



TUALATIN VALLEY
WATER DISTRICT

Annual Comprehensive Financial Report



Willamette Water Supply System large diameter pipe installation

**For the fiscal years ended
June 30, 2022 and 2021**

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

www.TVWD.org



TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT
Washington County, Oregon

Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2022 and 2021

Prepared by Finance Department

TUALATIN VALLEY WATER DISTRICT
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Note: OPERS - Oregon Public Employees Retirement System	
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TUALATIN VALLEY
WATER DISTRICT



Introductory Section



Commissioner Bernice Bagnall



Commissioner Jim Doane



Commissioner Jim Duggan



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 www.tvwd.org for meeting dates and times.



TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT
COMMISSIONERS AS OF JUNE 30, 2022

<u>NAME, BOARD POSITION</u>	<u>FOUR YEAR TERMS</u>
Bernice Bagnall, Treasurer	June 30, 2025
Jim Doane, PE, Secretary	June 30, 2023
James Duggan, PE, Vice President	June 30, 2025
Todd Sanders, Ph.D., President	June 30, 2023
Position Vacant	June 30, 2025

REGISTERED AGENT

Tom Hickmann, PE, Chief Executive Officer

REGISTERED OFFICE

1850 SW 170th Avenue
Beaverton, OR 97003

MANAGEMENT

Tom Hickmann, PE, Chief Executive Officer
Paul Matthews, Chief Financial Officer

Clark Balfour, General Counsel
Kylie Bayer, Human Resources Director
Peter Boone, PE, Chief Operating Officer
Tim Boylan, Information Technology Services Director
Andrew Carlstrom, Manager, Customer Service
David Kraska, PE, Director, Water Supply Program



December 21, 2022

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

We respectfully submit the Tualatin Valley Water District (District) *Annual Comprehensive Financial Report* (ACFR) for the fiscal years (FY) ended June 30, 2022 (FY 2022) and June 30, 2021 (FY 2021). The District's management is responsible for the accuracy, completeness, and fairness of the presentation, including all disclosures. We believe the information presented in this report is accurate in all material respects and that the manner of presentation fairly discloses the financial condition of the District as of June 30, 2022 and 2021, and the results of operations for FY 2022 and FY 2021.

Moss Adams LLP has issued an unmodified opinion on the presentation of the basic financial statements of the District and its component unit, Willamette Water Supply System Commission (WWSSC), as of and for the years ended June 30, 2022 and 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.

OVERVIEW 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, 2022, the District served 60,665 connections and an estimated population of 224,600.

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 the 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, and Reser's Fine Foods.



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 the Willamette Water Supply Agency (WWSA). The WWSA was renamed the WRWC in 2008 and is currently 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). Financial statements for the WWSSC are prepared and audited separately.

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).

For budgetary information on the 2021-23 biennium, please refer to the *Budgetary Basis Schedules* beginning on page 67.

LOCAL ECONOMY

As described above, the District is located in suburban Washington County, Oregon. Washington County's population grew at a rate of 0.46% for the last 5 years, which is lower than the population growth rate for Oregon state-wide (which was 0.73%). Based on the most recent data available, Washington County's population as of June 2022 was estimated to be 605,000 which is about 14% of the population 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 \$72,688 for 2022 and was approximately 19.2% higher than the estimated state-wide per capita income of \$60,954.



The County's unemployment rate¹ decreased from 9.5% at the end of FY 2020, due to the COVID-19 pandemic, to 3.0% at the end of FY 2022. The decrease took place mainly over the months of June through November 2020, with a gradual decrease continuing from December 2020 through June 2022. Leisure and hospitality showed the biggest increase in employment during the past year of approximately 26% or over 4,900 jobs. Other industries showing moderate increases in employment from the prior year were professional and business services (3%, 1,723 jobs), government (7%, 1,434 jobs), manufacturing (3%, 1,639 jobs) and construction (5%, 908 jobs). At the end of FY 2022, Washington County maintained a moderately lower unemployment rate, 3.0%, as compared to the rest of the state, which had an unemployment rate of 3.6%. 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 past ten years, through FY 2022, excluding FY 2019, the average annual percent increase in the number of water meters connected to the District's system was 1.01%. During FY 2019 the total number of water meters serving the District's customers decreased about 5.4%. 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 future withdrawals through an orderly process. In FY 2019 and FY 2020, the City withdrew service area from the District. These withdrawals resulted in a decrease of over 4,000 meters during those two fiscal years. As of June 30, 2022, the District has a total of 60,665 meters. The IGA, which is effective through 2058, places several restrictions on further withdrawals of service area by the City.

