOME	35.4	27.1	33.1	8.3	2.3
NONOPERATING REVENUES (EXPENSES)					
Discontinued capital projects	(1.7)	-	(2.4)	(1.7)	0.7
Loss in equity in joint ventures	(1.3)	(1.5)	(0.8)	0.2	(0.5)
Interest income	1.6	2.7	2.8	(1.1)	(1.2)
Unrealized gain (loss) on investments	(1.0)	1.0	1.1	(2.0)	(2.1)
Interest expense	-	-	(0.3)	-	0.3
Pension Employer Incentive Fund revenue	-	0.9	-	(0.9)	-
Gain (loss) on disposal of capital assets, net	(0.1)	(1.2)	(9.1)	1.1	9.0
Other nonoperating revenues (expenses)	0.1	-	(0.4)	0.1	0.5
Total Nonoperating Revenues (Expenses)	<u>(2.4)</u>	<u>1.9</u>	<u>(9.1)</u>	<u>(4.3)</u>	<u>6.7</u>
Capital contributions	<u>6.5</u>	<u>8.5</u>	<u>9.0</u>	<u>(2.0)</u>	<u>(2.5)</u>
Changes in net position	<u>39.5</u>	<u>37.5</u>	<u>33.0</u>	<u>2.0</u>	<u>6.5</u>
Net position, Beginning of year	<u>487.8</u>	<u>450.3</u>	<u>417.3</u>	<u>37.5</u>	<u>70.5</u>
Net position, End of year	<u>\$ 527.3</u>	<u>\$ 487.8</u>	<u>\$ 450.3</u>	<u>\$ 39.5</u>	<u>\$ 77.0</u>

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3
Total Revenues and Total Expenses (in millions)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Difference</u> <u>2021-2020</u>	<u>Difference</u> <u>2021-2019</u>
Operating Revenues	\$ 77.7	\$ 70.1	\$ 73.0	\$ 7.6	\$ 4.7
Non-Operating Revenues	1.7	4.6	4.0	(2.9)	(2.3)
Contributed Capital	6.5	8.5	9.0	(2.0)	(2.5)
Total Revenues	85.9	83.2	86.0	2.7	(0.1)
Operating Expenses	42.3	43.0	39.9	(0.7)	2.4
Non-Operating Expenses	4.1	2.7	13.1	1.4	(9.0)
Total Expenses	46.4	45.7	53.0	0.7	(6.6)
Change in Net Position	\$ 39.5	\$ 37.5	\$ 33.0	\$ 2.0	\$ 6.5

Capital Asset and Debt Administration

As a result of implementing Government Accounting Standards Board (GASB) 87, the District reported leased assets and liabilities in FY 2019. Effective July 1, 2019 (FY 2020), the District transferred these leases to the WWSSC since they pertained to that entity. The District had no bonded indebtedness at June 30, 2021, 2020 and 2019. For more information, refer to *Long-Term Liabilities* on page 47 in *Notes to Basic Financial Statements*.

General Fund Budgetary Highlights

Water sales revenues were under budget for the biennium by \$8.9 million (5.9%). The largest contributors to the negative variance were the very mild summer of 2020 and the impact of the COVID-19 crisis on commercial water sales. Special payments was \$10.3 million (41.9%) under budget. The District had budgeted \$20 million for deposits to an OPERS side account, but to preserve cash in light of the COVID-19 crisis, only made a \$10 million deposit during the biennium. Both personnel services and materials and services were under budget by greater than \$5 million (12.5%) each. During the COVID-19 crisis the District focused on expenditure savings in every area of operations including not filling some personnel vacancies when they occurred.

Joint Ventures and Capital Assets Activity

The District has investments in the following joint ventures: JWC, BRJOC, WRWC, WIFC and WWSSC. The District's portion of JWC losses were \$0.4 million for FY 2021, FY 2020, and FY 2019. This loss reflects the ongoing annual depreciation of the JWC treatment, storage, and transmission facilities. The BRJOC recorded losses of \$0.3 million for each of fiscal years 2021, 2020, and 2019. The District's share of the WRWC recorded losses was \$3 thousand, \$30 thousand, and \$35 thousand for FY 2021, FY 2020, FY 2019, respectively. The District's portion of WIFC recorded losses was \$0.1 million in fiscal years 2021, 2020 and 2019. The District's share of the WWSSC recorded loss of \$0.5 million in FY 2021

TUALATIN VALLEY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

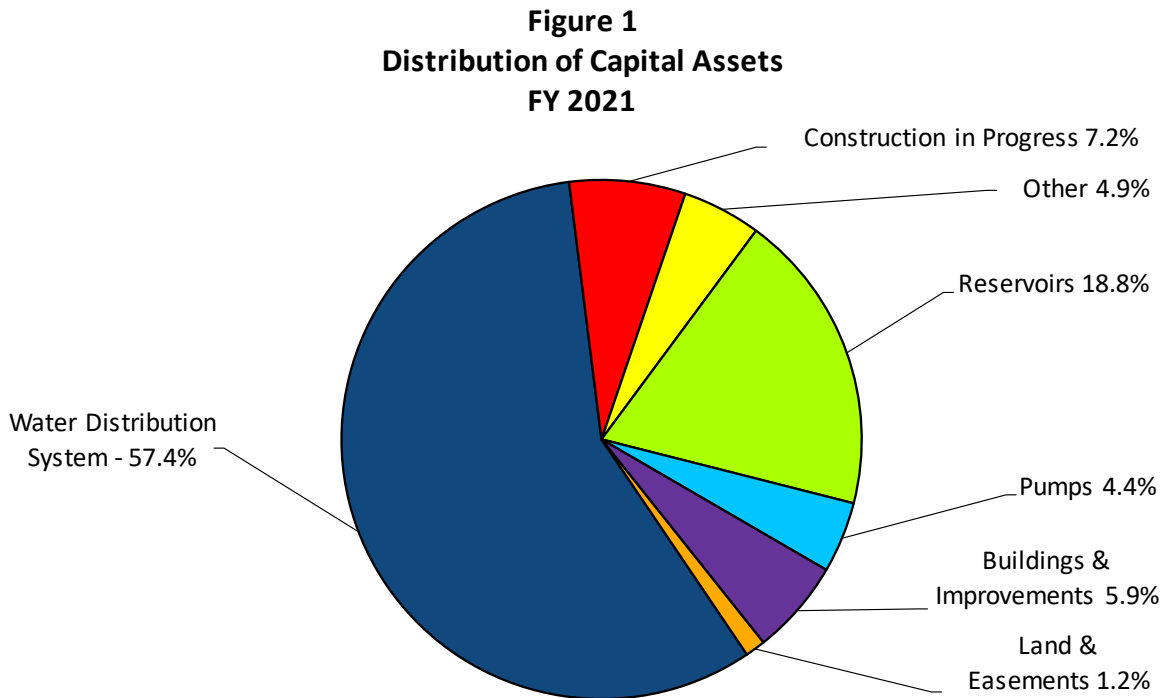
and \$0.7 million in FY 2020 was mostly depreciation and interest expense, related to its leased assets and corresponding lease liabilities.

Three of the joint ventures are managed by the District: WRWC, WIFC and WWSSC. Due to recent accounting pronouncements published the GASB, WWSSC is now considered a component unit of the District, see page 41 for the *Joint Ventures and Component Unit* section in *Notes to Basic Financial Statements* for additional information on the District's investments in joint ventures.

The District's net capital assets as of June 30, 2021, were \$237.1 million and at June 30, 2020, \$223.3 million. The District's capital assets include \$30.2 million in non-depreciable land, easements, and construction in progress; and \$326.3 million (before depreciation) in buildings, reservoirs, pipelines, pump stations, office, automotive, and construction equipment. The District has no leased assets at June 30, 2021, none at June 30, 2020, and \$8.5 million at June 30, 2019. Leased assets consisted of office space and a ground lease which were transferred to the WWSSC as of July 1, 2019.

Overall, net capital assets increased \$13.8 million or 6.2% from FY 2020, and decreased \$42.4 million or 15.2% since FY 2019. The net decrease since FY 2019 represents the amounts transferred to the WWSSC at July 1, 2019. Additional information on the District's capital assets can be found in the *Notes to Basic Financial Statements* on page 45.

Figure 1 shows the District's capital asset categories and their percentage proportion of the District's total capital asset value in FY 2021 (not netted with accumulated depreciation).



TUALATIN VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

In February 2018, the District entered into an intergovernmental agreement (IGA) with the City of Beaverton to establish long-term certainty and definition of the water service area boundaries of both agencies and to provide for orderly withdrawal of territory by Beaverton in certain areas. Under the terms of this IGA, Beaverton withdrew 3,947 accounts from the District's service area in FY 2019 and 291 accounts in FY 2020, no accounts were withdrawn in FY 2021.

In February 2019, the District and the City of Hillsboro applied to the U.S. Environmental Protection Agency for long-term, low-cost supplemental loans from the Water Infrastructure Finance and Innovation Act (WIFIA) projects to construct the WIF and WWSS. The District closed its \$387.7 million WIFIA loan at 2.39% on August 2, 2019. The District re-executed the loan on September 15, 2020 to lower the interest rate. The loan was re-executed with an interest rate of 1.35%. This reduction in interest rate will save ratepayers an estimated \$122 million over the life of the loan. More information on WIFIA programs and loans can be found here: <https://www.epa.gov/wifia/willamette-water-supply-program>

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information can be addressed to the Chief Financial Officer, Tualatin Valley Water District, 1850 SW 170th Avenue, Beaverton, Oregon 97003.



TUALATIN VALLEY
WATER DISTRICT



Basic Financial Statements



A safe water supply is important for good hygiene.

Protecting public health

The District provides the community treated drinking water, an important part of public health protection. This includes providing hydration during hot summer days, hygiene within the home for handwashing and flushing waste, and washing/sanitizing for business and commercial purposes. We are proud to deliver safe, reliable drinking water that complies with all applicable federal and state water quality standards. The District and our partners continually test your water for lead, Cryptosporidium, and approximately 200 other contaminants. Sampling is conducted at various locations, including at water sources, water treatment facilities, and within the distribution system. For more information, visit tvwd.org/wqreport.

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TUALATIN VALLEY WATER DISTRICT

STATEMENTS NET POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>		<u>2020</u>	
	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 37,804,611	\$ 2,844,135	\$ 37,796,949	\$ -
Investments	57,306,873	-	77,379,763	-
Accounts receivable, net	15,535,598	15,846,730	18,950,116	18,702,121
Accrued interest receivable	188,217	-	366,472	-
Materials and supplies	1,433,121	-	1,408,296	-
Assets held for resale	-	-	-	4,250,000
Prepaid expenses	183,995	1,355,851	216,383	1,376,753
Total Current Assets	112,452,415	20,046,716	136,117,979	24,328,874
Noncurrent Assets				
Other postemployment benefits	105,653	-	-	-
Investment in joint ventures	195,769,808	-	138,640,448	-
Non-utility property	4,413,857	-	4,413,857	-
Leased assets, net of accumulated amortization	-	13,343,574	-	13,703,624
Capital assets - nondepreciable	30,162,693	264,230,942	24,879,201	166,367,201
Capital assets - utility plant in service, net	206,960,309	-	198,435,133	-
Total Noncurrent Assets	437,412,320	277,574,516	366,368,639	180,070,825
Total Assets	549,864,735	297,621,232	502,486,618	204,399,699
DEFERRED OUTFLOW OF RESOURCES				
Pension	13,345,273	-	16,225,848	-
Other postemployment benefits	293,717	-	237,741	-
Total Deferred Outflows of Resources	13,638,990	-	16,463,589	-
Total Assets and Deferred Outflows of Resources	\$ 563,503,725	\$ 297,621,232	\$ 518,950,207	\$ 204,399,699

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TUALATIN VALLEY WATER DISTRICT

STATEMENTS NET POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>		<u>2020</u>	
	<u>Tualatin Valley Water District</u>	<u>Component Unit Willamette Water Supply System Commission</u>	<u>Tualatin Valley Water District</u>	<u>Component Unit Willamette Water Supply System Commission</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 11,300,187	\$ 17,202,581	\$ 7,316,455	\$ 19,294,541
Retainage payable	493,250	2,844,135	225,054	784,333
Accrued payroll and related expenses	1,491,501	-	1,478,382	-
Accrued compensated absences	1,174,340	-	1,015,372	-
Deposits from developers	322,784	-	202,171	-
Total Current Liabilities	<u>14,782,062</u>	<u>20,046,716</u>	<u>10,237,434</u>	<u>20,078,874</u>
Long-Term Liabilities				
Net pension liability	15,202,557	-	18,155,926	-
Other postemployment benefits	1,316,329	-	1,406,637	-
Lease liabilities	-	14,970,737	-	14,921,781
	-	-	-	-
Total Long-Term Liabilities	<u>16,518,886</u>	<u>14,970,737</u>	<u>19,562,563</u>	<u>14,921,781</u>
Total Liabilities	31,300,948	35,017,453	29,799,997	35,000,655
DEFERRED INFLOWS OF RESOURCES				
Pension	4,347,395	-	863,706	-
Other postemployment benefits	573,619	-	508,663	-
Total Deferred Inflows of Resources	<u>4,921,014</u>	<u>-</u>	<u>1,372,369</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	229,833,000	242,567,101	221,070,752	145,089,853
Unrestricted	297,448,763	20,036,678	266,707,089	24,309,191
Total Net Position	<u>527,281,763</u>	<u>262,603,779</u>	<u>487,777,841</u>	<u>169,399,044</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 563,503,725</u>	<u>\$ 297,621,232</u>	<u>\$ 518,950,207</u>	<u>\$ 204,399,699</u>

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TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021		2020	
	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission
OPERATING REVENUES				
Water service	\$ 74,188,204	\$ -	\$ 66,198,211	\$ -
Administrative services	3,524,976	664,222	3,888,547	567,153
Total Operating Revenues	<u>77,713,180</u>	<u>664,222</u>	<u>70,086,758</u>	<u>567,153</u>
OPERATING EXPENSES				
Water purchased and pumping power	10,312,457	-	10,632,559	-
Labor and benefits	21,915,256	-	22,086,542	-
Maintenance and repairs	2,024,981	-	1,800,179	-
General and administrative	6,672,030	664,222	5,304,460	518,361
Electricity and other utilities	156,040	-	142,621	-
Supplies	314,115	-	305,839	-
Depreciation and amortization expense	7,133,526	360,050	7,046,956	360,048
Less: operating expenses capitalized	(6,201,831)	-	(4,316,745)	-
Total Operating Expenses	<u>42,326,574</u>	<u>1,024,272</u>	<u>43,002,411</u>	<u>878,409</u>
Net Operating Income (Loss)	35,386,606	(360,050)	27,084,347	(311,256)
NONOPERATING REVENUES (EXPENSES)				
Discontinued capital projects	(1,679,362)	-	-	-
Loss in equity in joint ventures	(1,289,983)	-	(1,542,432)	-
Interest income	1,601,441	-	2,704,937	-
Unrealized gain (loss) on investments	(1,037,557)	-	1,006,613	-
Interest expense	-	(488,655)	(382)	(484,865)
Pension Employer Incentive Fund revenue	-	-	860,559	-
Loss on disposals and transfers of capital assets, net	(45,863)	-	(1,169,532)	-
Other nonoperating revenues (expenses)	63,228	-	43,316	-
Total Nonoperating Revenues (Expenses)	<u>(2,388,096)</u>	<u>(488,655)</u>	<u>1,903,079</u>	<u>(484,865)</u>
Capital Contributions	6,505,412	94,053,440	8,478,181	170,195,165
Changes in Net Position	<u>39,503,922</u>	<u>93,204,735</u>	<u>37,465,607</u>	<u>169,399,044</u>
Net Position, beginning of year	<u>487,777,841</u>	<u>169,399,044</u>	<u>450,312,234</u>	<u>-</u>
Net Position, end of year	<u>\$ 527,281,763</u>	<u>\$ 262,603,779</u>	<u>\$ 487,777,841</u>	<u>\$ 169,399,044</u>

The accompanying notes are an integral part of the financial statements

TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 77,602,722	\$ 65,799,043
Payments to suppliers for goods and services	(9,018,301)	(20,504,797)
Payments to employees for services	(18,519,255)	(18,885,763)
Payments from other entities	3,645,589	3,978,031
Net Cash Provided by Operating Activities	53,710,755	30,386,514
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(22,243,982)	(14,794,667)
Proceeds from the sale of assets	20,813	(296,331)
Capital contributions	6,061,162	7,936,638
Interest paid	-	(382)
Net Cash Used For Capital and Related Financing Activities	(16,162,007)	(7,154,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sales and maturities of investments	30,000,000	47,041,430
Purchase of investments	(10,992,599)	(36,862,912)
Cash payments to pension side accounts	-	(10,000,000)
Interest on investments	1,807,628	2,555,216
Investment in joint ventures	(58,419,343)	(28,562,193)
Rental income	63,228	80,347
Net Cash Used For Investing Activities	(37,541,086)	(25,748,112)
 Net Increase (Decrease) in Cash and Cash Equivalents	 7,662	 (2,516,340)
 Cash and Cash Equivalents, beginning of year	 37,796,949	 40,313,289
 Cash and Cash Equivalents, end of year	 \$ 37,804,611	 \$ 37,796,949

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TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FROM OPERATING ACTIVITIES		
Operating Income	\$ 35,386,606	\$ 27,084,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	7,133,526	7,046,956
Pension expense	3,410,895	3,034,951
OPEB expense	(186,981)	6,754
Changes in operating accounts:		
Accounts receivable	3,414,518	(399,168)
Inventory of materials and supplies	(24,825)	(15,741)
Prepaid expenses	32,388	1,488,354
Accounts and retainage payable	4,251,928	(8,108,497)
Accrued payroll liabilities	172,087	159,074
Deposits	120,613	89,484
	\$ 53,710,755	\$ 30,386,514
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Net loss in investment in joint ventures	\$ (1,289,983)	\$ (1,542,432)
Unrealized gain (loss) for change of investment portfolio valuation	(1,037,557)	1,006,613
Capital assets abandoned and decommissioned	(1,679,362)	-
Capital assets contributed to joint venture	-	63,918,749
PERS Employer Incentive Fund (EIF) Contribution	-	860,559

Continued from previous page

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

DESCRIPTION OF THE DISTRICT

The District

The District is a municipal corporation organized and operating under ORS Chapter 264. The purpose of the District is to supply potable water to its residents and local businesses. The Board of Commissioners consists of five members resident in the District and elected by voters.