FINANCIAL CONDITION

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 accounted for about 31% of the District's retail water usage in FY 2022. 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 10.0 million CCF². During FY 2022, the District sold 9.4 million CCF of water, a 5.0% decrease from FY 2021. Operating revenues were \$79.1 million in FY 2022 or 1.8% higher than FY 2021. Water sales, which comprise 95.8% of the District's operating revenues, increased by \$1.6 million from FY 2021. Even though FY 2022 revenue increased from FY 2021, management expected a larger increase in water sales revenue when taking into consideration rate increases implemented during FY 2022. The lower-than-expected water sales revenue was the result of a reduction in the volume of water sold to customers as compared to the prior year.

The District ended FY 2022 in a strong financial position with combined cash reserves and investments of \$155.5 million. This includes \$20.0 million of contingency appropriated in the 2021-23 biennial budget. The District is continuing to retain a high level of reserves to fund its significant ongoing investments in the WWSSC and WIFC.

¹ Oregon Employment Department, non-farm employment, not seasonally adjusted.

² One CCF is one hundred cubic feet of water, or approximately 748 gallons.



A more complete discussion of the District's financial condition is presented in the MD&A beginning on page 14.

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 District's 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.

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 identifies 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.

As part of the District's strategic plan, the District continues its investment in the Willamette Water Supply System Commission (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 operational by 2026.

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. In FY 2022 the increase in construction activity continued with all major phases of the pipeline, the raw water facilities, and the water treatment plant projects under contract and in their construction phase.

Finally, the WWSSC:

- Continued management of local, state, and federal permits;
- Maintained an active community and stakeholder outreach program; and



- Supported the regional economy with targeted efforts to involve local businesses in WWSSC construction work.

For more information on WWSSC projects visit the website at <http://www.ourreliablewater.org/>. For more information on the WWSSC, visit its website at <https://www.tvwd.org/district/page/willamette-water-supply-system>

Unrestricted net position has increased steadily as the District continues its investment in the WWSSC. During FY 2022 the District executed a \$103 million draw on its Water Infrastructure Finance and Innovation Act (WIFIA) loan. This draw significantly increased the District's unrestricted net position due to the draw's impact on the District's cash and investments.

The District determined that its legacy custom-developed utility billing system had reached the end of its useful life and needed 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 serves 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 occurred in July 2022 with post go-live stabilization following for several months. The CIS implementation is expected to result in the upgrade of a key operational system and provide a better 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.

The District has a 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. As part of the mains replacement program, the District completed construction of several pipeline replacement projects. In addition to the mains replacement program, the District also constructs pipelines consistent with its *Water System Master Plan*. Among other objectives, these master-planned pipelines improve fire flow, capacity, and/or seismic resiliency.

In addition to completing several mains replacement or upgrade projects, the District maintains and provides for new and seismically upgraded facilities to meet its level of service goals as identified in the *Water System Master Plan*. In FY 2022 capital expenditures included replacement of the Somerset Reservoir coating system to extend the life of the existing reservoir. It also included construction and startup of the Barnes Road Pump Station. Construction began on the Farmington Fluoride and Flow Control Facility, and design progressed on the Taylors Ferry Reservoir & Site Seismic Improvements project.

The District conducts regular water quality testing to confirm that all water it delivers to customers 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 2022. These tests include detecting substances such as lead, manganese, disinfection by-products, *E. coli*, a potentially harmful bacteria, and a variety of other contaminants related to the 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 test for *Cryptosporidium* and other contaminants in the Bull Run Watershed during ongoing monitoring. According to the PWB and its public health agencies, water from the Bull Run



Watershed remains safe to drink. The Joint Water Commission, the District's other primary supply, is a filtered source which uses a conventional water treatment process to remove contaminants that might otherwise exist. Overall, 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 27. A budget is prepared biennially, by fund, to control the District's expenditures. 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 2022 Financial Operating Results.** A discussion of the FY 2022 operating results and changes in net position is contained in the MD&A, beginning on page 14, 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 Board approved the District's current *2022-23 Financial Plan* by resolution 07-22 on May 18, 2022. The *2022-23 Financial Plan* is 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, Oregon Water/Wastewater Agency Response Network, Special Districts Association of Oregon, and Oregon Government Finance Officers Association.



During FY 2022, the District was honored to receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2021. This is the 32nd 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 2022 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 the District's customers, and 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,



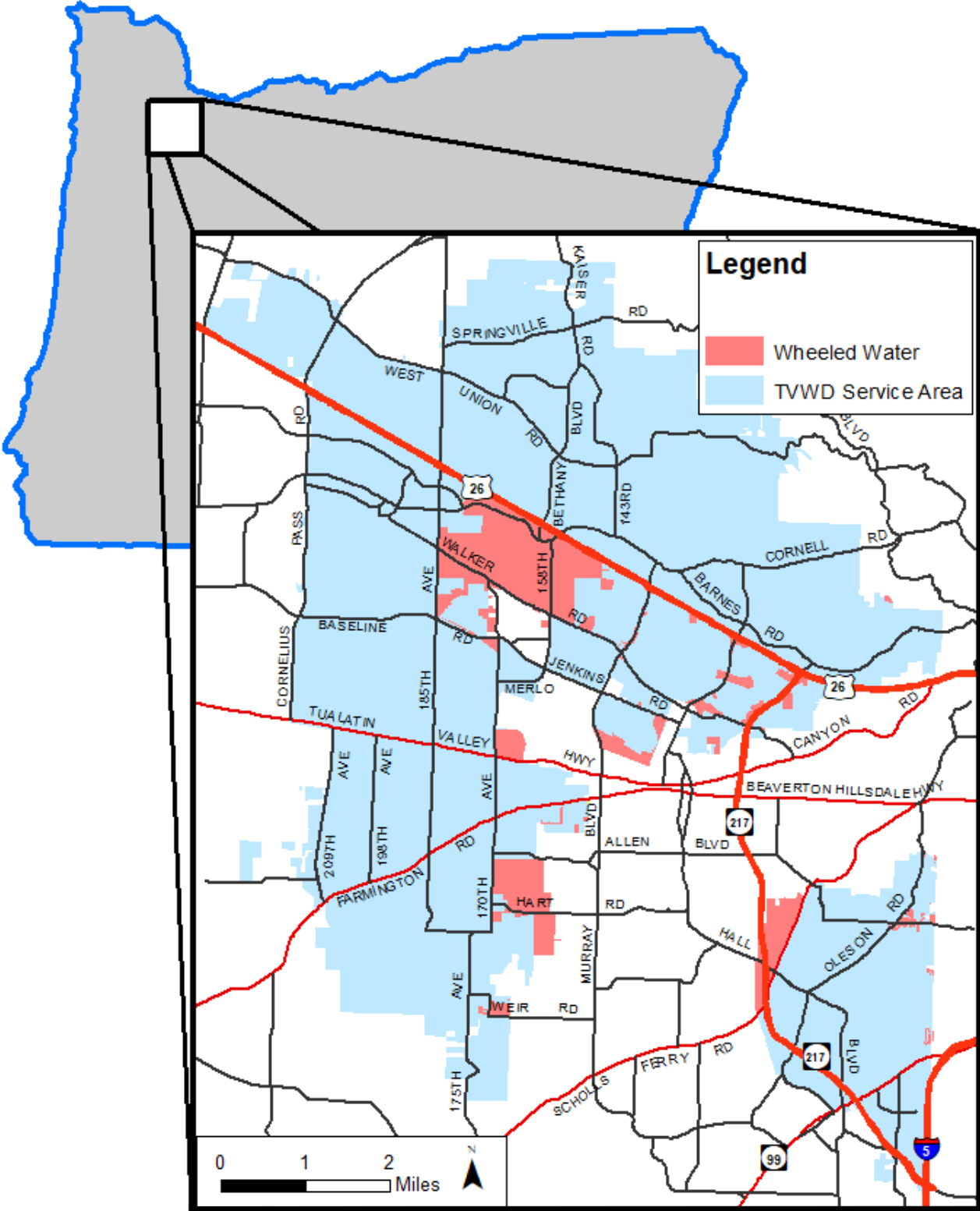
Tom Hickmann, PE
Chief Executive Officer