The principal sources of working capital are revenues from water service, interest earnings, capital contributions from customers and developers for meters and distribution lines, and revenue from contract reimbursements from partner agencies. Working capital is expended primarily for operations, additions to utility plant in service, and investments in joint ventures.

The District purchases approximately 73% of its water supply from the City of Portland. A ten-year agreement with the City of Portland to purchase water was approved by the District Board of Commissioners in April 2006. This agreement was amended and renewed during fiscal year 2016. The City of Portland has given the District a 5-year notice to terminate the agreement effective June 30, 2026.

The remainder of the District's water is supplied by the Joint Water Commission (JWC) using water from the Barney Reservoir Joint Ownership Commission (BRJOC), pursuant to a perpetual Water Service Agreement among the cities of Beaverton, Forest Grove, Hillsboro, and the District. These parties jointly own, in varying amounts, raw water storage, surface water rights, raw water pump stations, a water treatment plant, reservoirs, and transmission facilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District is a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are reported using the flow of economic resources measurement focus using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include:

- (1) The primary government
- (2) Organizations for which the primary government is financially accountable
- (3) Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete

A Board of Commissioners elected directly by the citizens residing in the District governs the District, making it, by definition, a primary government.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The District has ownership positions in five joint ventures and is the managing agency for three of them. The District reports its share of income or loss on these joint ventures using the equity method.

Joint ventures managed by other agencies:

1. The Barney Reservoir Joint Ownership Commission (BRJOC) is a joint venture of the District and four other entities consisting of Clean Water Services and the cities of Beaverton, Forest Grove, Hillsboro. The BRJOC is managed by the City of Hillsboro and its financial statements may be obtained from the City of Hillsboro, Finance Department, 150 East Main Street, Fifth Floor, Hillsboro, Oregon 97123.
2. The Joint Water Commission (JWC) is a joint venture of the District, and the cities of Beaverton, Forest Grove and Hillsboro. The JWC is managed by the City of Hillsboro and its financial statements may be obtained from the City of Hillsboro, Finance Department, 150 East Main Street, Fifth Floor, Hillsboro, Oregon 97123.

Joint ventures managed by the district:

1. The Willamette River Water Coalition (WRWC) is a joint venture of the District and the cities of Sherwood, Tigard, and Tualatin. The financial statements may be obtained from the Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.
2. The Willamette Intake Facilities Commission (WIFC) is a joint venture of the District and the cities of Beaverton, Hillsboro, Sherwood, Tigard, and Wilsonville. The WIFC is governed by a six-member board, with one member appointed by each party. The financial statements may be obtained from the Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.
3. The Willamette Water Supply System Commission (WWSSC) is a joint venture of the District and the cities of Beaverton and Hillsboro. WWSSC is also a component unit of the District. The financial statements may be obtained from the Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

For more information on the joint ventures see the Joint Ventures and Component Unit section of these notes.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Total net position was not affected by these reclassifications.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Operating Revenues, Operating Expenses, Nonoperating Revenues, and Nonoperating Expenses

Operating revenues include water sales revenue, which is defined as all service charges and other applicable charges directly attributable to providing potable water, and administrative services which is defined as management services, construction plan review, dispatch, backflow fees, and other related activities.

Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization but excludes capital-related personnel expenses and materials and services costs which are capitalized.

Nonoperating revenues are revenues of the District not directly attributable to the services provided. This includes interest income, unrealized gain on investments, rental and other income.

Nonoperating expenses are defined as those expenses that are not directly attributable to the operation of the District, such as the loss in equity in joint ventures, interest expense, and loss on disposal of assets.

Capital Contributions

Capital contributions consist primarily of meter installation fees, system development charges, contributions by developers for meter and pipe installation, contributions for easements, and payments from local agencies for capital improvements undertaken by the District directly benefiting those agencies.

Cash and Cash Equivalents and Investments

The District applies the provisions of GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 72, *Fair Value Measurement and Application*, which requires the District to report certain investments at fair value in the Statements of Net Position.

Cash and investments are valued at fair value in the basic financial statements. 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. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical instruments in active markets. Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

The District is restricted by Oregon law in the types of investments it can own. Oregon law allows the District to invest in obligations of the United States (U.S.) government and its agencies, and instrumentalities of the U.S.; states of Oregon, Washington, Idaho, and California; various interest-bearing bonds of municipalities; commercial paper rated P-2 and better by Moody's Investors Services or A-2 and better by Standard and Poor's Corporation; bankers' acceptances; and the Oregon State Treasurer's Local Government Investment Pool (LGIP). Certain other investment types, which are not listed here, are also authorized. In the event different ratings are provided on an individual security by Moody's and Standard and Poor's, the lowest rating must meet the District's investment policy requirements.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The District explicitly states the gains and losses as separate disclosures in the Statements of Revenues, Expenses and Changes in Net Position.

Cash Equivalents/Statements of Cash Flows

For purposes of the Statements of Cash Flows, cash and cash equivalents include short-term (original maturity of three months or less) highly liquid investments that are readily converted into known amounts of cash or so near maturity they present insignificant risk of changes in value because of changes in interest rates.

Accounts Receivable

Revenues are recorded when earned. Most billings are rendered on a bimonthly cycle, but some commercial billings are rendered on a monthly cycle. The District accrues estimated revenue for water used by customers, but not yet billed. An allowance for doubtful accounts is reviewed periodically for adequacy.

Materials and Supplies

Inventory of materials and supplies is stated at cost using average cost and is charged against operations as used.

Non-Utility Property

Non-utility property consists of land, structures and other property owned by the District but not used in utility service. Non-utility property is stated at cost, which includes labor, materials, and direct and indirect costs.

Capital Assets - Utility Plant in Service

Utility plant in service is stated at cost. Costs include labor, materials, and related indirect costs, such as engineering and transportation. Contributed assets are recorded at acquisition value at the time received. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets as follows:

	<u>Years</u>
Buildings and improvements	50
Joint Facilities	50
Machinery and equipment	3-20
Pumps	10-30
Reservoirs	35-50
Water distribution system	50
Water treatment plants	50-75

Expenditures for major additions, improvements, and replacements are capitalized for amounts over \$7,500. Normal maintenance and repairs are charged to operations as incurred.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Net Position

The District's net position consists of the net earnings from operating and nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted components of net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, lease liabilities, and capital-related accounts payable. Restricted net position components consist of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including legal mandates. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, and then unrestricted resources as they are needed. Unrestricted components consist of all other net positions not included in the above categories.

Deferred Inflows and Outflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, deferred inflows and outflows of resources, revenues, and expenses as of, and for the years ended June 30, 2021 and 2020. Actual results may differ from such estimates.

Accrued Compensated Absences

Regular full-time and some part-time employees are entitled to paid vacations. Vacation leave is computed based on years of service and is accrued bi-weekly. Employees may accumulate up to a maximum of 400 hours of vacation time, depending on longevity. The District's liability for accrued vacation and compensatory time is reported as a current liability in the financial statements, as amounts paid each year for compensated absences tend to exceed the annual accrual.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

BUDGETARY PROCESS AND FUND DESCRIPTIONS

Budget

Pursuant to Oregon Local Budget Law, ORS Chapter 294.305 through 294.565, the District manages its operations through fund accounting. A biennial budget is adopted on odd-numbered years for all funds. The budget is adopted on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available to finance expenditures of the current period). Expenses are generally recognized when the related liability has been incurred. The exception is interest on general long-term debt, which is recognized when due.

In the budget process, management (the budget officer) presents a proposed budget to the Budget Committee at an advertised meeting that is open to the public. The Budget Committee consists of the Board of Commissioners and five citizens appointed by the Board who are electors within the District. Citizen appointments to the Budget Committee are for four-year terms. Once the Budget Committee has approved a budget, a financial summary, together with a notice of public hearing, is prepared and published in a newspaper of general circulation in the District. At the public hearing the Board of Commissioners considers the budget and further public testimony prior to adoption.

The Board adopts the budget by resolution making appropriations by major functional categories for all funds for two fiscal years. Appropriations lapse at the end of the second fiscal year of the biennium on June 30.

Major functional categories identify the legal level of budgetary control above which expenditures are not authorized. The major functional categories are personnel services, materials and services, capital outlay, special payments, debt service, inter-fund transfers, and operating contingency. The Board of Commissioners may select a lower level of appropriations than the Budget Committee in which case the legal level of appropriation is stated in the appropriation resolution. The biennial expenditure budget is adopted by major functional categories in the appropriation resolution. Administrative staff may not amend the adopted budget.

The Board of Commissioners may transfer appropriations from one functional category to another by resolution, but it may not increase total appropriations outside of the budget process. In the event of an unforeseen pressing need for expenditures or if unforeseen funds become available during the year, the Board of Commissioners may increase appropriations by adopting a supplemental budget. If the estimated expenditures in the supplemental budget are 10% or less than the related appropriation from the adopted biennial budget, the Board of Commissioners can adopt the supplemental budget at a regular meeting that has been noticed. The notice must be published not less than five days prior to the meeting. If the proposed adjustments are more than 10%, the supplemental budget shall be heard in a public hearing and the notice must contain a summary of changes proposed.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Funds

The District uses the following budgetary funds to account for its activities:

General Fund - This fund is used to account for the financial resources of the District that are not accounted for in other funds. Principal sources of revenue are water sales, service fees, and interest earnings. Primary expenditures are for water purchases, system maintenance, general administration, and transfers to the Capital Reserve Fund.

Capital Improvement Fund - This fund is used to account for financial transactions for the acquisition or construction of major capital facilities. Financial resources are transfers from the Capital Reserve Fund.

Capital Reserve Fund - This fund is used to hold resources for current and future capital improvements, water supply projects and investment in joint ventures. Principal sources of revenue are system development charges and transfers from other funds.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, debt principal and interest for revenue bonds. The principal source of revenue currently will consist of transfers from the General Fund.

Customer Emergency Assistance Fund - This fund is used to account for the resources, administration, and customer payments for those customers who qualify for emergency assistance.

WRWC Fund - This fund is used to account for all activities of the WRWC. *See Joint Ventures and Component Unit* section of these notes for further information. This fund is not included in the District's *Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.*

WIFC Fund - This fund is used to account for all activities of the WIFC. *See Joint Ventures and Component Unit* section of these notes for further information. This fund is not included in the District's *Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.*

WWSSC Fund - This fund is used to account for all activities of the component unit, WWSSC. *See Joint Ventures and Component Unit* section of these notes for further information. This fund is reported in a separate column in the District's *Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.* None of the activity or balances from this fund are included in District amounts reported in the *Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.*

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

CASH AND INVESTMENTS

The District maintains substantially all investments in one pool. Earnings are allocated to each fund based on the fund's portion of the pool held daily. Investments earned an average yield of 1.5% and 2.30% in fiscal years ended June 30, 2021 and 2020, respectively.

	2021	2020
Cash on hand	\$ 711	\$ 942
Checking and money market accounts	1,675,703	2,198,018
Oregon State Treasurer's Local Government Investment Pool (LGIP)	36,128,197	35,597,989
Total Cash and Cash Equivalents	\$37,804,611	\$ 37,796,949
	2021	2020
Cash and cash equivalents - unrestricted	\$ 37,804,611	\$ 37,796,949
Investments	57,306,873	77,379,763
Total Cash and Cash Equivalents and Investments	\$95,111,484	\$115,176,712

As of June 30, the District held the following investments:

Investments	Ratings: Moody's / S&P	Effective Duration In Years	2021	2020	Level Inputs
US Government securities					
Federal Home Loan Banks	Aaa/AA+	0.89	\$ 5,092,340	\$ 11,222,820	2
Federal National Mortgage Association	Aaa/AA+	0.13	3,004,470	3,035,760	2
Federal Home Loan Mortgage Corporation	Aaa/AA+	2.11	7,999,160	5,014,920	2
Federal Farm Credit Banks	Aaa/AA+	1.22	11,096,490	22,412,500	2
Municipal Bonds		0.98	3,342,315	3,420,183	2
Corporate Bonds	AA+, AA, AA-, AAA/ Aa1, Aa2, Aaa, Aa3	1.20	9,649,358	9,824,410	2
US Treasury Notes		0.57	17,122,740	22,449,170	1
Total Investments		1.05	57,306,873	77,379,763	
LGIP		2.39	36,128,197	35,597,989	*
Total Investments and LGIP		1.57	\$93,435,070	\$ 112,977,752	

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Level Inputs

The “effective duration in years” calculation assumes that all investments are held until maturity. The District classifies its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of June 30, 2021:

- US Government Treasury notes are valued using quoted market prices (Level 1 inputs).
- US Government securities, corporate and municipal bonds are valued using observable inputs (Level 2 inputs).
- (*) Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool and is not registered with the United States Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. Investments in the Oregon Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. The District intends to measure these investments at book value, as the LGIP’s fair value approximates its amortized cost basis. The effective duration in years was calculated based on the underlying assets within the pool as of June 30, 2021.

Interest Rate Risk Disclosure

As a means of limiting its exposure to fair value losses from rising interest rates, the District’s investment policy has various limitations. The priority is to invest in maturities that match liquidity needs of the District. At least one month’s estimated cash operating requirements will be maintained in the Local Government Investment Pool (LGIP). Thereafter, the District’s target is to maintain maturities within the following parameters:

Term	Minimum Allocation % of Total
Under 30 days	10%
Under one year	25%
Under five years	100%

As of June 30, 2021, the maximum amount of investments to be placed in the LGIP by an Oregon local government is limited by Oregon Statute to \$51,777,000. This amount increases by the US City Average Consumer Price Index annually on September 1. The limit can be temporarily exceeded for ten consecutive business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

The District’s investment policy, which adheres to Oregon law, limits its investments to the following: U.S. Treasury and Agency obligations; municipal and corporate debt, which must be rated AA- or Aa3 or better by Standard and Poor’s Corporation and Moody’s Investors Service; commercial paper, which must be rated A1 or P1 or better by Standard and Poor’s Corporation and Moody’s Investors Service; the Local Government Investment Pool; and bankers’ acceptances. In the event different ratings are provided on an individual security by Moody’s and Standard and Poor’s, the lowest rating must meet the District’s investment policy requirements.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Custodial Credit Risk

At June 30, 2021, the book balance of the District's bank deposits (checking accounts) was \$1,675,703 and the bank balance was \$2,171,880. The difference is due to transactions in process. Of the deposit balance, \$250,000 is insured by Federal Deposit Insurance Corporation (FDIC). As required by Oregon law, deposits in excess of FDIC insurance are held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by, and in the name of, the Office of the State Treasurer.

ACCOUNTS RECEIVABLE

	June 30,	
	2021	2020
Accounts receivable	\$ 3,281,412	\$ 2,350,615
Accrued water sales	10,837,221	8,424,234
Other receivables	2,166,965	8,425,267
	<u>16,285,598</u>	<u>19,200,116</u>
Less: Allowance for doubtful accounts	<u>(750,000)</u>	<u>(250,000)</u>
Total Accounts Receivable, net	<u>\$ 15,535,598</u>	<u>\$ 18,950,116</u>

ACCOUNTS AND RETAINAGE PAYABLE

	June 30,	
	2021	2020
Accounts payable - operating related	\$ 4,503,435	\$ 5,297,927
Accounts payable - capital related	6,303,502	1,793,474
Retainage payable	493,250	225,054
Total Accounts Payable	<u>\$ 11,300,187</u>	<u>\$ 7,316,455</u>

JOINT VENTURES AND COMPONENT UNIT

Barney Reservoir Joint Ownership Commission

The Barney Reservoir Joint Ownership Commission (BRJOC) was organized under ORS 190 and is a joint venture of the District and four other entities consisting of Clean Water Services and the cities of Beaverton, Forest Grove, and Hillsboro. The purpose of the BRJOC is to own and operate the Barney Reservoir, which is a source of stored raw water for the District.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

All operating expenses, capital asset acquisitions and net income or loss are allocated to the respective joint venturers using the following percentages:

City of Beaverton	21.5 %
City of Forest Grove	2.5
City of Hillsboro	31.0
Clearn Water Services	10.0
Tualatin Valley Water District	35.0

Joint Water Commission

The Joint Water Commission (JWC) was organized under ORS 190 and is a joint venture of the District, and the cities of Beaverton, Hillsboro, and Forest Grove. The purpose of the JWC is to operate raw water intake facilities, a water treatment plant, storage, and transmission facilities. The JWC provides treatment and transmission of water for the District. The JWC is governed by three members appointed by each venturer.

The allocation of operations and maintenance cost among the venturers is determined on a unit basis. Each venturer is charged based on the number of units of water provided to them. Net income or loss is allocated to the respective joint venturers using the following percentages:

City of Beaverton	22.06 %
City of Forest Grove	11.76
City of Hillsboro	49.12
Tualatin Valley Water District	17.06

Willamette Intake Facilities Commission

The WIFC was organized in April 2018 under ORS 190 and established an agreement among the District and the cities of Beaverton, Hillsboro, Sherwood, Tigard, and Wilsonville. The WIFC was formed to manage, operate and provide for the capital needs of the Willamette Intake Facilities (WIF) which is used to withdraw and transmit water to its members.

Administration expenses are apportioned to the joint venturers using the following formula: 25% of the administrative costs for the fiscal year are divided evenly among the joint venturers; the remaining 75% are divided among the joint venturers according to their percentage share of the capacity ownership in the intake facilities.

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WIFC (see rates below). Operations, maintenance, and repair expenses unrelated to usage will be allocated based on each party's proportionate ownership of the WIFC.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The percentage share of the capacity ownership of the joint venturers in the WIFC at June 30, 2021, were as follows:

City of Beaverton	3.3 %
City of Hillsboro	24.1
City of Sherwood	6.5
City of Tigard	10.0
City of Wilsonville	16.7
Tualatin Valley Water District	39.4

Willamette River Water Coalition

The WRWC was organized under ORS 190 and established an agreement among the District and the cities of Sherwood, Tigard, and Tualatin. The purpose of the WRWC is to preserve access and coordinate water rights to the Willamette River as a municipal and industrial water source. The WRWC is managed by the District and is governed by a four-member board, with one member appointed by each venturer.