Paul L. Matthews
Chief Financial Officer

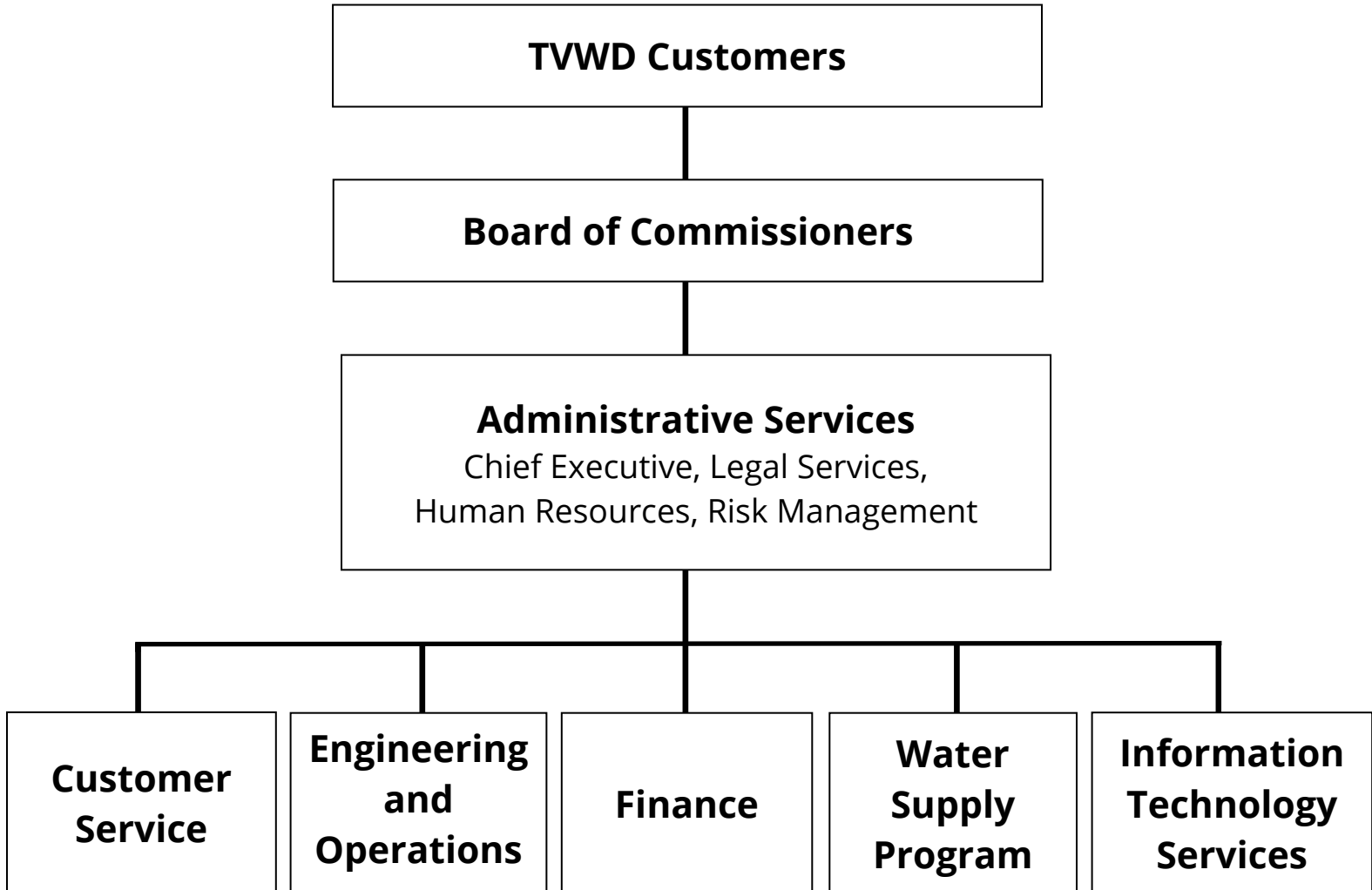


Tualatin Valley Water District Service Area





Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Tualatin Valley Water District
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



TUALATIN VALLEY
WATER DISTRICT



Financial Section



A crane lowers an excavator as part of the Metzger Pipeline East project.

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.



TUALATIN VALLEY
WATER DISTRICT

Report of Independent Auditors

The Board of Commissioners
Tualatin Valley Water District

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tualatin Valley Water District and Willamette Water Supply System Commission as of June 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tualatin Valley Water District and Willamette Water Supply System Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tualatin Valley Water District and Willamette Water Supply System Commission's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tualatin Valley Water District and Willamette Water Supply System Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tualatin Valley Water District and Willamette Water Supply System Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Supplementary 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 Schedule, which is included as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Basis Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

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

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 21, 2022, on our consideration of the Tualatin Valley Water District and Willamette Water Supply System Commission's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Portland, Oregon
December 21, 2022



TUALATIN VALLEY
WATER DISTRICT

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, 2022, and 2021. 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, 2022 was \$713.4 million and included net capital assets of \$270.7 million; investments in joint ventures of \$255.0 million; non-utility property of \$4.4 million; total current assets of \$171.2 million; and total deferred outflows of resources of \$11.7 million. Overall, total assets and deferred outflows of resources for the District increased 27.6% from fiscal year (FY) 2021 and 39.7% since FY 2020.
- The District's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) on June 30, 2022, by \$573.2 million. This amount reflects an increase of \$45.9 million or 8.7% from FY 2021 and 17.5% since FY 2020. For the fiscal year ended June 30, 2022, unrestricted net position in the amount of \$312.7 million includes \$155.5 million in cash and investments that may be used to meet the District's ongoing obligations. This represents a 5.1% increase in unrestricted net position from FY 2021 and 17.2% increase since FY 2020.
- At June 30, 2022, net capital assets totaled \$270.7 million, an increase of \$33.6 million or 14.2% from FY 2021 and an increase of \$47.4 million or 21.2% since FY 2020. Long-term liabilities totaled \$113.2 million, an increase of \$96.7 million or 586.1% from FY 2021 and an increase of \$93.7 million or 480.5% from FY 2020. This increase in FY 2022 was primarily related to the \$103.4 million draw on the District's WIFIA loan.
- Operating revenues for FY 2022 were \$79.1 million, an increase of \$1.4 million or 1.8% from FY 2021 and 12.8% since FY 2020. When taking into consideration rate increases implemented during FY 2022, the slight increase in operating revenues from FY 2021 reflects a predominantly weather-related decrease in demand for water as compared to FY 2021.
- Operating expenses for FY 2022 were \$38.5 million, reflecting an overall decrease of \$3.8 million or 9.0%, from FY 2021 and a decrease of 10.5% since FY 2020. More operating expenses were capitalized in FY2022 than in prior years. Labor and benefit costs decreased by \$1.8 million or 8.2% from FY 2021 and decreased by \$2.0 million or 9.0% since FY 2020. The decrease in labor and benefits expense during FY 2022, was mostly due to the impact of the rate relief from the Oregon Public Employees Retirement System (OPERS) due to the District's \$10 million side account deposit reducing the District's PERS expenses assessed to District labor.

TUALATIN VALLEY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- Overall, the District's net operating income was \$40.6 million for FY 2022 as compared to \$35.4 million in FY 2021, and \$27.1 million in FY 2020. Operating revenues continue to exceed the cost of operations. In FY 2022, the District generated an operating margin of 48.8% as compared to 45.6% in FY 2021 and 38.7% in FY 2020. Recent increases in net operating income are intended to build financial capacity to smooth future rate increases required to support investments in the WWSSC and other District capital improvements.
- Total nonoperating expenses was \$1.1 million in FY 2022, and \$2.4 million FY 2021. Most of the decrease in nonoperating expenses was attributable to a decrease in discontinued capital projects expense of \$1.7 million from FY 2021 to FY 2022.
- At June 30, 2022, the District reported a net pension liability of \$8.6 million, a decrease of \$6.6 million or 43.4% from the net pension liability of \$15.2 million reported in FY 2021 and a decrease of \$9.6 million or 52.6% since FY 2020. The largest impact to the reduction in net pension liability was the higher-than-expected investment returns during FY 2021 (which impact the liability for the FY 2022). The District reported pension expense of \$0.7 million in FY 2022 and \$3.1 million in FY 2021. For more information, refer to the *Pension Plans* beginning on page 43 in *Notes to Basic Financial Statements*.
- The District's total OPEB liability decreased from \$1.3 million in FY 2021 to \$1.1 million in FY 2022, a decrease of 15.6%. For more information, refer to *Other Postemployment Benefits* beginning on page 52 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 17, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$573.2 million on June 30, 2022 and reflects an increase of \$45.9 million or 8.7% and \$85.4 million or 17.5% over the District's net position at the close of FY 2021 and FY 2020, respectively.

Net investment in capital assets was \$260.1 million or 45.4% of total net position at June 30, 2022, 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 balances of the District's net position at June 30, 2022 was \$312.7 million unrestricted which includes \$155.5 million in cash and investments that may be used to meet the District's ongoing obligations as well as \$0.3 million restricted for OPEB.