Allocation of operation and maintenance expenses are determined on a unit basis. Each joint venturers' apportioned share of the general administration expenses is determined by the following formula: one half of the administrative costs for the fiscal year is divided evenly among the joint venturers, the second half of the total administrative costs for the fiscal year is divided among the joint venturers according to their percentage share of the total number of water meters served as of January 1 of the preceding fiscal year.

The following percentages, as of June 30, 2021, were based on number of water meters served, as noted above:

City of Sherwood	15.7 %
City of Tigard	23.2
City of Tualatin	16.3
Tualatin Valley Water District	44.8

Willamette Water Supply System Commission

The WWSSC was organized in July 2019 under ORS 190 and was established by an agreement among the District and the cities of Beaverton and Hillsboro. The WWSSC was formed to own, operate, and maintain the Willamette Water Supply System (WWSS), which is water supply facilities and infrastructure beginning at the WIF system separation point and continuing to the points of delivery (turnouts). The purpose of the WWSS is to supply potable water to the cities of Beaverton, Hillsboro, and the District, and potentially, other municipal water providers. The WWSSC is managed by the District and is governed by a three-member board, with one representative appointed by each venturer.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Expenses are allocated using two formulas: one for administration costs, the other for other operating costs. Administration costs are allocated to the venturers based on two weighted factors. The first weighted factor is equal shares. Each of the three venturers is allocated one-third of the costs recovered based on equal shares. The second factor is based on percentage ownership. For Administration costs, the two factors are weighed 25% based on equal shares and 75% based on ownership.

Based upon the Government Accounting Standards Board (GASB) Statement No. 90, the WWSSC is considered a Component Unit of the District. The WWSSC is reported in this Annual Comprehensive Financial Report by inclusion of a separate column in the *Statements of Net Position* and *Statements of Revenue, Expenses and Changes in Net Position* for its balances and activity.

The following ownership percentages were in effect at June 30, 2021:

City of Beaverton	12.1 %
City of Hillsboro	35.4
Tualatin Valley Water District	52.5

The District's investments in joint ventures is summarized as follows:

	BRJOC	JWC	WIFC	WRWC	WWSSC	Total
Balance at						
June 30, 2019	\$ 7,954,657	\$ 36,568,927	\$ 3,953,181	\$ (3,019)	\$ -	\$ 48,473,746
Investments	91,624	913,052	304,491	38,795	90,361,172	91,709,134
Loss for the year	(270,316)	(427,604)	(97,716)	(29,929)	(716,867)	(1,542,432)
Balance at						
June 30, 2020	\$ 7,775,965	\$ 37,054,375	\$ 4,159,956	\$ 5,847	\$ 89,644,305	\$ 138,640,448
Investments	5,008	185,791	2,942,863	-	55,285,681	58,419,343
Loss for the year	(275,002)	(436,253)	(75,487)	(3,184)	(500,057)	(1,289,983)
Balance at						
June 30, 2021	\$ 7,505,971	\$ 36,803,913	\$ 7,027,332	\$ 2,663	\$ 144,429,929	\$ 195,769,808

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

CAPITAL ASSETS

The changes in components of capital assets for the year ended June 30, 2021, were as follows:

	<u>June 30,</u> <u>2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>June 30,</u> <u>2021</u>
Capital Assets - Nondepreciable:					
Land and easements	\$ 4,355,289	\$ -	\$ 71,131	\$ -	\$ 4,426,420
Construction in progress	20,523,912	22,243,982	(15,352,259)	(1,679,362)	25,736,273
Total Capital Assets - Nondepreciable	24,879,201	22,243,982	(15,281,128)	(1,679,362)	30,162,693
Capital Assets - Utility Plant in Service:					
Buildings and improvements	20,574,281	-	559,683	-	21,133,964
Investment in joint facilities	983,518	-	-	-	983,518
Water treatment plants	5,823,909	-	-	-	5,823,909
Water distribution system	190,242,459	444,251	14,307,700	(197,103)	204,797,307
Reservoirs	67,199,511	-	17,409	(39,450)	67,177,470
Pumps	15,757,763	-	-	-	15,757,763
Machinery and equipment	10,400,591	-	396,336	(135,277)	10,661,650
Total Capital Assets - Utility Plant in Service	310,982,032	444,251	15,281,128	(371,830)	326,335,581
Accumulated Depreciation:					
Buildings and improvements	(9,014,387)	(748,061)	-	-	(9,762,448)
Investment in joint facilities	(444,746)	(31,423)	-	-	(476,169)
Water treatment plants	(2,120,075)	(140,479)	-	-	(2,260,554)
Water distribution system	(74,302,283)	(3,836,655)	-	165,143	(77,973,795)
Reservoirs	(13,270,259)	(1,340,127)	-	4,733	(14,605,653)
Pumps	(5,460,424)	(354,844)	-	-	(5,815,268)
Machinery and equipment	(7,934,725)	(681,937)	-	135,277	(8,481,385)
Total Accumulated Depreciation	(112,546,899)	(7,133,526)	-	305,153	(119,375,272)
Total Capital Assets - Utility Plant in Service, net	198,435,133	(6,689,275)	15,281,128	(66,677)	206,960,309
Total Capital Assets, net	<u>\$ 223,314,334</u>	<u>\$15,554,707</u>	<u>\$ -</u>	<u>\$(1,746,039)</u>	<u>\$ 237,123,002</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The changes in components of capital assets for the year ended June 30, 2019, were as follows:

	<u>June 30,</u> <u>2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>June 30,</u> <u>2020</u>
Capital Assets - Nondepreciable:					
Land and easements	\$ 3,482,922	\$ -	\$ 872,367	\$ -	\$ 4,355,289
Construction in progress	<u>77,993,946</u>	<u>14,794,667</u>	<u>(8,345,952)</u>	<u>(63,918,749)</u>	<u>20,523,912</u>
Total Capital Assets - Nondepreciable	81,476,868	14,794,667	(7,473,585)	(63,918,749)	24,879,201
Capital Assets - Utility Plant in Service:					
Buildings and improvements	20,337,462	-	236,819	-	20,574,281
Investment in joint facilities	983,518	-	-	-	983,518
Water treatment plants	5,823,909	-	-	-	5,823,909
Water distribution system	186,986,354	541,543	3,778,838	(1,064,276)	190,242,459
Reservoirs	64,429,925	-	2,769,586	-	67,199,511
Pumps	15,757,763	-	-	-	15,757,763
Machinery and equipment	<u>9,917,437</u>	<u>-</u>	<u>688,342</u>	<u>(205,188)</u>	<u>10,400,591</u>
Total Capital Assets - Utility Plant in Service	304,236,368	541,543	7,473,585	(1,269,464)	310,982,032
Accumulated Depreciation:					
Buildings and improvements	(8,274,404)	(739,983)	-	-	(9,014,387)
Investment in joint facilities	(413,323)	(31,423)	-	-	(444,746)
Water treatment plants	(1,979,596)	(140,479)	-	-	(2,120,075)
Water distribution system	(71,125,999)	(3,653,556)	-	477,272	(74,302,283)
Reservoirs	(11,936,225)	(1,334,034)	-	-	(13,270,259)
Pumps	(5,105,580)	(354,844)	-	-	(5,460,424)
Machinery and equipment	<u>(7,347,276)</u>	<u>(792,637)</u>	<u>-</u>	<u>205,188</u>	<u>(7,934,725)</u>
Total Accumulated Depreciation	<u>(106,182,403)</u>	<u>(7,046,956)</u>	<u>-</u>	<u>682,460</u>	<u>(112,546,899)</u>
Total Capital Assets - Utility Plant in Service, net	<u>198,053,965</u>	<u>(6,505,413)</u>	<u>7,473,585</u>	<u>(587,004)</u>	<u>198,435,133</u>
Total Capital Assets, net	<u>\$ 279,530,833</u>	<u>\$8,289,254</u>	<u>\$ -</u>	<u>\$(64,505,753)</u>	<u>\$ 223,314,334</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Effective July 1, 2018, the District and the City of Beaverton entered into an intergovernmental agreement (IGA) providing the framework for the City of Beaverton to withdraw specific areas within the District's service area. Once withdrawn, customers located within the withdrawn areas would eventually become customers of the City. This resulted in transfers of 291 customers served by the District to the City during FY 2020. The IGA also resulted in transfer of ownership of certain assets located within the areas of withdrawal to the City. Total cost of the assets transferred was approximately \$1.0 million for fiscal year ended June 30, 2020, with a net book value of approximately \$0.6 million for the fiscal year ended June 30, 2020.

Two wells on District property were determined to need decommissioning due to potential biological fouling. The District has accrued an estimated liability of \$535 thousand for the remaining costs required to decommission the wells appropriately. The wells and certain other related assets have been written off and are no longer recorded as assets of the District since they have no remaining service value. There has been no water production related to this site to date.

LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the years ended June 30, 2021 and 2020 was as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Due within one year
Net pension liability	\$ 18,155,926	\$ -	\$ (2,953,369)	\$ 15,202,557	\$ -
Total OPEB liability	1,406,637	-	(90,308)	1,316,329	-
Total long-term liabilities	<u>\$ 19,562,563</u>	<u>\$ -</u>	<u>\$ (3,043,677)</u>	<u>\$ 16,518,886</u>	<u>\$ -</u>

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Net pension liability	\$ 15,528,994	\$ 4,738,269	\$ (2,111,337)	\$ 18,155,926	\$ -
Total OPEB liability	1,129,069	277,568	-	1,406,637	-
Lease liabilities	8,967,417	-	(8,967,417)	-	-
Total long-term liabilities	<u>\$ 25,625,480</u>	<u>\$ 5,015,837</u>	<u>\$ (11,078,754)</u>	<u>\$ 19,562,563</u>	<u>\$ -</u>

As of July 1, 2019, leased assets and their related liabilities were transferred as part of the formation of the WWSSC.

The United States Environmental Protection Agency (EPA) approved a \$388 million loan to fund a portion of the District's share of the WIF and WWSS. The loan, which closed on August 2, 2019, is part of EPA's Water Infrastructure Finance and Innovation Act (WIFIA) program. There were no draws against the loan as of June 30, 2021. The District re-executed the loan on September 15, 2020. The purpose of the re-execution was to lower the interest rate on the loan from 2.39% to 1.35%.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets as of June 30, consists of the following:

	<u>2021</u>	<u>2020</u>
Capital assets, net	\$ 237,123,002	\$ 223,314,334
Less: retainage payable	(493,250)	(225,054)
Less: capital related accounts payable	<u>(6,796,752)</u>	<u>(2,018,528)</u>
Net investment in capital assets	<u>\$ 229,833,000</u>	<u>\$ 221,070,752</u>

PENSION PLANS

Public Employees Retirement System (PERS)

Plan Description

Employees of the District are provided pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan (plan). The benefits of OPERS are established by the Oregon legislature pursuant to ORS Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at www.opers.org/financial/reports.shtml.

Benefits

Benefits provided under Chapter 238-Tier One / Tier Two:

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement benefit 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. General Service employees may retire after reaching age 55 or 30 years of service. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The plans are closed to new members hired on or after August 29, 2003.

- Death Benefits. Upon the death of a non-retired member, the beneficiary must choose one of the following payment options:
 - Total Distribution: Refund of 100 percent of the member's account balance and employer-matching death benefit, if eligible.
 - Straight Life Annuity (pension): Lifetime monthly benefit from your member account balance and employer-

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

matching death benefit, if eligible. (The monthly benefit must be at least \$30 per month).

- Partial Distribution Plus Pension: Distribution of 100 percent of your member account balance, in addition to a monthly lifetime pension from the employer-matching death benefit, if eligible. (The monthly benefit must be at least \$30 per month.)
- Employer Matching Death Benefit. The employer-matching death benefit is payable if any of the following apply:
 - Member died and was actively employed in a PERS-covered position, and was not receiving retirement benefits;
 - Member died within 120 days after the last day of employment with a PERS employer, or
 - Member died while on official leave without pay* from a PERS employer.
 - * The employer must approve, in writing, an official leave of absence without pay for a specified time period and submit to PERS.
- Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.
- Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in FY 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB):

1. Pension Benefits. The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

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

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 OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. 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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

3. 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.
4. Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates applied to covered payroll. These contributions, expressed as a percentage of covered payroll, are intended to accumulate enough assets to pay benefits when due. This funding policy applies to the OPERS 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 reflects the Oregon Supreme Court ruling in *Moro v. State of Oregon*. The Moro decision reversed a significant portion of the reductions the 2013 Oregon Legislature made to future cost of living adjustments. This reversal increased the benefits projected to be paid compared to those developed in the prior valuation and consequently increased plan liabilities.

The State of Oregon and certain schools, community colleges, and political subdivisions (including the District) have made lump sum payments to establish side accounts, and their rates have been reduced. Effective July 1 2019, PERS established the Employer Incentive Fund (EIF) Program, which allowed eligible employers to receive matching funds if the employers apply and make a qualifying deposit into a side account. During fiscal year ended June 30, 2020, the District deposited \$10 million into a qualifying side account and, as a result, received \$860,559 in matching funds from the EIF into the side account.

Employer contributions for the year ended June 30, 2021 were approximately \$1,337,239. The rates in effect for the fiscal year ended June 30, 2021 were: (1) Tier1/Tier 2 – 14.86 percent of covered payroll, and (2) OPSRP general service – 8.73 percent of covered payroll.

Oregon Senate Bill 1049

Member Redirect – Voluntary Contributions:

During the 2019 Legislative Session, the Oregon Legislature passed Senate Bill (SB) 1049, which made significant amendments to ORS Chapters 238 and 238A. SB 1049 became effective July 1, 2020. The Member Redirect portion of the bill requires that, a portion of the member six percent mandatory contribution will be directed to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% (including side accounts) and the member's monthly salary is more than \$2,500, indexed for inflation. When those conditions are met, 2.5% of Tier 1 and Tier 2 members' subject salary will be redirected to the EPSA and 0.75% of OPSRP members' subject salary will be redirected to the EPSA.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

When the redirect is in effect, the legislation includes language allowing members the option of making after-tax contributions to their regular IAP accounts. This option is available only when the mandatory member contributions are being redirected to the EPSA, and only in the amount redirected. Per SB 1049, voluntary member contributions cannot be “picked up” by employers.

Once the funded status of the plan is 90% or greater, member contributions will be deposited at the full 6% contribution level into members’ regular IAP accounts. The redirect, or non-redirect, of member contributions will be based on the funded status of the plan, as determined in a rate setting valuation, and will be applicable until the next rate setting valuation.

Salary and Contribution Limits:

Effective with calendar year 2020, annual salary included both for contributions and in the calculation of Final Average Salary will be limited to \$195,000 (as indexed for inflation in future years).

Employer Contribution Rate:

The work after retirement provisions of SB 1049, which went into effect February 1, 2021, allow retired members in all PERS pension programs (Tier 1/Tier 2 and OPSRP) to work unlimited hours for PERS participating employers in calendar years 2020-2024 without impacting their ability to receive retirement benefits. The bill also included a new provision that required employers to pay additional employer contributions on wages of retirees working post-retirement as if they were active members. The additional contributions would be applied to the employer's liabilities and could be used to pay down an employer's UAL at an accelerated rate. The rules implementing these provisions were adopted in January 2020. Employer rates are reflected as a percentage of covered payroll.

One-time Re-amortization:

The PERS Board was required to implement a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which will set actuarially determined contribution rates for the 2021-2023 biennium.

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021 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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution 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 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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

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

Actuarial Methods and Procedures

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study Report	2018, published July 2019
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Investment Return	7.2 percent
Inflation Rate	2.5 percent
Payroll Growth	3.5 percent
Cost of Living Adjustments	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	
Healthy Retiree:	
Basic Table	Pub-2010 Healthy Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
General Service Male	General Employees, set back 12 months
General Service Female	General Employees, no set back
Disabled Retiree:	
Basic Table	Pub-2010 Disabled Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
General Service Male	Non-Safety, set forward 24 months
General Service Female	Non-Safety, set forward 12 months
Non-Annuitant Members:	
Basic Table	Pub-2010 Healthy Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
General Service Male	115% of Employee table with same job category and set back as Healthy Retiree assumption
General Service Female	125% of Employee table with same job category and set back as Healthy Retiree assumption

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

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Discount Rate

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

Depletion Date Projection

GASB Statement No. 68 (GASB 68) generally requires that a blended discount rate be used to measure the Total Pension Liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

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

At June 30, 2021 and 2020, the District reported a liability of \$15,202,557 and \$18,155,926, respectively, for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The District's proportion of the net pension liability was based on the

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

District's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At June 30, 2021 and 2020 the District's proportionate share was 0.06966160 and 0.10496208 percent, respectively.

For the years ended June 30, 2021 and 2020, the District recognized pension expense of \$3,084,038 and \$3,034,951, respectively.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 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. Table 31 (shown below) on page 74 the Oregon PERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020, shows Milliman's (Actuary) assumptions for each of the asset classes in which the plans were 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 on page 74. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Long-Term Expected Rate of Return ¹</u>				
Asset Class	Target Allocation	Annual Arithmetic Return ²	20-Year Annualized Geometric Mean	Annual Standard Deviation
Core Fixed Income	9.60 %	4.14 %	4.07 %	3.90 %
Short-Term Bonds	9.60	3.70	3.68	2.10
Bank/Leveraged Loans	3.60	5.40	5.19	6.85
High Yield Bonds	1.20	6.13	5.74	9.35
Large/Mid Cap US Equities	16.17	7.35	6.30	15.50
Small Cap US Equities	1.35	8.35	6.68	19.75
Micro Cap US Equities	1.35	8.86	6.79	22.10
Developed Foreign Equities	13.48	8.30	6.91	17.95
Emerging Market Equities	4.24	10.35	7.69	25.35
Non-US Small Cap Equities	1.93	8.81	7.25	19.10
Private Equity	17.50	11.95	8.33	30.00
Real Estate (Property)	10.00	6.19	5.55	12.00
Real Estate (REITS)	2.50	8.29	6.69	21.00
Hedge Fund of Funds - Diversified	1.50	4.28	4.06	6.90
Hedge Fund - Event-driven	0.38	5.89	5.59	8.10
Timber	1.13	6.36	5.61	13.00
Farmland	1.13	6.87	6.12	13.00
Infrastructure	2.25	7.51	6.67	13.85
Commodities	1.13	5.34	3.79	18.70
Assumed Inflation - Mean			2.50 %	1.65 %

1 Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of April 24, 2019.