Investment in joint ventures consists of the District's investment in 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. For more information, refer to *Joint Ventures and Component Unit* beginning on page 36 in *Notes to Basic Financial Statements*.

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
Net Position (in millions)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Difference 2022-2021</u>	<u>Difference 2022-2020</u>
ASSETS					
Current assets	\$ 171.2	\$ 112.5	\$ 136.1	\$ 58.7	\$ 35.1
Other postemployment benefits	0.4	0.1	-	0.3	0.4
Investments in joint ventures	255.0	195.8	138.6	59.2	116.4
Non-utility property	4.4	4.4	4.4	-	-
Capital assets, net	<u>270.7</u>	<u>237.1</u>	<u>223.3</u>	<u>33.6</u>	<u>47.4</u>
Total Assets	<u>701.7</u>	<u>549.9</u>	<u>502.4</u>	<u>151.8</u>	<u>199.3</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	<u>11.7</u>	<u>13.6</u>	<u>16.5</u>	<u>(1.9)</u>	<u>(4.8)</u>
	<u>\$ 713.4</u>	<u>\$ 563.5</u>	<u>\$ 518.9</u>	<u>\$ 149.9</u>	<u>\$ 194.5</u>
LIABILITIES					
Current liabilities	\$ 16.4	\$ 14.8	\$ 10.2	\$ 1.6	\$ 6.2
Long-term liabilities	113.2	16.5	19.5	96.7	93.7
Total Liabilities	<u>129.6</u>	<u>31.3</u>	<u>29.7</u>	<u>98.3</u>	<u>99.9</u>
DEFERRED INFLOWS OF RESOURCES					
	10.6	4.9	1.4	5.7	9.2
NET POSITION					
Net investment in capital assets	260.2	229.8	221.1	30.4	39.1
Restricted	0.3	0.1	-	0.2	0.3
Unrestricted	<u>312.7</u>	<u>297.4</u>	<u>266.7</u>	<u>15.3</u>	<u>46.0</u>
Net Position	<u>573.2</u>	<u>527.3</u>	<u>487.8</u>	<u>45.9</u>	<u>85.4</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 713.4</u>	<u>\$ 563.5</u>	<u>\$ 518.9</u>	<u>\$ 149.9</u>	<u>\$ 194.5</u>

Change in Net Position

As shown in Table 2 below, the District's net position increased by \$45.9 million during FY 2022, an increase of 16.2% or \$6.4 million from FY 2021 and an increase of 22.4% or \$8.4 million since FY 2020. The District's changes in net position were due to the combined changes of the following major components:

- Operating revenues continue to exceed operating expenses as required by District *Financial Management Policies*, and the District remains in a healthy financial condition. Water sales, which comprised 95.8% of the District operating revenues in FY 2022, increased by \$1.6 million or 2.2% from FY 2021. Water sales have increased by \$9.0 million or 12.8% since 2020. As mentioned earlier, weather played a significant role in the water sales remaining relatively flat from FY 2021 to FY 2022 and also a significant role in the 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 \$3.3 million in FY 2022, a decrease of \$0.2 million from FY 2021 and of \$0.5 million from FY 2020. 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.

TUALATIN VALLEY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total operating expenses were \$38.5 million in FY 2022. This is a decrease of \$3.8 million or 9.0% from \$42.3 million in FY 2021 and a decrease of \$4.5 million or 10.5% from FY 2020. The District made a \$10 million PERS side account deposit that began reducing employer rates during the first half of FY 2020. The District eliminated some budgeted positions and left some positions vacant when the vacancies occurred. Therefore, labor and benefits decreased by \$1.8 million from FY 2021 and by \$2.0 million when a moderate increase would otherwise be expected. Operating expenses capitalized, which is subtracted from operating expenses increased from FY 2021 by \$1.2 million.
- Total nonoperating revenues (expenses) was (\$1.1) million in FY 2022 as compared to (\$2.4) million in FY 2021 and \$1.9 million in FY 2020. In FY 2021 the District discontinued \$1.7 million in capital projects expensed in nonoperating expenses as compared to only \$38 thousand in FY 2022. This was the largest component of the change from FY 2021 to FY 2022.
- Contributions of capital, which are mostly system development charges, were \$6.4 million for FY 2022 as compared to \$6.5 million in FY 2021 and \$8.5 million in FY 2020. Capital contributions vary year-to-year based on the level of development activity.