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.2 percent) or 1-percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
Proportionate share of the net pension liability	\$ 22,574,542	\$ 15,202,557	\$ 9,020,806

Pension Plan Fiduciary Net Position

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

At June 30, 2021 and 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Balance June 30, 2021		Balance June 30, 2020	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 669,097	\$ -	\$ 1,001,246	\$ -
Net difference between projected and actual earnings on investments	1,787,623	-	-	(514,702)
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,735,441	(4,318,809)	395,324	(349,004)
Changes of assumptions	815,873	(28,586)	2,463,059	-
Contributions made subsequent to measurement date	1,337,239	-	1,505,660	-
Contributions made subsequent to measurement date to side accounts	-	-	10,860,559	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 13,345,273</u>	<u>\$ (4,347,395)</u>	<u>\$ 16,225,848</u>	<u>\$ (863,706)</u>

Payable to OPERS

At June 30, 2021 and 2020, the District's payable to OPERS for defined benefit contributions was approximately \$112,983 and \$93,261, respectively. These amounts represent legally required contributions to the plan for services incurred in that fiscal year.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Deferred outflows of resources of \$1,337,239 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Deferred outflows of resources of \$10,860,559 during FY2020 related to a \$10 million deposit by the District into a PERS side account and a matching deposit of \$860,559 into the side account by the PERS Employer Incentive Fund. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions, as of June 30, 2021, will be recognized in pension expense as follows:

Year ended	
June 30:	
2022	\$ 1,767,436
2023	2,018,587
2024	1,922,154
2025	1,637,077
2026	315,385
	<u>\$ 7,660,639</u>

DEFINED CONTRIBUTION PLANS

Individual Account Program

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and for Tier One/Tier Two members active after January 1, 2004. The new plan consists of the defined benefit pension plans and a defined contribution pension plan the Individual Account Program (IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to creation of OPSRP will be members of both the OPERS and OPSRP system if they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. Employees contributed approximately \$736,945 and \$721,893 for the years ended June 30, 2021 and 2020, respectively.

401(k) Defined Contribution Retirement Plan

The District has a defined contribution retirement plan (the plan) created in accordance with Internal Revenue Code Section 401(k), which is managed by independent plan administrators. All regular (non-seasonal) full-time District employees are eligible to participate in the plan. The District matches contributions up to 3% of gross wages to the plan after six months of employment. Employees may not withdraw funds until retirement after age 55, in service at age 59 ½, death, or financial hardship. Benefit terms, including contributions, are established and may be amended by the Board of Commissioners.

The plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to plan participants. Accordingly, these plan assets and related liability are not recorded in the District's basic financial statements.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Employees are immediately vested in all contributions to the plan and on earnings on those contributions.

For the years ended June 30, 2021 and 2020, employees contributed approximately \$749,000 and \$724,000 and the District recognized expense of approximately \$360,000 and \$339,000, respectively. At June 30, 2021 and 2020, the District's liability to the plan was approximately \$53,000 and \$49,000, respectively.

457 (b) Deferred Compensation Plan

The District has a Deferred Compensation Plan (the plan) created in accordance with Internal Revenue Code Section 457(b), which is managed by independent plan administrators. All regular (non-seasonal) full-time District employees are eligible to participate in the plan. Employees are not required to contribute but may elect to do so. The District does not contribute to the plan. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. Benefit terms, including contribution requirements, are established and may be amended by the Board of Commissioners.

The plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to plan participants. Accordingly, these plan assets and the related liability are not recorded in the District's basic financial statements. Employees are immediately vested in all contributions to the plan. At June 30, 2021 and 2020, the District's liability for pensions related to this plan was \$25,000 and \$19,000 and respectively.

OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefits (OPEB) Summary

The District contributes to a retirement health insurance account (RHIA) through OPERS. The District is also required by ORS 243.303 to offer retirees group health and dental insurance from the date of retirement to age 65. The District provides an implicit rate subsidy for retiree health insurance premiums (District OPEB Plan).

DISTRICT OPEB PLAN

The District is required by ORS 243.303 to offer retirees group health and dental insurance from the date of retirement to age 65. The District provides an implicit rate subsidy for retiree health insurance premiums.

Plan Description

The District's single employer defined benefit postemployment health care plan is administered by USI Insurance Services. Benefit provisions are established by the Board of Commissioners. The plan does not issue its own financial statements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The plan provides eligible retirees and their dependents under age 65 the same group health and dental insurance offered to active employees, at the same premium rates. Retirees pay 100% of the premium and coverage may lapse if their premium is unpaid. As of June 30, the following employees and retired employees were covered under the plan:

	2021	2020
Active participants	122	131
Retired employees	10	6
Total participants	132	137

At June 30, 2021, the District reported deferred inflows and outflows from this plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,494	\$ (189,042)	\$ (51,548)
Changes of assumptions	85,967	(366,501)	(280,534)
Net Deferred Inflows and Outflows of Resources	\$ 223,461	\$ (555,543)	\$ (332,082)

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ (23,336)
2023	(23,336)
2024	(23,331)
2025	(10,136)
2026	(53,725)
Thereafter	(198,218)
	\$ (332,082)

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Actuarial assumptions and other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs:

Measurement date	June 30, 2021
Actuarial valuation date	June 30, 2020
Discount rate	2.19 percent (changed from 2.66 percent in previous measurement period)
Payroll growth	7.20% to 3.50% based on the OPERS actuarial valuation as of December 31, 2019
Inflation rate	2.5 percent
Cost method	Entry Age Normal Level Percent of Salary
Employer funding policy	Pay-as-you-go cash basis
Experience Study	August 2018
Mortality	Active and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
Healthcare cost trend rates	7.5 percent, decreasing to 4.5 percent

The discount rate was based on the yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Total OPEB Liability, Expense, and Deferred Inflows and Outflows of resources for OPEB – DISTRICT PLAN

The District's total OPEB liability was \$1,316,329 and \$1,406,637 as of June 30, 2021 and 2020, respectively. The liability was determined by an actuarial valuation as of June 30, 2021 with a measurement date also as of June 30, 2021. The District recognized OPEB expense of \$55,006 and \$94,482 for FY2021 and FY2020, respectively.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 2020

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	2021	2020
Beginning balance	\$ 1,406,637	\$ 1,129,069
Changes for the year:		
Service cost	40,948	49,760
Interest on total OPEB liability	37,394	39,851
Effects of change in benefit terms	-	14,124
Effects of assumptions changes	41,108	55,319
Differences between expected and actual experience	(125,604)	206,242
Benefit payments	(84,154)	(87,728)
Ending balance	\$ 1,316,329	\$ 1,406,637

Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability calculated using the current discount rate of 2.66 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.19 percent) or 1-percentage point higher (3.19 percent) than the current rate. A similar sensitivity analysis is then presented for changes in healthcare trend assumption.

	1% Decrease 1.19%	Discount rate 2.19%	1% Increase 3.66%
Discount rate:			
Total OPEB Liability	\$1,407,140	\$1,316,329	\$1,230,199
	1% Decrease 6.5% decreasing to 3.5%	Healthcare Trend Rate 7.5% decreasing to 4.5%	1% Increase 8.5% decreasing to 5.5%
Healthcare Cost Trend:			
Total OPEB Liability	\$1,193,139	\$1,316,329	\$1,456,790

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA) PLAN

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer other postemployment benefits plan administered by OPERS. 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 and is available at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Benefits

RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS require that an amount equal to \$60 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.

Contributions

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature.

The District's rates in effect for the fiscal year ended June 30, 2021 were:

Tier One / Tier Two 0.06%
OPSRP General Service 0.00%

District contributions for the year ended June 30, 2021 were \$7,001.

Total OPEB Liability, Expense, and Deferred Inflows and Outflows of resources for OPEB – RHIA Plan

At June 30, 2021, the District reported an asset of \$105,653 for its proportionate share of the OPERS net RHIA asset. The net RHIA asset was measured as of June 30, 2020. The District's proportion of the net RHIA asset was based on the District's actual, legally required contributions made to the RHIA program during the measurement period relative to total actual contributions from all participating employers. At June 30, 2021, the District's proportionate share was 0.05185162%.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

For the year ended June 30, 2021, the District recognized RHIA income of from this plan of \$157,833. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to this RHIA plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion	\$ 55,209	\$ (1,659)
Difference in earnings	11,749	
Contributions after the measurement date	3,298	
Change in experience/expectations		(10,801)
Change in assumptions		(5,616)
Net Deferred Outflows/Inflows of Resources	\$ 70,256	\$ (18,076)

Deferred outflows of resources related to RHIA of \$3,298 resulting from the District's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA will be recognized in RHIA expense as follows:

<i>Year ended</i>	
<i>June 30:</i>	
2022	\$ 17,010
2023	23,823
2024	4,343
2025	3,706
	\$ 48,882

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Actuarial Methods and Assumptions

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Experience Study	2018, published July 24, 2019
Actuarial assumptions:	
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 increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 32% Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	<p>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.</p> <p>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.</p> <p>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.</p>

Sensitivity of the District's proportionate share of the net RHIA liability asset to changes in the discount rate

The following presents the District's proportionate share of the net RHIA liability (asset), as well as what the District's proportionate share of the net RHIA liability (asset) 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 discount rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
Proportionate share of the net pension asset	\$ (85,297)	\$ (105,653)	\$ (123,058)

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, disclosure of a healthcare cost trend analysis is not applicable.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

RHIA Plan Fiduciary Net Position

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

Combined Totals, All OPEB Plans

Aggregate net OPEB asset/liability, income/expense, deferred inflows and deferred outflows – All OPEB plans

	District Plan	RHIA Plan	Total
Net OPEB (Asset)	\$ -	\$(105,653)	\$ (105,653)
Net OPEB Deferred Outflow of Resources	223,461	70,256	293,717
Net OPEB Liability	1,316,329	-	1,316,329
Net OPEB Deferred (Inflow) of Resources	(555,543)	(18,076)	(573,619)
Net OPEB (Income)	(29,148)	(157,833)	(186,981)

RISK MANAGEMENT

The District contracts with an insurance broker to negotiate and place insurance coverage on its behalf. The District's liability, property, and workers' compensation insurance is placed with Special District's Insurance Services (SDIS). SDIS is an insurance pool designed specifically for special districts within the State of Oregon. The District's claims have not exceeded coverage in any of the last three years. The District's health-related benefits have a component of self-insurance (or self-funding). The medical health plan has a high deductible of \$4,000 per individual or \$8,000 per family of which the District pays up to \$3,900 per individual or \$7,800 per family. The estimated maximum exposure the District could be liable for is approximately \$1.53 million. The last 5 years of experience with this self-funding had the District paying out well under 17% of its maximum annual exposure.

COMMITMENTS

Intergovernmental Agreements (IGAs)

A ten-year renewable agreement with the City of Portland was approved by the Board of Commissioners in April 2006 and signed by the Board President on June 7, 2006. The agreement provides for a firm supply of water and obligates the District to purchase an average of 13.16 million gallons per day (MGD) or pay Portland for water not taken. The agreement was amended in September 2015 to clarify various terms, especially regarding summer water usage. The agreement was renewed effective July 1, 2016. Water purchase costs are determined annually based on Portland's Water Bureau operating requirements under an enterprise method of accounting, including a return on invested capital and depreciation. The water purchase costs reflect Portland's total cost as allocated to the District and Portland's other customers in proportion to each customer's use of Portland's water system. These costs were \$1.311 and \$1.364 per CCF for the years ended June 30, 2021 and 2020, respectively.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The District also has an agreement with the City of Portland which provides for use of 88.5% of the sixty-inch gravity flow water line from Portland, commonly referred to as the Washington County Supply Line (WCSL). Under the agreement, the District must pay its proportionate share of maintenance costs incurred by the City of Portland on the water main. These maintenance costs are included in operating expenses as water purchase costs. These costs were \$3,142 and \$6,139 for the years ending June 30, 2021 and 2020, respectively. The City of Tualatin has an agreement with the District to pay for 20.34% of the District's obligation from the WCSL. The City of Portland bills the City of Tualatin for the water it uses, and the District bills the City of Tualatin for its share of the maintenance costs.

The District has rights to receive up to 14.5 MGD of water through the JWC. The cost of water taken from the JWC is an allocation of JWC's costs over the aggregate volume taken by the JWC members. The District also leased approximately 190 million gallons of raw water storage capacity from the other JWC parties under the terms of the JWC ownership agreement.

In 2007, the Oregon Water Resources Department confirmed the District's assignment of its 130 MGD Willamette River water right permit to the WRWC. However, if the District terminates membership in the WRWC, any undeveloped rights will revert to the District.

Contracts

The District has \$6.1 million and \$4.8 million in outstanding commitments on contracts with greater than \$1.0 million remaining as of June 30, 2021 and 2020, respectively. The WWSSC has entered into various contracts related to the construction of the Willamette Water Supply System. The WWSSC has outstanding commitments with greater than \$1.0 million remaining of \$109.3 million and \$175.4 million as of June 30, 2021 and 2020, respectively. Based upon the District's ownership share in WWSSC of 52.5%, the district has \$57.4 million and \$92.1 million in outstanding commitments as of June 30, 2021 and 2020, respectively.



TUALATIN VALLEY
WATER DISTRICT



TUALATIN VALLEY
WATER DISTRICT

Required Supplementary Information



Pipe installation for the Willamette Water Supply System

Creating a reliable drinking water future

The District, in partnership with the City of Beaverton and the City of Hillsboro, are developing an additional water supply from the Willamette River at Wilsonville. When completed in 2026, the Willamette Water Supply System will be Oregon's most seismically resilient drinking water system. It will consist of 30 miles of large diameter pipe, an updated water intake system, and a new multi-barrier water treatment plant located in Sherwood. For more information, visit OurReliableWater.org.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM (OPERS)
LAST TEN FISCAL YEARS ^{[1][2]}

Year ended June 30,	District's proportion of the net pension (asset)/liability	District's proportionate share of the net pension (asset)/liability	District's covered payroll	District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension (asset)/liability
2021	0.0697 %	\$15,202,557	\$ 11,825,082	128.56 %	75.8 %
2020	0.1050	18,155,926	11,365,231	159.75	80.2
2019	0.1025	15,528,994	10,467,725	148.35	82.1
2018	0.1014	13,665,755	10,006,337	136.57	83.1
2017	0.1011	15,179,892	9,433,995	160.91	80.5
2016	0.1096	6,290,514	9,452,076	66.55	91.9
2015	0.0981	(2,222,862)	8,942,987	-24.86	103.6
2014	0.0981	5,004,420	9,023,965	55.46	n/a

See notes on next page

[1] Only years with available information presented.

[2] As of the measurement date, which is one year in arrears.
Source: OPERS actuarial reports and District data.

TUALATIN VALLEY WATER DISTRICT
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION (ASSET) LIABILITY
OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM (OPERS)
LAST TEN FISCAL YEARS ^{[1][2]}

Changes in assumptions, plan provisions and benefit terms:

Senate Bill 1049, signed into law in June 2019, made several changes to the PERS system, including:

- Effective with calendar year 2020, annual salary included in the calculation of Final Average Salary is limited to \$195,000 (as indexed for inflation in future years).
- The PERS Board was required to implement a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which will set actuarially determined contribution rates for the 2021-2023 biennium.
- For years 2020 through 2024, the limitation on the hours that can be worked by a rehired retiree is eliminated. Effective January 1, 2020, contributions will also be charged on the payroll of rehired retirees.
- Effective July 1, 2020, a portion of the 6% of salary member contribution to the Individual Account Program (IAP) will be redirected to Employee Pension Stability Accounts, which will help fund the defined benefits provided under Tier 1/Tier 2 and OPSRP. For Tier 1/Tier 2 members, the prospectively redirected amount will be 2.50% of salary, and for OPSRP members the amount will be 0.75% of salary. The redirection will only apply to members earning \$2,500 per month or more (indexed for inflation).

Detail about current changes can be found at: https://www.oregon.gov/pers/Documents/Exp_Study_2018.pdf

On July 28, 2017, the PERS Board adopted an assumed rate of 7.20%, which became effective on January 1, 2018.

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability, which contributes to the net pension liability reported by the District for FY 2017. The changes include the lowering of the long-term expected rate of return to 7.50% and lowering the assumed inflation to 2.5%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

The results of the December 31, 2015 actuarial valuation reflect the Oregon Supreme Court ruling in *Moro v. State of Oregon*, issued on April 30, 2015. The *Moro* decision reversed a significant portion of the reductions the 2013 Senate Legislature made to future cost-of-living adjustments through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid compared to those developed in the most recent actuarial valuation prior to the *Moro* decision.

[1] Only years with available information presented.

[2] As of the measurement date, which is one year in arrears.
Source: OPERS actuarial reports and District data.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM (OPERS)
LAST TEN FISCAL YEARS ^[1]

Year Ended June 30	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency / (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 1,337,239	\$ (1,337,239)	\$ -	\$ 12,275,623	10.89 %
2020	1,505,660	(1,505,660)	-	11,825,082	12.73
2019	1,568,043	(1,568,043)	-	11,365,231	13.80
2018	1,461,272	(1,461,272)	-	10,467,725	13.96
2017	1,098,216	(1,098,216)	-	10,006,337	10.98
2016	1,012,802	(1,012,802)	-	9,433,995	10.74
2015	804,030	(804,030)	-	9,452,076	8.51
2014	771,452	(771,452)	-	8,942,987	8.63

NOTES TO SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Actuarial Assumptions and Methods Used to Determine Contributions ^[2]:

	2020-2021	2018-2019	2016-2017	2014-2015
Actuarial Valuation Date	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Period Effective	July 2019-June 2021	July 2017-June 2019	July 2015-June 2017	July 2013-June 2015
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Actuarial valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Inflation rate	2.50%	2.50%	2.75%	2.75%
Projected salary increases	3.50%	3.50%	3.75%	3.75%
Investment rate of return	7.20%	7.50%	7.50%	8.00%

[1] Only years with available information presented.

[2] Actuarial data provided by the actuary for OPERS.

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF TOTAL OPEB LIABILITY

IMPLICIT RATE SUBSIDY PLAN

LAST TEN FISCAL YEARS ^{[1][2]}

	2021	2020	2019	2018
Service Costs	\$ 40,948	\$ 49,760	\$ 49,057	\$ 106,235
Interest	37,394	39,851	46,502	61,661
Changes in Benefit Terms	-	14,124	-	-
Changes of assumptions	41,108	55,319	29,660	(513,101)
Difference between expected and actual experience	(125,604)	206,242	(108,873)	(41,913)
Benefit payments	(84,154)	(87,728)	(78,892)	(74,193)
Net Change in Total OPEB Liability	(90,308)	277,568	(62,546)	(461,311)
 Total OPEB Liability - Beginning Balance	 <u>1,406,637</u>	 <u>1,129,069</u>	 <u>1,191,615</u>	 <u>1,652,926</u>
Total OPEB Liability - Ending Balance	<u>\$ 1,316,329</u>	<u>\$ 1,406,637</u>	<u>\$ 1,129,069</u>	<u>\$ 1,191,615</u>
 Covered Payroll	 \$ 12,004,045	 \$ 11,825,082	 \$ 10,776,137	 \$ 10,513,304
 Total OPEB Liability as a % of Covered Payroll	 11.0%	 11.9%	 10.5%	 11.3%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY – IMPLICIT RATE SUBSIDY PLAN

Changes of assumptions:

- The discount rate decreased from 2.66% as of July 1, 2020 to 2.19% as of June 30, 2021.
- Healthcare cost trend rates went from a range of (8.0% – 4.5%) down to a range of (7.5% – 4.5%).

^[1] Only years with available information presented.

^[2] Actuarial data provided by the actuarial firm Nyhart, part of FuturePlan by Ascensus.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
IMPLICIT RATE SUBSIDY PLAN
LAST TEN FISCAL YEARS ^{[1][2]}

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 84,154	\$ 87,728	\$ 78,892	\$ 74,193
Contributions in relation to the contractually required contributions	<u>(84,154)</u>	<u>(87,728)</u>	<u>(78,892)</u>	<u>(74,193)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,004,045	\$ 11,825,082	\$ 10,776,137	\$ 10,513,304
Contributions as a percentage of covered payroll	0.70%	0.74%	0.73%	0.71%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS – IMPLICIT RATE SUBSIDY PLAN

Actuarial assumptions and methods used to determine contributions:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarial Valuation	June 30, 2020	June 30, 2020	June 30, 2018	June 30, 1018
Effective (July 1 to June 30)	2019-2021	2019-2021	2017-2019	2017-2019
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
	Normal	Normal	Normal	Normal
Actuarial assumptions:				
Inflation rate	2.50%	2.50%	2.50%	2.50%
Salary increases	7.2% to 3.5% in 30 years	7.2% to 3.5% in 30 years	6.9% to 3.5% in 30 years	6.9% to 3.5% in 30 years
Discount rate	2.19%	2.66%	3.51%	3.58%
Healthcare cost	7.5% in 2021 to	8% in 2021 to	8.5% in 2020 to	9% in 2019 to
Inflation rate	4.5% in 2028	4.5% in 2028	5% in 2027	5% in 2026

[1] Only years with available information presented.

[2] Actuarial data provided by the actuarial firm Nyhart, part of FuturePlan by Ascensus.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)
LAST TEN FISCAL YEARS ^[1]

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net OPEB (asset)/liability	0.0519%	0.1060%	0.1004%	0.0982%	0.0996%
Proportionate share of the net OPEB (asset)/liability	\$(105,653)	\$(204,826)	\$(112,045)	\$(40,696)	\$27,042
District's covered payroll in (000's)	\$ 11,825	\$ 11,365	\$ 10,468	\$ 10,006	\$ 9,434
Proportionate share of net OPEB (asset)/liability as a % of covered payroll	-0.89%	-1.80%	-1.07%	-0.41%	0.29%
Plan net position as a percentage of the total OPEB (asset)/liability	150.1%	144.4%	124.0%	108.9%	94.2%

NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB (ASSET) LIABILITY - RHIA

Changes of assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 and 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.50 to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

^[1] Only years with available information presented.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)
LAST TEN FISCAL YEARS ^[1]

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 3,298	\$ 3,703	\$52,535	\$48,602	\$51,031
Contributions in relation to the contractually required contributions	<u>(3,298)</u>	<u>(3,703)</u>	<u>(52,535)</u>	<u>(48,602)</u>	<u>(51,031)</u>
Contribution deficiency/ (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,276	\$ 11,825	\$ 11,365	\$ 10,468	\$ 10,006
Contributions as a percentage of covered payroll	0.03%	0.03%	0.46%	0.46%	0.51%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS – RHIA

Actuarial assumptions and methods used to determine contributions:

Actuarial Valuation	Dec. 31, 2017	Dec. 31, 2015	Dec. 31, 2013
Effective (July 1 to June 30)	2019-2021	2017-2019	2015-2017
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	10 years	20 years	20 years
Asset valuation method	Market value	Market value	Market value
Remaining amortization periods	10 years	20 years	20 years
Actuarial Assumptions:			
Inflation rate	2.50%	2.50%	2.75%
Healthcare cost trend rates	0% Statute stipulates fixed \$60 monthly payment for Health Ins.	0% Statute stipulates fixed \$60 monthly payment for Health Ins.	0% Statute stipulates fixed \$60 monthly payment for Health Ins.
Projected salary increases	3.50%	3.50%	3.75%
Investment rate of return	7.20%	7.50%	7.75%

^[1] Only years with available information presented.



TUALATIN VALLEY
WATER DISTRICT



Supplementary Information



A District employee finishes a water meter repair

Managing water system costs

Water rates and charges fund the administration, operations, maintenance, and construction of the water system. To keep water rates as low as possible, the District has taken a variety of steps to manage costs. This includes reducing the personnel services budget in the current biennium by 2.8%, deferring over \$50 million in infrastructure projects, creating partnerships with local water utilities to lower the costs of new infrastructure, and receiving a federal WIFIA loan with flexible finance terms.

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TUALATIN VALLEY WATER DISTRICT
 RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
 TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021

BUDGETARY BASIS	Total Revenue	Total Expenditures	Net
	<u> </u>	<u> </u>	<u> </u>
General Fund	\$ 84,408,481	\$ 38,537,791	\$ 45,870,690
Capital Improvement Fund	877,181	81,440,389	(80,563,208)
Capital Reserve Fund	7,194,418	-	7,194,418
Debt Proceeds Fund	-	-	-
Customer Emergency Assistance Fund	15,098	22,970	(7,872)
	<u>\$ 92,495,178</u>	<u>\$ 120,001,150</u>	<u>(27,505,972)</u>
 ADD (DEDUCT) ITEMS TO RECONCILE TO CHANGES IN NET POSITION ON A FINANCIAL REPORTING BASIS			
Discontinued Capital Projects			(1,679,362)
Contributed capital for infrastructure (mains and hydrants)			444,250
Capital outlay			23,077,505
Capital outlay - Joint Ventures			58,425,823
Partner share of capital outlay			(833,523)
Depreciation and amortization			(7,133,526)
Disposals and transfers of capital assets			(66,676)
Change in joint venture valuation			(1,289,983)
Unrealized gain/(loss) on investments			(1,037,557)
Pension expense			(3,084,038)
Other postemployment benefits expense			186,981
CHANGES IN NET POSITION			<u>\$ 39,503,922</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
GENERAL FUND
FOR THE BIENNIUM ENDED JUNE 30, 2021

	Budget for the			Actual Results			Variance with Final Budget
	FY2020 - FY2021 Biennium			FY 2020	FY 2021	Total	
	Original	Revisions	Final				
REVENUES:							
Water sales	\$ 149,248,486	\$ -	\$ 149,248,486	\$ 66,198,211	\$ 74,188,204	\$ 140,386,415	\$ (8,862,071)
Service fees	1,178,849	-	1,178,849	802,956	581,813	1,384,769	205,920
Interest on investments	585,000	-	585,000	427,045	424,186	851,231	266,231
Other revenues	3,521,494	-	3,521,494	2,615,577	2,409,514	5,025,091	1,503,597
Rights-of way fees	1,446,000	-	1,446,000	584,907	602,932	1,187,839	(258,161)
Construction revenue from other funds	10,194,616	-	10,194,616	4,316,745	6,201,831	10,518,576	323,960
Total Revenues	166,174,445	-	166,174,445	74,945,441	84,408,481	159,353,921	(6,820,524)
Beginning Fund Balance	46,685,284	-	46,685,284	54,319,258	26,615,989	54,319,258	7,633,974
	<u>\$ 212,859,729</u>	<u>\$ -</u>	<u>\$ 212,859,729</u>	<u>\$ 129,264,699</u>	<u>\$ 111,024,470</u>	<u>\$ 213,673,179</u>	<u>\$ 813,450</u>
EXPENDITURES:							
Personnel services	\$ 43,536,651	\$ -	\$ 43,536,651	\$ 19,044,837	\$ 19,018,199	\$ 38,063,036	\$ 5,473,615
Materials and services	42,131,195	(8,400)	42,122,795	17,627,308	18,855,483	36,482,791	5,640,004
Capital outlay	212,200	-	212,200	60,349	62,938	123,288	88,913
Special payments	21,446,000	-	21,446,000	10,584,972	601,170	11,186,142	10,259,858
Operating contingencies	15,000,000	(629,358)	14,370,642	-	-	-	14,370,642
Total Expenditures	122,326,046	(637,758)	121,688,288	47,317,466	38,537,791	85,855,257	35,833,031
TRANSFERS TO OTHER FUNDS:							
Capital Reserve Fund	78,457,822	-	78,457,822	55,318,744	23,139,078	78,457,822	-
Willamette Intake Facilities Fund	-	629,358	629,358	-	-	-	629,358
Customer Emergency Assistance Fund	25,000	-	25,000	12,500	20,900	33,400	(8,400)
Total Transfers	78,482,822	629,358	79,112,180	55,331,244	23,159,978	78,491,222	620,958
Total Expenditures and Transfers	200,808,868	(8,400)	200,800,468	102,648,710	61,697,769	164,346,479	36,453,989
Ending Fund Balance	12,050,861	-	12,059,261	26,615,989	49,326,700	49,326,700	(37,267,439)
	<u>\$ 212,859,729</u>	<u>\$ (8,400)</u>	<u>\$ 212,859,729</u>	<u>\$ 129,264,699</u>	<u>\$ 111,024,470</u>	<u>\$ 213,673,179</u>	<u>\$ (813,450)</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
CAPITAL IMPROVEMENT FUND
FOR THE BIENNIUM ENDED JUNE 30, 2021

	Budget for the FY2020 - FY2021 Biennium			Actual Results			Variance with Final Budget
	Original	Revisions	Final	FY 2020	FY 2021	Total	
REVENUES:							
Interest on investments	\$ -	\$ -	\$ -	\$ 2,982	\$ 43,658	\$ 46,640	\$ 46,640
Contributed capital	-	-	-	-	833,523	833,523	833,523
Total Revenues	-	-	-	2,982	877,181	880,163	880,163
TRANSFERS FROM OTHER FUNDS:							
Capital Reserve Fund	179,522,721	-	179,522,721	50,645,874	80,563,208	131,209,082	(48,313,639)
Beginning Fund Balance	-	-	-	-	-	-	-
	<u>\$ 179,522,721</u>	<u>\$ -</u>	<u>\$ 179,522,721</u>	<u>\$ 50,648,856</u>	<u>\$ 81,440,389</u>	<u>\$ 132,089,245</u>	<u>\$ (47,433,476)</u>
EXPENDITURES:							
Capital outlay	\$ 63,809,533	\$ -	\$ 63,809,533	\$ 14,734,318	\$ 23,014,566	\$ 37,748,884	\$ 26,060,649
Capital outlay - Joint Ventures	115,713,188	-	115,713,188	35,914,538	58,425,823	94,340,361	21,372,827
Total Capital outlay	179,522,721	-	179,522,721	50,648,856	81,440,389	132,089,245	47,433,476
Ending Fund Balance	-	-	-	-	-	-	-
	<u>\$ 179,522,721</u>	<u>\$ -</u>	<u>\$ 179,522,721</u>	<u>\$ 50,648,856</u>	<u>\$ 81,440,389</u>	<u>\$ 132,089,245</u>	<u>\$ 47,433,476</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
CAPITAL RESERVE FUND
FOR THE BIENNIUM ENDED JUNE 30, 2021

	Budget for the FY2020 - FY2021 Biennium			Actual Results			Variance with Final Budget
	Original	Revisions	Final	FY 2020	FY 2021	Total	
REVENUES:							
Contributed capital	\$ 2,368,990	\$ -	\$ 2,368,990	\$ 569,141	\$ 460,439	\$ 1,029,579	\$ (1,339,411)
System development charges	11,426,151	-	11,426,151	7,367,496	5,600,722	12,968,218	1,542,067
Interest on investments	3,613,100	-	3,613,100	2,274,534	1,133,257	3,407,791	(205,309)
Total Revenues	17,408,241	-	17,408,241	10,211,171	7,194,418	17,405,589	(2,652)
TRANSFERS FROM OTHER FUNDS:							
General Fund	78,457,822	-	78,457,822	55,318,744	23,139,078	78,457,822	-
Debt Proceeds Fund	25,000,000	-	25,000,000	-	-	-	(25,000,000)
Total Transfers	103,457,822	-	103,457,822	55,318,744	23,139,078	78,457,822	(25,000,000)
Beginning Fund Balance - restricted	-	-	-	2,588,788	-	2,588,788	2,588,788
Beginning Fund Balance - unrestricted	86,235,671	-	86,235,671	80,666,312	98,139,141	80,666,312	(5,569,359)
	<u>\$ 207,101,734</u>	<u>\$ -</u>	<u>\$ 207,101,734</u>	<u>\$ 148,785,015</u>	<u>\$ 128,472,637</u>	<u>\$ 179,118,511</u>	<u>\$ (27,983,223)</u>
TRANSFERS TO OTHER FUNDS:							
Capital Improvement Fund	\$ 179,522,721	\$ -	\$ 179,522,721	\$ 50,645,874	\$ 80,563,208	\$ 131,209,082	\$ 48,313,639
Total Transfers	179,522,721	-	179,522,721	50,645,874	80,563,208	131,209,082	48,313,639
Ending Fund Balance - unrestricted	27,579,013	-	27,579,013	98,139,141	47,909,429	47,909,429	(20,330,416)
	<u>\$ 207,101,734</u>	<u>\$ -</u>	<u>\$ 207,101,734</u>	<u>\$ 148,785,015</u>	<u>\$ 128,472,637</u>	<u>\$ 179,118,511</u>	<u>\$ 27,983,223</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
DEBT PROCEEDS FUND
FOR THE BIENNIUM ENDED JUNE 30, 2021

	Budget for the FY2020 - FY2021 Biennium			Actual Results			Variance with Final Budget
	Original	Revisions	Final	FY 2020	FY 2021	Total	
REVENUES:							
Debt Proceeds	\$ 25,000,000	\$ -	\$ 25,000,000	\$ -	\$ -	\$ -	\$ (25,000,000)
Total Revenues	25,000,000	-	25,000,000	-	-	-	(25,000,000)
Beginning Fund Balance	-	-	-	-	-	-	-
	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,000,000)</u>
TRANSFERS TO OTHER FUNDS:							
Capital Reserve Fund	\$ 25,000,000	\$ -	\$ 25,000,000	\$ -	\$ -	\$ -	\$ 25,000,000
Ending Fund Balance	-	-	-	-	-	-	-
	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) - CUSTOMER EMERGENCY ASSISTANCE FUND FOR THE BIENNIUM ENDED JUNE 30, 2021

	Budget for the			Actual Results			Variance with Final Budget
	FY2020 - FY2021 Biennium						
	Original	Revisions	Final	FY 2020	FY 2021	Total	
REVENUES:							
Contributions	\$ 11,740	\$ -	\$ 11,740	\$ 9,933	\$ 14,758	\$ 24,691	\$ 12,951
Interest on investments	-	-	-	377	339	716	716
 Total Revenues	 11,740	 -	 11,740	 10,309	 15,098	 25,407	 13,667
TRANSFERS FROM OTHER FUNDS:							
General Fund	25,000	-	25,000	12,500	20,900	33,400	8,400
Beginning Fund Balance	9,065	-	9,065	9,156	21,174	9,156	91
	<u>\$ 45,805</u>	<u>\$ -</u>	<u>\$ 45,805</u>	<u>\$ 31,965</u>	<u>\$ 57,171</u>	<u>\$ 67,963</u>	<u>\$ 22,158</u>
 EXPENDITURES:							
Materials and services	\$ 33,000	\$ 8,400	\$ 41,400	\$ 10,792	\$ 22,970	\$ 33,762	\$ 7,638
 Total Expenditures	 33,000	 8,400	 41,400	 10,792	 22,970	 33,762	 7,638
 Ending Fund Balance	 12,805	 (8,400)	 4,405	 21,174	 34,201	 34,201	 (29,796)
	<u>\$ 45,805</u>	<u>\$ -</u>	<u>\$ 45,805</u>	<u>\$ 31,965</u>	<u>\$ 57,171</u>	<u>\$ 67,963</u>	<u>\$ (22,158)</u>



TUALATIN VALLEY
WATER DISTRICT



TUALATIN VALLEY
WATER DISTRICT

Statistical Section



Tualatin Valley Fire and Rescue firefighters battling a fire

Providing fire and health protection

A well-maintained and reliable water system is critical to protecting our community. The District is responsible for providing clean, quality drinking water for public health, fire protection and economic development. The District provides water infrastructure for a variety of critical uses, including maintaining more than 5,300 fire hydrants and providing reliable water supply to multiple hospitals and health care facilities.

TUALATIN VALLEY WATER DISTRICT
STATISTICAL SECTION

This section presents detailed information to provide context for understanding the information in this Annual Comprehensive Financial Report.

Contents

	<u>Page</u>
Financial Trends	85
These schedules contain trend information to help the reader understand how the District's financial performance and economic stability have changed over time.	
Revenue Capacity	95
These schedules contain information to help the reader assess the District's most significant local revenue source, the District's water rates.	
Debt Capacity	100
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and its ability to issue additional debt in the future.	
Demographic and Economic Information	103
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	106
These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports, for FY 2020 and earlier, and from the Annual Comprehensive Financial Reports for FY 2021 and beyond.



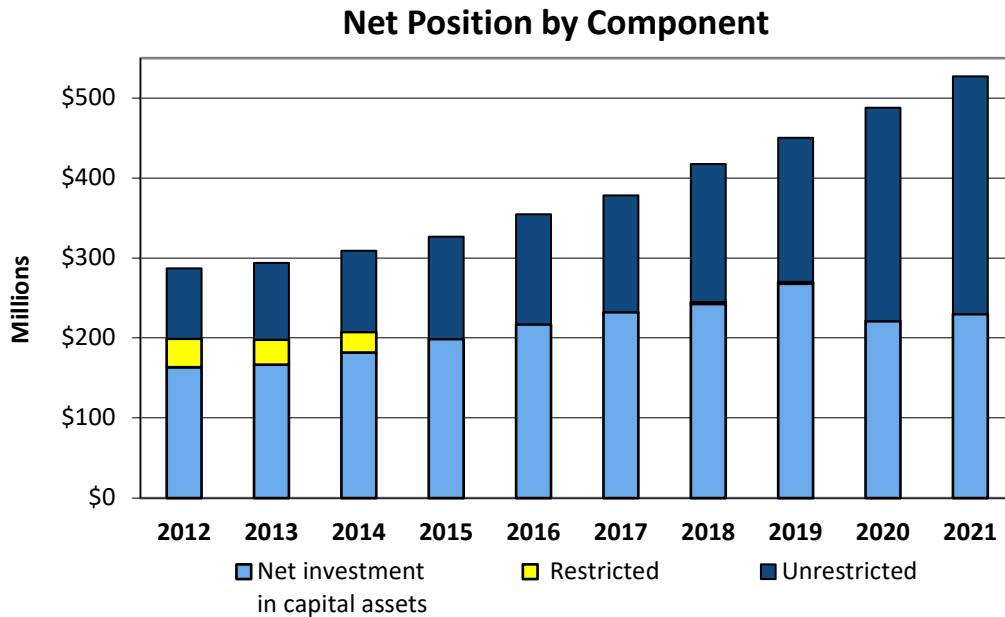
TUALATIN VALLEY
WATER DISTRICT

TUTALATIN VALLEY WATER DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Primary Government Net Position				
	Net investment in capital assets	Restricted	Unrestricted	Total
2021	\$ 229,833,000	\$ -	\$ 297,448,763	\$ 527,281,763
2020	221,070,752	-	266,707,089	487,777,841
2019	267,673,981	2,588,788	180,049,465	450,312,234
2018	242,506,390	2,588,788	172,190,052	417,285,230
2017	232,050,787	-	146,282,198	378,332,985
2016	217,006,685	-	137,751,985	354,758,670
2015	198,676,321	-	128,001,483	326,677,804
2014	181,750,385	25,645,024	101,601,802	308,997,211
2013	166,466,059	31,236,587	95,902,217	293,604,863
2012	163,330,667	35,706,625	87,796,319	286,833,611



TUALATIN VALLEY WATER DISTRICT

CHANGES IN NET POSITION

LAST TEN YEARS

	2021	2020	2019
OPERATING REVENUES:			
Water service	\$ 74,188,204	\$ 66,198,211	\$ 69,451,031
Administrative service	3,524,976	3,888,547	3,633,228
Total Operating Revenues	<u>77,713,180</u>	<u>70,086,758</u>	<u>73,084,259</u>
OPERATING EXPENSES:			
Water purchased and pumping power	10,312,457	10,632,559	10,050,276
Labor and fringe benefits	21,915,256	22,086,542	19,824,271
Maintenance and repairs	2,071,497	1,800,179	2,048,506
General and administrative	6,672,030	5,304,460	5,533,112
Electricity and other utilities	156,040	142,621	146,428
Supplies	267,599	305,839	315,926
Depreciation and amortization expense	7,133,526	7,046,956	6,896,192
Less: operating expenses capitalized	(6,201,831)	(4,316,745)	(4,904,995)
Total Operating Expenses	<u>42,326,574</u>	<u>43,002,411</u>	<u>39,909,716</u>
NET OPERATING INCOME	35,386,606	27,084,347	33,174,543
NONOPERATING REVENUES (EXPENSES)			
Discontinued capital projects	(1,679,362)	-	(2,346,275)
Loss in equity in joint ventures	(1,289,983)	(1,542,432)	(836,783)
Interest income	1,601,441	2,704,937	2,769,322
Unrealized gain (loss) on investments	(1,037,557)	1,006,613	1,127,490
Interest expense	-	(382)	(291,492)
Pension Employer Incentive Fund matching revenue	-	860,559	-
Gain (loss) on disposal of capital assets, net	(45,863)	(1,169,532)	(9,125,528)
Other nonoperating revenues (expenses)	63,228	43,316	(418,021)
Total Nonoperating Revenues (Expenses)	<u>(2,388,096)</u>	<u>1,903,079</u>	<u>(9,121,287)</u>
Capital Contributions	<u>6,505,412</u>	<u>8,478,181</u>	<u>8,973,748</u>
Changes in Net Position	<u>39,503,922</u>	<u>37,465,607</u>	<u>33,027,004</u>
Net Position, beginning of year	487,777,841	450,312,234	417,285,230
Restatement for change in accounting principles	-	-	-
Net Position, beginning of year restated	<u>487,777,841</u>	<u>450,312,234</u>	<u>417,285,230</u>
Net Position, end of year	<u>\$ 527,281,763</u>	<u>\$ 487,777,841</u>	<u>\$ 450,312,234</u>

^[1]2017 restated to reflect implementation of GASB No. 75 and No. 87

^[2]2015 restated to reflect implementation of GASB No. 68

Continued on next page

2018	Restated 2017 ^[1]	2016	Restated 2015 ^[2]	2014	2013	2012
\$ 63,730,160	\$ 52,461,679	\$ 48,728,635	\$ 41,025,195	\$ 35,013,145	\$ 34,169,338	\$ 30,666,849
3,214,641	3,001,965	3,764,144	4,689,194	2,515,514	2,002,197	1,869,734
<u>66,944,801</u>	<u>55,463,644</u>	<u>52,492,779</u>	<u>45,714,389</u>	<u>37,528,659</u>	<u>36,171,535</u>	<u>32,536,583</u>
10,161,954	9,693,035	9,051,685	7,713,786	7,461,754	7,584,712	7,436,547
18,433,098	17,532,715	19,870,765	11,747,960	14,047,903	13,364,417	11,959,160
1,462,432	1,557,932	1,336,820	1,496,431	1,534,727	1,773,526	1,730,707
4,853,470	5,073,804	6,348,825	7,186,365	4,218,566	3,332,570	2,717,783
140,626	146,444	134,865	119,964	122,282	103,543	112,650
220,641	196,007	218,756	272,876	197,191	234,592	265,488
7,336,782	6,957,712	6,110,033	5,880,723	5,414,179	5,222,171	5,001,243
(4,113,466)	(3,377,130)	(3,064,622)	(2,816,946)	(2,899,203)	(2,217,408)	(1,739,985)
<u>38,495,537</u>	<u>37,780,519</u>	<u>40,007,127</u>	<u>31,601,159</u>	<u>30,097,399</u>	<u>29,398,123</u>	<u>27,483,593</u>
28,449,264	17,683,125	12,485,652	14,113,230	7,431,260	6,773,412	5,052,990
-	(17,527)	(416,646)	(383,121)	(1,036)	(5,325,088)	-
(775,060)	(656,837)	(831,663)	(714,847)	(658,349)	(759,993)	(735,005)
1,634,667	1,080,484	700,524	592,861	553,807	590,380	654,826
(302,492)	(440,187)	95,015	69,654	292,396	(329,057)	(102,247)
(285,882)	(25,522)	(2,194)	(281,156)	(317,717)	(368,902)	(479,586)
-	-	-	-	-	-	-
1,335,320	(556,624)	(4,874)	(100,384)	(116,322)	(37,846)	(480,284)
80,466	25,749	-	-	-	-	-
<u>1,687,019</u>	<u>(590,464)</u>	<u>(459,838)</u>	<u>(816,993)</u>	<u>(247,221)</u>	<u>(6,230,506)</u>	<u>(1,142,296)</u>
8,815,962	6,630,821	16,055,052	9,392,435	8,208,309	6,228,346	4,084,623
<u>38,952,245</u>	<u>23,723,482</u>	<u>28,080,866</u>	<u>22,688,672</u>	<u>15,392,348</u>	<u>6,771,252</u>	<u>7,995,317</u>
378,332,985	354,758,670	326,677,804	308,997,211	293,604,863	286,833,611	278,838,294
-	(149,167)	-	(5,008,079)	-	-	-
<u>378,332,985</u>	<u>354,609,503</u>	<u>326,677,804</u>	<u>303,989,132</u>	<u>293,604,863</u>	<u>286,833,611</u>	<u>278,838,294</u>
<u>\$ 417,285,230</u>	<u>\$ 378,332,985</u>	<u>\$ 354,758,670</u>	<u>\$ 326,677,804</u>	<u>\$ 308,997,211</u>	<u>\$ 293,604,863</u>	<u>\$ 286,833,611</u>

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TUALATIN VALLEY
WATER DISTRICT

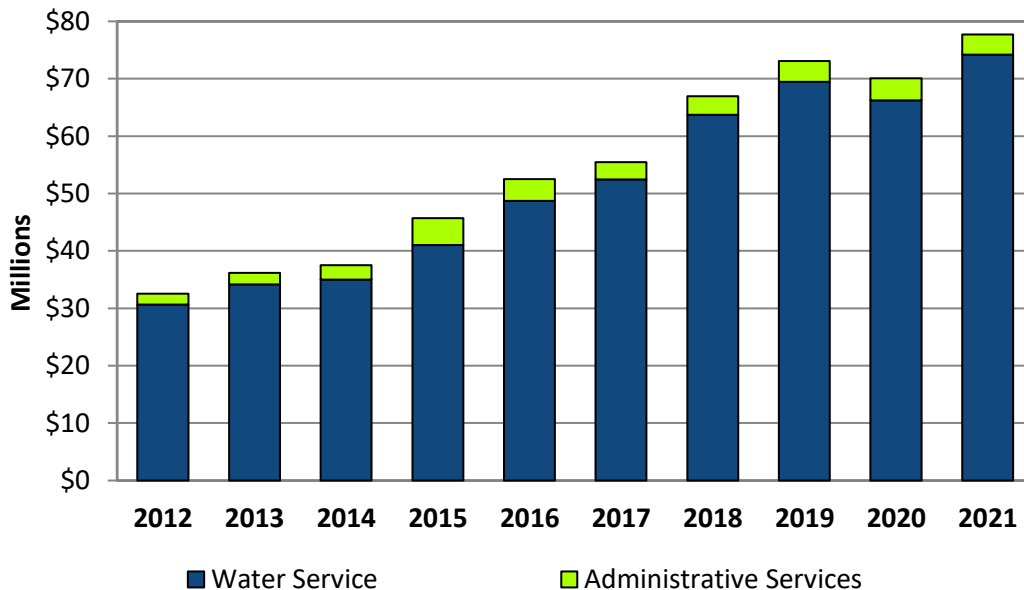
TUALATIN VALLEY WATER DISTRICT

OPERATING REVENUES BY SOURCE

LAST TEN FISCAL YEARS

Year Ended June 30	Water Service	Administrative Services	Total
2021	\$ 74,188,204	\$ 3,524,976	\$ 77,713,180
2020	66,198,211	3,888,547	70,086,758
2019	69,451,031	3,633,228	73,084,259
2018	63,730,160	3,214,641	66,944,801
2017	52,461,679	3,001,965	55,463,644
2016	48,728,635	3,764,144	52,492,779
2015	41,025,195	4,689,194	45,714,389
2014	35,013,145	2,515,514	37,528,659
2013	34,169,338	2,002,197	36,171,535
2012	30,666,849	1,869,734	32,536,583

Total Operating Revenues



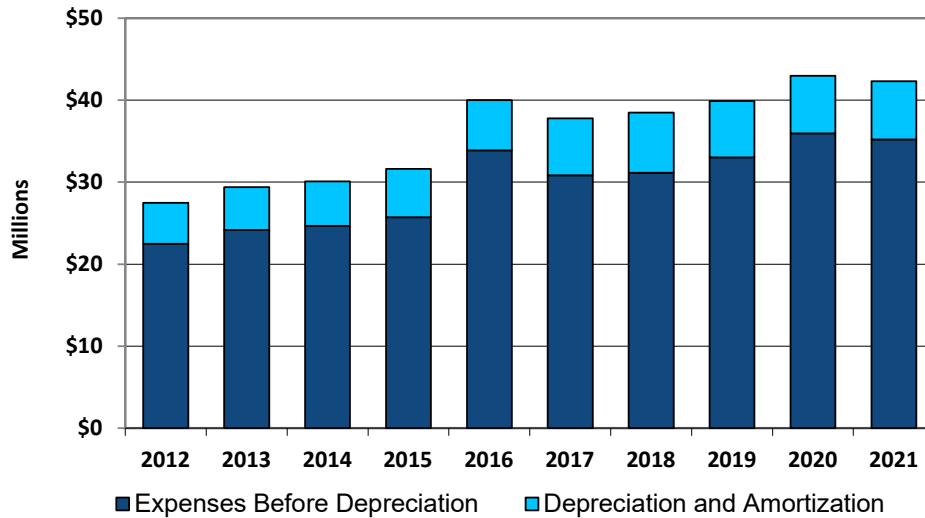
TUALATIN VALLEY WATER DISTRICT

OPERATING EXPENSES

LAST TEN YEARS

Fiscal Year Ending June 30	Water Purchased	Labor and Fringe Benefits	Maintenance and Repairs	General and Administrative	Electricity and Other Utilities
2021	\$ 10,312,457	\$ 21,915,256	\$ 2,071,497	\$ 6,672,030	\$ 156,040
2020	10,632,559	22,086,542	1,800,179	5,304,460	142,621
2019	10,050,276	19,824,271	2,048,506	5,533,112	146,428
2018	10,161,954	18,433,098	1,462,432	4,853,470	140,626
2017	9,693,035	17,532,715	1,557,932	5,073,804	146,444
2016	9,051,685	19,870,765	1,336,820	6,348,825	134,865
2015	7,713,786	11,747,960	1,496,431	7,186,365	119,964
2014	7,461,754	14,047,903	1,534,727	4,218,566	122,282
2013	7,584,712	13,364,417	1,773,526	3,332,570	103,543
2012	7,436,547	11,959,160	1,730,707	2,717,783	112,650

Total Operating Expenses



Continued on next page

<u>Supplies</u>	<u>Less Capitalized Overhead</u>	<u>Subtotal, Expenses before Depreciation</u>	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
\$ 267,599	\$ (6,201,831)	\$ 35,193,048	\$ 7,133,526	\$ 42,326,574
305,839	(4,316,745)	35,955,455	7,046,956	43,002,411
315,926	(4,904,995)	33,013,524	6,896,192	39,909,716
220,641	(4,113,466)	31,158,755	7,336,782	38,495,537
196,007	(3,377,130)	30,822,807	6,957,712	37,780,519
218,756	(3,064,622)	33,897,094	6,110,033	40,007,127
272,876	(2,816,946)	25,720,436	5,880,723	31,601,159
197,191	(2,899,203)	24,683,220	5,414,179	30,097,399
234,592	(2,217,408)	24,175,952	5,222,171	29,398,123
265,488	(1,739,985)	22,482,350	5,001,243	27,483,593

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TUALATIN VALLEY WATER DISTRICT
NONOPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Discontinued capital projects	Loss in joint venture equity	Interest income	Unrealized gain (loss) on investments	Interest expense
2021	\$ (1,679,362)	\$ (1,289,983)	\$ 1,601,441	\$ (1,037,557)	\$ -
2020	-	(1,542,432)	2,704,937	1,006,613	(382)
2019	(2,346,275)	(836,783)	2,769,322	1,127,490	(291,492)
2018	-	(775,060)	1,634,667	(302,492)	(285,882)
2017	(17,527)	(656,837)	1,080,484	(440,187)	(25,522)
2016	(416,646)	(831,663)	700,524	95,015	(2,194)
2015	(383,121)	(714,847)	592,861	69,654	(281,156)
2014	(1,036)	(658,349)	553,807	292,396	(317,717)
2013	(5,325,088)	(759,993)	590,380	(329,057)	(368,902)
2012	-	(735,005)	552,579	(102,247)	(479,586)

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Pension Employer Incentive Fund (EIF)	Disposal of capital assets, net	Other nonoperating revenues (expenses)	Total nonoperating revenues (expenses)
\$ -	\$ (45,863)	\$ 63,228	\$ (2,388,096)
860,559	(1,169,532)	43,316	1,903,079
-	(9,125,528)	(418,021)	(9,121,287)
-	1,335,320	80,466	1,687,019
-	(556,624)	25,749	(590,464)
-	(4,874)	-	(459,838)
-	(100,384)	-	(816,993)
-	(116,322)	-	(247,221)
-	(37,846)	-	(6,230,506)
-	(480,284)	-	(1,244,543)

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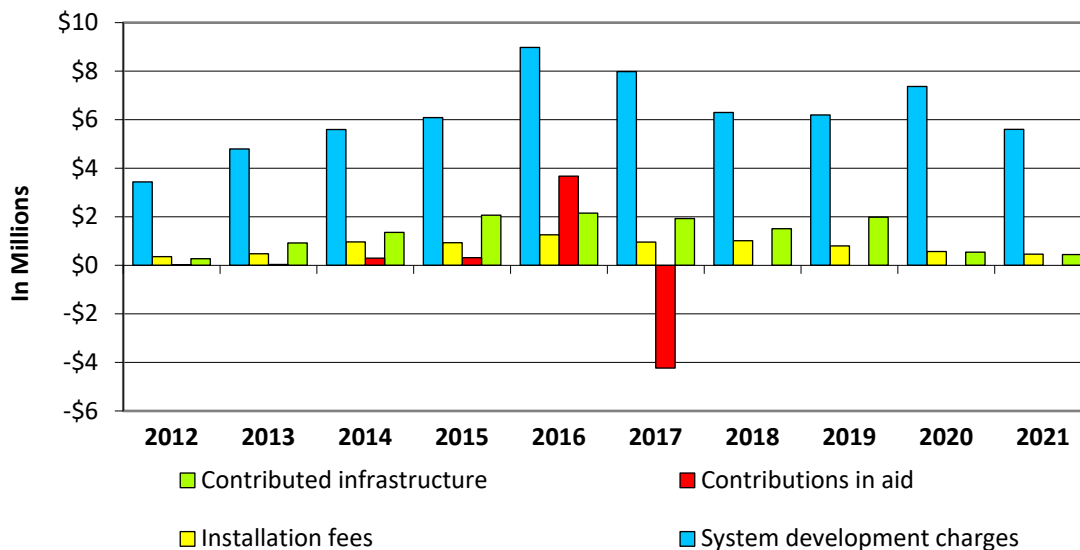
TUALATIN VALLEY WATER DISTRICT

CAPITAL CONTRIBUTIONS BY SOURCE

LAST TEN YEARS

	System development charges	Installation fees	Contributions in aid	Contributed infrastructure	Total contributions
2021	\$ 5,600,722	\$ 460,439	\$ -	\$ 444,251	\$ 6,505,412
2020	7,367,496	569,141	-	541,544	8,478,181
2019	6,193,831	798,128	-	1,981,789	8,973,748
2018	6,295,124	1,014,589	-	1,506,249	8,815,962
2017	7,981,382	957,756	(4,235,719) ^[1]	1,927,402	6,630,821
2016	8,977,050	1,255,363	3,672,391	2,150,248	16,055,052
2015	6,086,538	929,714	312,953	2,063,230	9,392,435
2014	5,593,132	964,412	295,488	1,355,277	8,208,309
2013	4,795,030	477,041	34,401	921,874	6,228,346
2012	3,436,563	355,761	19,293	273,006	4,084,623

Capital Contributions by Source

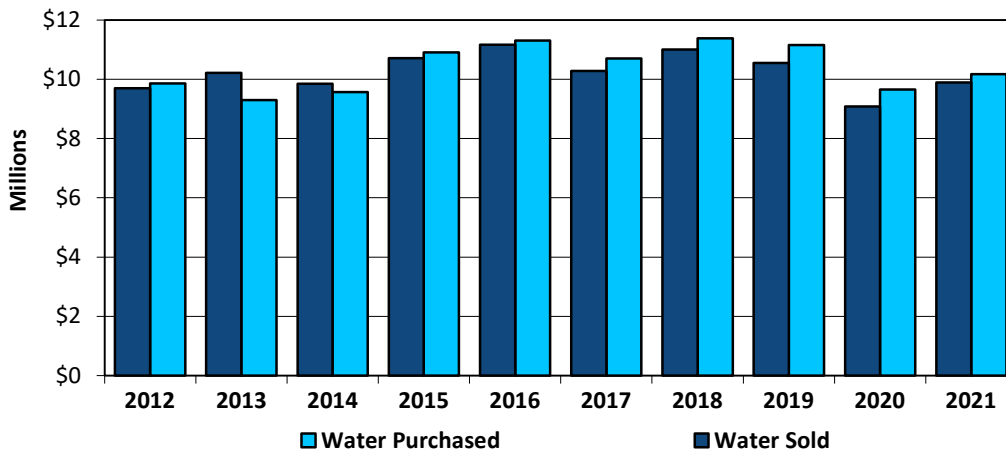


[1] Contributions in aid have been adjusted to remove the City of Hillsboro's cumulative ownership contributions in the Willamette Water Supply Program (WWSP).

TUALATIN VALLEY WATER DISTRICT
WATER PRODUCED AND CONSUMED
LAST TEN YEARS

Fiscal Year End	Water Purchased (CCF) ^[2]	Water Sold (CCF) ^[2]	Water Unbilled at June 30, (CCF) ^[2]	Average Percent Unbilled	Total Direct Rates ^[4]			Ratio of Water Sold to Water Purchased
					Fixed Charge ^[3]	Usage Rate Per CCF		
					Block 1	Block 2		
2021	10,171,314	9,896,381	274,933	2.7%	33.98	\$5.62	\$8.01	97.3%
2020	9,651,869	9,086,530	565,339	5.9%	32.80	5.42	7.73	94.1%
2019	11,152,582	10,550,871	601,711	5.4%	31.66	5.23	7.46	94.6%
2018	11,386,129	11,001,566	384,563	3.4%	27.90	4.61	6.57	96.6%
2017	10,701,959	10,280,141	421,818	3.9%	24.58	4.06	5.79	96.1%
2016	11,301,104	11,165,490	135,614	1.2%	21.46	3.55	5.06	98.8%
2015	10,903,035	10,710,540	192,495	1.8%	18.44	3.05	4.35	98.2%
[1] 2014	9,569,868	9,851,917	(282,049)	-2.9%	16.86	2.74	3.91	102.9%
[1] 2013	9,296,043	10,211,455	(915,412)	-9.8%	15.28	2.65	3.78	109.8%
2012	9,859,728	9,697,421	162,307	1.6%	13.72	2.51	3.59	98.4%

Water Purchased and Sold in CCF



[1] District data for 2013-2014 reflects a water gain (selling more water than purchased from suppliers). The District identified two of the Portland Water Bureau (PWB) master meters that feed TVWD were not accurately reading all water flows. These meters are owned and maintained by Portland. TVWD and the PWB agreed to an adjustment formula to create an estimated read on the inaccurate meters. Those meters have since been replaced by the PWB.

[2] CCF = Hundred cubic feet = 748 gallons.

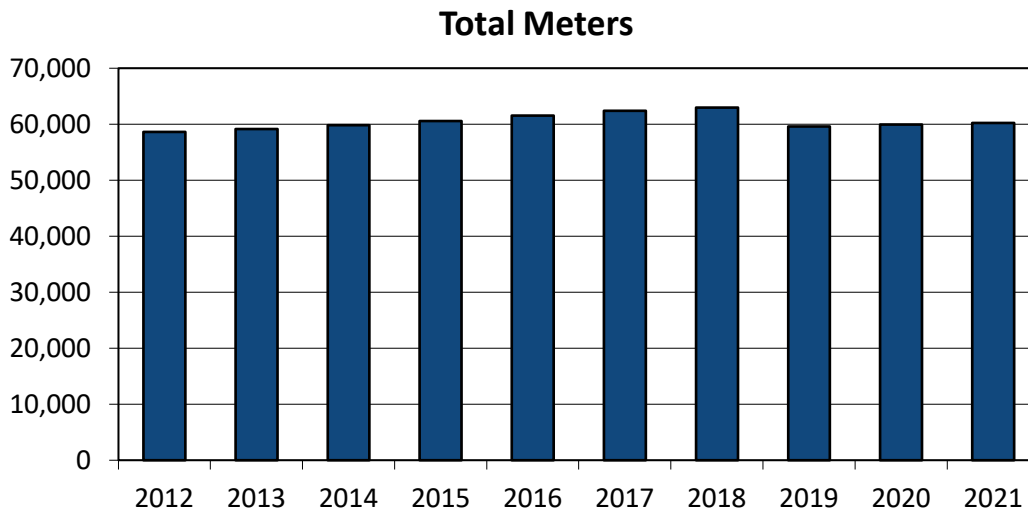
[3] Bi-monthly. TVWD has fixed charges that vary by meter size and cannot easily calculate a weighted-average rate to present as the total direct rate; instead, the rate for the most common size of meter (5/8 inch) is shown).

[4] See Bi-Monthly Water Rates statistical schedule in this ACFR report for Block 1 and 2 rates, and the rates of other meter sizes.

Source: Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT
NUMBER OF WATER CUSTOMERS BY TYPE AND ANNUAL TAPS SOLD
LAST TEN FISCAL YEARS

	Meters				Total Meters	Net Annual Taps Sold ^[3]
	<i>Class 1 & 2 Residential</i>	<i>Class 3 Commercial</i>	<i>Class 4 Industrial</i>	<i>Class 5-8 Other^[2]</i>		
2021	57,090	1,389	25	1,744	60,248	310
2020	56,768	1,390	25	1,755	59,938	351
2019	56,459	1,370	27	1,731	59,587	[1] -3,398
2018	59,498	1,541	33	1,913	62,985	608
2017	58,907	1,565	33	1,872	62,377	836
2016	58,103	1,561	33	1,844	61,541	991
2015	57,186	1,529	33	1,802	60,550	717
2014	56,509	1,519	33	1,772	59,833	723
2013	55,864	1,493	34	1,719	59,110	512
2012	55,407	1,488	34	1,669	58,598	179



[1] June 30, 2019 represents the withdrawal of meters and services by the City of Beaverton.

[2] Other = Firelines, Irrigation, Temp Irrigation, and Wholesale meters.

[3] Definition for "Taps" - Connections made directly to the District's water distribution system that are available for customer connections.

TUALATIN VALLEY WATER DISTRICT

BIMONTHLY WATER RATES

LAST TEN FISCAL YEARS

	Water Usage Rate / CCF		Fixed Bi-monthly Rates by Meter Size (in inches)									
	Block 1 [1]	Block 2 [1,2]	5/8	3/4	1	1-1/2	2	3	4	6	8	10
11/1/2020	\$5.62	\$8.01	\$33.98	\$37.42	\$46.12	\$61.98	\$91.42	\$254.54	\$341.06	\$549.66	\$793.96	\$1,305.84
11/1/2019	5.42	7.73	32.80	36.12	44.52	59.82	88.24	245.70	329.20	530.56	766.38	1,260.46
11/1/2018	5.23	7.46	31.66	34.86	42.98	57.74	85.18	237.16	317.16	512.12	739.74	1,216.66
11/1/2017	4.61	6.57	27.90	30.72	37.86	50.88	75.04	208.96	279.96	451.20	651.76	1,071.94
11/1/2016	4.06	5.79	24.58	27.06	33.36	44.82	66.12	184.10	246.66	397.54	574.24	944.44
11/1/2015	3.55	5.06	21.46	23.64	29.14	39.14	57.74	160.78	215.42	347.20	501.52	824.84
11/1/2014	3.05	4.35	18.44	20.32	25.04	33.64	49.62	138.16	185.10	298.34	430.94	708.76
11/1/2013	2.74	3.91	16.86	18.38	22.28	29.06	42.54	122.32	161.26	254.70	363.72	590.98
10/1/2012	2.65	3.78	15.28	16.42	19.52	24.48	35.44	106.55	137.42	211.06	296.50	473.20
10/1/2011	2.51	3.59	13.72	14.48	16.78	19.90	28.36	90.68	113.58	167.42	229.28	355.44

[1] There are 7.48 Gallons in One Cubic Foot, 748 gallons in one CCF.

[2] Block 2 rate applies to quantities used in excess of 28 CCF in a bi-monthly billing period for single-family residential customer or 140% of the average usage for the past twelve-months for multi-family, irrigation, commercial, and production customers.

Water rates are adopted by the Board of Commissioners.

Source: Tualatin Valley Water District Records



TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT

TEN LARGEST CUSTOMERS CURRENT YEAR AND TEN YEARS PRIOR

CUSTOMER	FISCAL YEAR 2020-21			FISCAL YEAR 2011-12		
	Consumption		Percent	Consumption		Percent
	Rank	CCF [1]		Rank	CCF [1]	
Intel	1	388,644	4.05%	1	327,975	3.38%
Maxim Integrated Products	2	339,511	3.54%	2	284,169	2.93%
Nike	3	147,920	1.54%	5	94,112	0.97%
Resers Fine Foods	4	121,283	1.27%	4	95,410	0.98%
Providence Health Systems	5	67,356	0.70%	3	128,878	1.33%
Heritage Village Mobile Park	6	61,077	0.64%	7	75,378	0.78%
Simpson Property Group	7	52,653	0.55%			
Panzer Nursery Inc	8	52,553	0.55%	8	60,501	0.62%
Infomart Portland, LLC	9	48,153	0.50%			
BMF IV Oregon	10	47,834	0.50%			
Tualatin Hills Park & Recreation District				6	76,606	0.79%
OHSU West Campus				10	47,071	0.49%
Tektronix				9	48,336	0.50%
		<u>1,326,984</u>	<u>13.84%</u>		<u>1,238,436</u>	<u>12.77%</u>
All Other Consumers		<u>8,258,812</u>	<u>86.16%</u>		<u>8,458,985</u>	<u>87.23%</u>
Total		<u><u>9,585,796</u></u>	<u><u>100%</u></u>		<u><u>9,697,421</u></u>	<u><u>100%</u></u>

[1] CCF = Hundred cubic feet = 748 gallons.

Source: Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Revenues	System Development Charges (SDC's)	[1] Gross Revenues	[2] Less: Operating Expenses	[3] Net Revenues
2021	\$ 78,137,366	\$ 5,600,722	\$ 83,738,088	\$ 35,193,048	\$ 48,545,040
2020	70,513,803	7,367,496	77,881,299	35,955,455	41,925,844
2019	75,853,581	6,193,831	82,047,412	33,013,524	49,033,888
2018	67,335,632	6,295,124	73,630,756	31,158,755	42,472,001
2017	55,782,450	7,981,382	63,763,832	30,943,116	32,820,716
2016	52,730,328	8,977,050	61,707,378	33,897,094	27,810,284
2015	46,143,442	6,086,538	52,229,980	25,720,436	26,509,544
2014	37,907,784	5,593,132	43,500,916	24,683,220	18,817,696
2013	36,542,458	4,795,030	41,337,488	24,175,952	17,161,536
2012	32,856,904	3,436,563	36,293,467	22,482,350	13,811,117

- [1] "Gross Revenues" means all fees and charges and other revenues that are properly accrued under generally accepted accounting principles as revenues of the Water System, including System Development Charges, revenues from product sales, wholesale water delivery, and fees for other services provided, and interest earnings on Gross Revenues in the Water Fund.
- [2] "Operating Expenses" means all costs which are properly treated as expenses of operating and maintaining the Water System under generally accepted accounting principles. Operating expenses exclude: payments for penalties and judgments, depreciation and amortization, capital expenditures, debt service payments, any expenditures allocable to any other funding source other than gross revenues of the Water System. FY 2019 and prior, this was referred to as "Net Operating Expenses".
- [3] Net Revenues means Gross Revenues less Operating Expenses. FY 2019 and prior, this was referred to as "Net Operating Revenues".
- [4] Debt Service includes principal and interest of revenue bonds only. It does not include general obligation bonds supported by property taxes or other long-term liabilities.
- [5] Only current year principal payment due shown for coverage purposes.
- [6] Required minimum coverage ratios are: (Net Revenues / Total Debt Service) and (Net Revenues less SDC's / Total Debt Service)
 After FY 2019 required minimums are - 1.25 and 1.15, respectively
 Prior to FY 2020 required minimums were - 1.25 and 1.20, respectively.
- [7] On June 1, 2015, the District exercised the call provisions at par as priced in the July 28, 2005 Official Statement.
- [8] On March 30, 2012, the District fully cash redeemed all outstanding Water Revenue Refunding Bonds, Series 2002 as allowed by Section 2.3 of the Series 2002 Bond Declaration. Reported debt service for FY 2011-12 reflects an additional \$775,000 in principal payments and a reduction of \$7,727 in interest costs as a result of the early cash redemption. Presented here is debt service due for the year per the Bond Covenants covering the

Sources: Tualatin Valley Water District financial records
 Information reported prior to FY 2020 was in accordance with 2005 master bond declaration
 Information reported after FY 2019 was in accordance with August, 2019 master bond declaration

Continued on next page

[4] Debt Service			Coverage Ratio ^[6] (Net Revenues / Less SDC's) /	
[5] Principal	Interest	Total	Net Revenues / Total Debt Service	Total Debt Service
\$ -	\$ -	\$ -	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
- ^[7]	-	-	n/a	n/a
1,280,000	245,975	1,525,975	17.37	13.38
1,235,000	295,375	1,530,375	12.30	8.64
1,185,000	342,775	1,527,775	11.23	8.09
1,505,000 ^[8]	431,425 ^[8]	1,936,425	7.13	5.36

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TUALATIN VALLEY WATER DISTRICT

RATIO OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

	[1]	[1]	[2]				Bonded Debt Per Capita	[2] Leases	Total Debt	Total Debt Per Capita	Debt as a % of Personal Income
	District Population (Estimated)	Per Capita Personal Income	Revenue Bonds		Amortized	Total					
			Principal	Interest	Defeasance						
2021	\$ 217,800	\$70,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
2020	216,100	67,341	-	-	-	-	-	-	-	-	0.00%
2019	214,717	64,043	-	-	-	-	8,967,417	8,967,417	42	0.07%	
2018	229,100	61,951	-	-	-	-	8,933,256	8,933,256	39	0.06%	
2017	226,360	58,223	-	-	-	-	1,021,556	1,021,556	5	0.01%	
2016	221,749	55,017	-	-	-	-	-	-	-	-	0.00%
2015	218,399	52,923	-	-	-	-	-	-	-	-	0.00%
2014	214,143	49,762	5,470,000	635,250	(54,778)	6,050,472	28	6,050,472	28	0.06%	
2013	211,556	46,171	6,705,000	930,625	(80,249)	7,555,376	36	7,555,376	36	0.08%	
2012	207,849	46,533	7,890,000	1,273,400	(109,807)	9,053,593	44	9,053,593	44	0.09%	

[1] From Demographic and Economic statistics schedule in this report

[2] From Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT

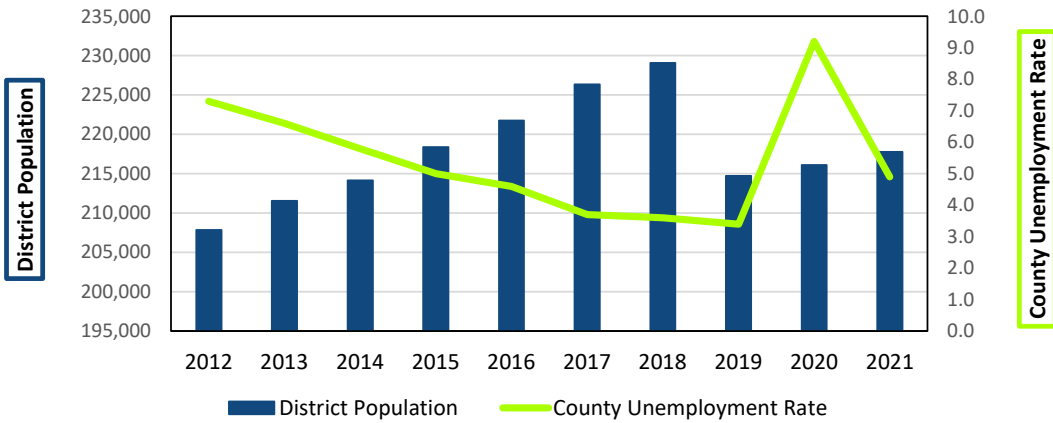
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

	[1] District Population (Estimated)	WASHINGTON COUNTY			UNEMPLOYMENT RATE		County Labor Force [4]	State Labor Force [4]
		[2] Population	[3] Per Capita Income	Personal Income (000's)	County [4]	State of Oregon [4]		
2021	217,800 [5]	631,001 [5]	\$ 70,315 [5]	\$ 44,369,061	4.9 %	5.6 %	331,100	2,171,800
2020	216,100	620,080	67,341 [5]	41,756,542	9.2	11.7	330,000	2,173,000
2019	214,717 [6]	613,410	64,043	39,284,617	3.4	4.0	324,800	2,113,900
2018	229,100	606,280	61,951	37,559,652	3.6	4.1	322,300	2,107,800
2017	226,360	595,860	58,223	34,692,757	3.7	4.2	321,400	2,104,800
2016	221,749	583,595	55,017	32,107,646	4.6	5.1	313,500	2,062,100
2015	218,399	570,510	52,923	30,193,101	5.0	5.8	300,400	1,988,500
2014	214,143	560,465	49,762	27,889,859	5.8	6.8	292,300	1,946,300
2013	211,556	550,990	46,171	25,439,759	6.6	8.0	287,200	1,924,100
2012	207,849	542,845	46,533	25,260,206	7.3	8.9	292,100	1,969,100

8%

District Population and County Unemployment Rate



[1] Based on population data prepared by the Population Research Center, Portland State University, April 2021
 [2] US Census Bureau (FactFinder.census.gov)
 [3] Bureau of Economic Analysis (https://bea.gov)
 [4] Source: Oregon Employment Department QualityInfo.org, non-farm employment, not seasonally adjusted. 2020 unemployment rates elevated due to COVID-19 crises.
 [5] Data not available at time of preparation. Estimate used
 [6] A significant number of customers served by the District which were withdrawn and are now served by the city of Beaverton

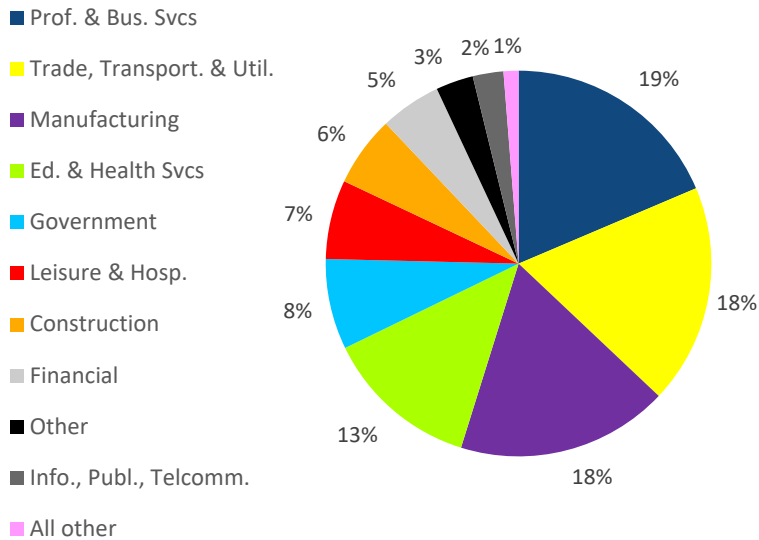


TUALATIN VALLEY
WATER DISTRICT

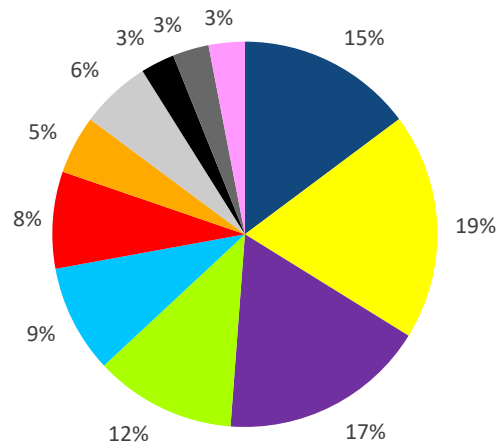
TUALATIN VALLEY WATER DISTRICT
MAJOR EMPLOYMENT INDUSTRIES IN WASHINGTON COUNTY, OREGON
CURRENT YEAR AND TEN YEARS AGO

Industry	June 30, 2021			June 30, 2012		
	Employees	Percentage of Work Force	Rank	Employees	Percentage of Work Force	Rank
Professional and business services	52,867	18.61%	1	38,000	15.25%	3
Trade, transportation and utilities	52,367	18.44%	2	48,900	19.63%	1
Manufacturing	50,476	17.77%	3	44,600	17.90%	2
Education and health services	36,847	12.97%	4	30,500	12.24%	4
Government	21,563	7.59%	5	23,300	9.35%	5
Leisure and hospitality	18,847	6.64%	6	20,900	8.39%	6
Construction	16,788	5.91%	7	12,600	5.06%	8
Financial activities	14,495	5.10%	8	15,200	6.10%	7
Other services ^[1]	8,932	3.14%	9	7,300	2.93%	10
Information, publishing & telecomm.	7,329	2.58%	10	7,800	3.13%	9
All other industries	3,508	1.25%		7,800	3.13%	
Total Employment	284,019	100.00%		249,100	100.00%	

Percentage of Work Force - 2021



Percentage of Work Force - 2012



[1] Other services include repair & maintenance, membership organizations, laundry services and unclassified
 Source: Oregon Employment Department Quality Information (QCEW) for Washington County

TUALATIN VALLEY WATER DISTRICT
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS

	Full-Time-Equivalent Employees as of June 30,			
	2021	2020	2019	2018
WATER:				
System Operations (formerly Distribution)	9	9	9	8
Construction and Maintenance	20	21	22	22
Water Resources (formerly Water Quality)	5	4	5	6
ENGINEERING & INSPECTION:				
Engineering	7	8	8	8
Inspections	2	2	2	2
ADMINISTRATION:				
Executive Administration	10	10	10	8
Human Resources	2	2	2	2
Conservation/Public Outreach	4	4	4	3
Billing/Customer Service	14	14	14	12
Meter Reading/Field Customer Service	14	14	14	14
Finance and Accounting	10	11	13	11
Information Services	8	9	8	8
OPERATIONS ADMINISTRATION:				
Administration	4	5	5	8
Asset Management-Facilities, Fleet, GIS	10	10	14	11
Safety & Security	2	2	2	1
WILLAMETTE WATER SUPPLY PROGRAM:				
Excutive Administration	2	2	2	1
Administration	2	3	4	4
Engineering	3	3	3	3
Finance and Accounting	2	2	1	1
Public Outreach	2	2	2	1
TOTAL EMPLOYEES ^[1]	132	137	144	134
Estimated district population ^[2]	217,800	216,100 ^[3]	214,717 ^[4]	229,100
Number of employees per 1,000 population	0.61	0.63	0.67	0.58

[1] Temporary employees are included in above numbers

[2] Based on population data from Portland State University College of Urban & Public Affairs: Population Research Center

[3] Data not available at time of preparation. Estimate used

[4] A significant number of customers served by the District which were withdrawn and are now served by the city of Beaverton

Source: Tualatin Valley Water District Payroll Records

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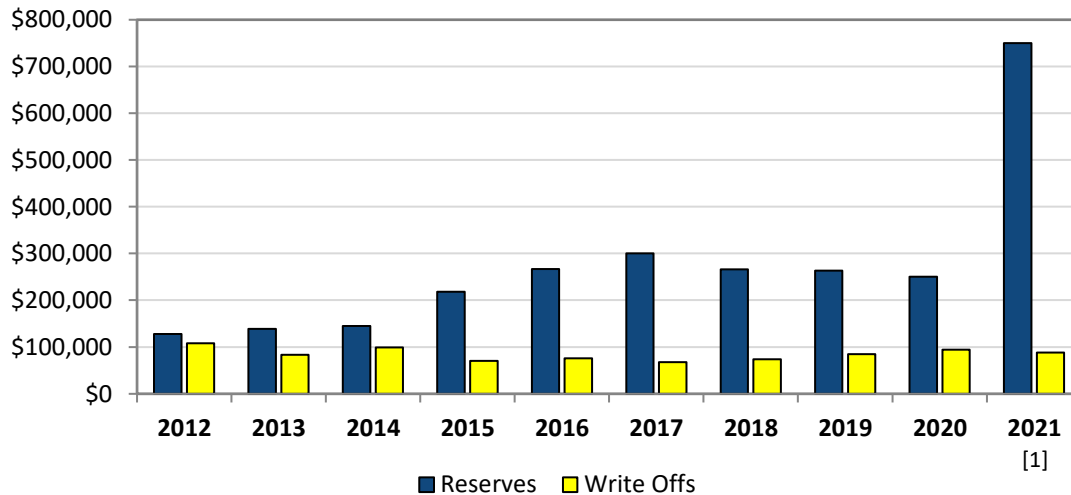
2017	2016	2015	2014	2013	2012
9	9	9	10	10	10
22	25	25	26	25	25
6	4	6	3	3	3
8	10	11	16	14	12
2	2	2	3	3	3
7	7	7	9	9	10
2	3	3	2	2	2
4	4	4	6	5	5
14	12	12	12	12	12
14	14	13	14	14	14
11	11	11	11	10	10
7	8	8	7	8	8
5	5	4	3	2	2
6	9	9	8	8	7
2	2	2	2	2	2
1	1	1	-	-	-
3	1	-	-	-	-
4	3	1	-	-	-
1	1	-	-	-	-
1	1	2	-	-	-
129	132	130	132	127	125
226,360	221,749	218,399	214,143	211,556	207,849
0.57	0.60	0.60	0.62	0.60	0.60

Continued from previous page

TUALATIN VALLEY WATER DISTRICT
WATER SALES, WRITE OFFS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS
LAST TEN FISCAL YEARS

	<u>Water Sales</u>	<u>Write Offs</u>	<u>Write Offs as a % of Sales</u>	<u>Accounts Receivable Balance at June 30</u>	<u>Allowance for Doubtful Accounts</u>	<u>Bad Debt Reserves as a % of Accounts Receivable</u>
2021	\$ 74,188,204	\$ 88,084	0.12%	\$ 16,285,599	\$ 750,000 [1]	4.61%
2020	66,198,211	93,935	0.14%	19,200,116	250,000	1.30%
2019	69,451,031	84,870	0.12%	18,814,033	263,085	1.40%
2018	63,730,160	73,998	0.12%	18,083,217	266,190	1.47%
2017	52,461,679	67,801	0.13%	15,655,053	300,092	1.92%
2016	48,728,635	75,948	0.16%	11,401,881	266,800	2.34%
2015	39,727,111	70,383	0.18%	8,377,842	218,303	2.61%
2014	35,013,145	98,724	0.28%	5,778,352	144,888	2.51%
2013	34,169,338	82,957	0.24%	5,301,577	138,846	2.62%
2012	30,666,849	107,647	0.35%	4,525,639	127,529	2.82%

Allowance for Doubtful Accounts vs Write Offs



[1] The District significantly increased its Allowance for Doubtful Accounts due to its temporary policy of not shutting off customers water during the COVID-19 Crises.

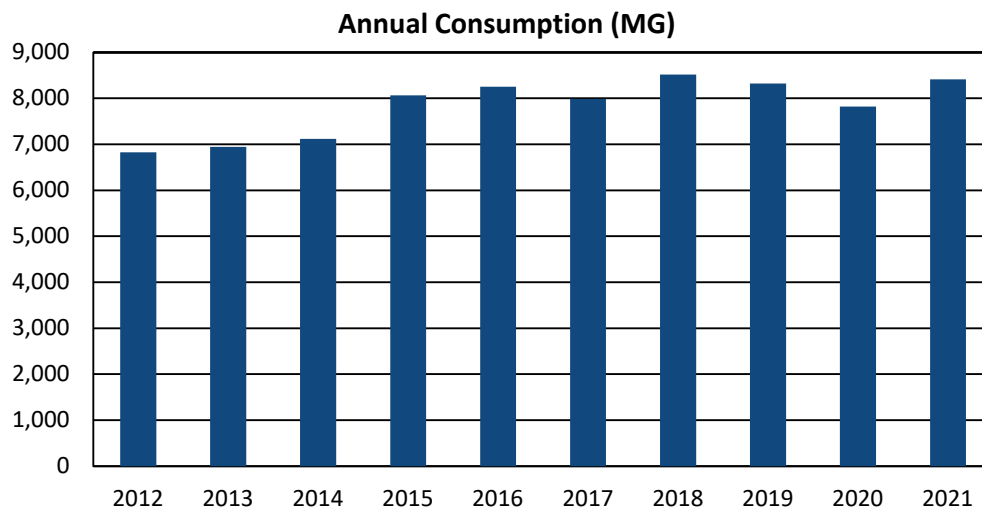
Source: Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT

OPERATING AND CAPITAL INDICATORS

LAST TEN FISCAL YEARS

	Drinking Water				Consumption			Engineering, Inspection & Construction	
	Storage Capacity (MG)	[1] Miles of Water Mains	Number of Reservoirs	Number of Pump Stations	Peak-Day (MGD)	Average (MGD)	Minimum- Day (MGD)	Annual (MG)	Inspections Conducted
2021	67.35	758	23	12	40.98	22.80	14.18	8,412	559
2020	67.35	752	23	12	38.34	20.96	14.58	7,819	390
2019	67.35	752	23	12	42.00	22.80	10.65	8,322	306
2018	62.35	790	23	12	45.38	23.33	14.97	8,515	306
2017	67.46	787	24	12	40.62	21.88	14.92	7,986	351
2016	59.35	780	22	11	43.44	22.54	10.97	8,250	450
2015	59.35	776	22	12	41.59	22.09	10.77	8,063	504
2014	59.60	788	22	13	39.96	19.50	10.49	7,118	387
2013	58.28	778	21	12	38.17	19.02	10.49	6,942	432
2012	59.18	769	23	12	33.27	18.65	11.70	6,826	297



[1] Water Mains greater than 2 inches from District GIS data layer

MG = million gallons

MGD=millions of gallons per day

Source: Tualatin Valley Water District Records



TUALATIN VALLEY
WATER DISTRICT



Compliance Section



A District employee provides a demonstration of the emergency water distribution system at a regional training

Benefits of strong partnerships

Strong regional and statewide partnerships result in savings, minimized disruptions and maximized investments for future generations. In addition, by working closely with our partners, we are able to receive and respond to the need for emergency water supplies if needed.

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

CFDA	Description	Pass-Through Agreement No.	Period Covered	Direct or Pass-Through	Award Amount	Expenditures	Agency Total
DEPARTMENT OF THE TREASURY - Office of Inspector General							
21.019	Coronavirus Relief Fund						
	CARES Act Cities & Special Districts		3/1/2020 -				
	Assistance	IGA 20-1424	12/31/2020	Pass-Through ^[1]	\$ 175,000	\$ 77,370	\$ 77,370
Total Expenditures of Federal Awards						<u>\$ 77,370</u>	<u>\$ 77,370</u>

[1] Pass through agency: Washington County, Oregon

See accompanying notes to Schedule of Expenditures of Federal Awards

TUALATIN VALLEY WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes activity of the Tualatin Valley Water District (District) funded by the federal government for the year ended June 30, 2021. The District's reporting entity is defined in Note 1 to the District's basic financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial net position, changes in net position, nor the cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for State, Local and Indian Tribal Governments, where applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has not elected to submit an indirect cost allocation plan nor has it elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance. The District will not be assessing such charges to any of the federally funded programs.

Federal Financial Assistance

Pursuant to Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported in the SEFA, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals.

Federal Loan Programs

There were no outstanding federal loans during and as of the year ended June 30, 2021.

Expenditure Recognition

Expenditures of federal awards are accounted for under the accrual basis of accounting. Expenditures are recorded when the liability is incurred. If applicable, donated commodities are valued at their estimated fair value.

Subrecipients

The District did not pass-through federal financial assistance to any subrecipients.

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 Auditing Standards

Board of Commissioners
Tualatin Valley Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America the basic financial statements of Tualatin Valley Water District (the “District”) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Tualatin Valley Water District’s basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) 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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 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.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- The 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 2020 and 2021.
- 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.

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

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 20, 2021



TUALATIN VALLEY

WATER DISTRICT

This is the **third** publication in a biennial series of financial communication tools:

2021-2023 Financial Plan (Published May 2021)

2021-2023 Adopted Budget (Published June 2021)

Annual Comprehensive Financial Report for the fiscal years ended June 30, 2021 and 2020
(Published December 2021)

Annual Comprehensive Financial Report for the fiscal years ended June 30, 2022 and 2021
(Published December 2022)

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