Table 2
Change in Net Position (in millions)

	2022	2021	2020	Difference 2022-2021	Difference 2022-2020
OPERATING REVENUES					
Water and other services	\$ 79.1	\$ 77.7	\$ 70.1	\$ 1.4	\$ 9.0
OPERATING EXPENSES					
Water purchased and pumping power	10.1	10.3	10.6	(0.2)	(0.5)
Labor and benefits	20.0	21.9	22.1	(1.9)	(2.1)
Operations and maintenance	8.5	9.2	7.6	(0.7)	0.9
Depreciation expense	7.3	7.1	7.0	0.2	0.3
Less: operating expenses capitalized	(7.4)	(6.2)	(4.3)	(1.2)	(3.1)
Total Operating Expenses	38.5	42.3	43.0	(3.8)	(4.5)
Net Operating Income	40.6	35.4	27.1	5.2	13.5
NONOPERATING REVENUES (EXPENSES)	(1.1)	(2.4)	1.9	1.3	(3.0)
Capital contributions	6.4	6.5	8.5	(0.1)	(2.1)
Changes in net position	45.9	39.5	37.5	6.4	8.4
Net position, Beginning of year	527.3	487.8	450.3	39.5	77.0
Net position, End of year	\$ 573.2	\$ 527.3	\$ 487.8	\$ 45.9	\$ 85.4

TUALATIN VALLEY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3
Total Revenues and Total Expenses (in millions)

	2022	2021	2020	Difference 2022-2021	Difference 2022-2020
Operating Revenues	\$ 79.1	\$ 77.7	\$ 70.1	\$ 1.4	\$ 9.0
Nonoperating Revenues	1.2	1.7	4.6	(0.5)	(3.4)
Contributed Capital	6.4	6.5	8.5	(0.1)	(2.1)
Total Revenues	<u>86.7</u>	<u>85.9</u>	<u>83.2</u>	<u>0.8</u>	<u>3.5</u>
Operating Expenses	38.5	42.3	43.0	(3.8)	(4.5)
Nonoperating Expenses	2.3	4.1	2.7	(1.8)	(0.4)
Total Expenses	<u>40.8</u>	<u>46.4</u>	<u>45.7</u>	<u>(5.6)</u>	<u>(4.9)</u>
Change in Net Position	<u>\$ 45.9</u>	<u>\$ 39.5</u>	<u>\$ 37.5</u>	<u>\$ 6.4</u>	<u>\$ 8.4</u>

Debt Administration

During FY 2022 the District drew \$103.4 million from its WIFIA loan¹ to help fund its investment in the WWSSC and WIFC. The District had no bonded indebtedness at June 30, 2020 and 2021. For more information, refer to *Long-Term Liabilities* on page 41 in *Notes to Basic Financial Statements*.

General Fund Budgetary Highlights

Water sales revenues budget for the biennium is \$158.8 million. FY 2022 water sales revenue was \$75.8 million or 47.7% of the biennium budget. Personnel services totaled \$19.4 million for FY 2022 or 45.8% of the biennium budget of \$47.6 million. The District continued to fill vacancies slowly coming out of the COVID-19 pandemic. Materials and services was \$18.3 million for FY 2022 or 38.5% of the biennium budget of \$47.6 million. Included in materials and services were the following variances from projections for FY 2022: purchased water was under projection by \$1.3 million; professional services was under projection by \$1.0 million; bad debt expense was under projection by \$0.6 million; and regional partnerships, including the District's portion of fees for administration of WWSSC and WIFC, was under projection \$0.5 million. In conjunction with scrutinizing personnel expenditures during, and coming out of the COVID-19 pandemic, all categories of materials and services were closely evaluated which resulted in many budgeted activities to be delayed, reduced or even cancelled.

Joint Ventures and Capital Assets Activity

The District has investments in the following joint ventures: JWC, BRJOC, WRWC, WIFC, and WWSSC. The District's allocation of JWC losses were \$0.4 million for FY 2022, FY 2021, and FY 2020. 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 2022, 2021, and 2020. The District's share of the WRWC recorded losses was \$5 thousand, \$3 thousand, and \$30 thousand for FY 2022, FY 2021, FY 2020, respectively. The District's

¹ The WIFIA loan is a revenue bond under the District's Master Declaration authorized by ordinance 01-19.

TUALATIN VALLEY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

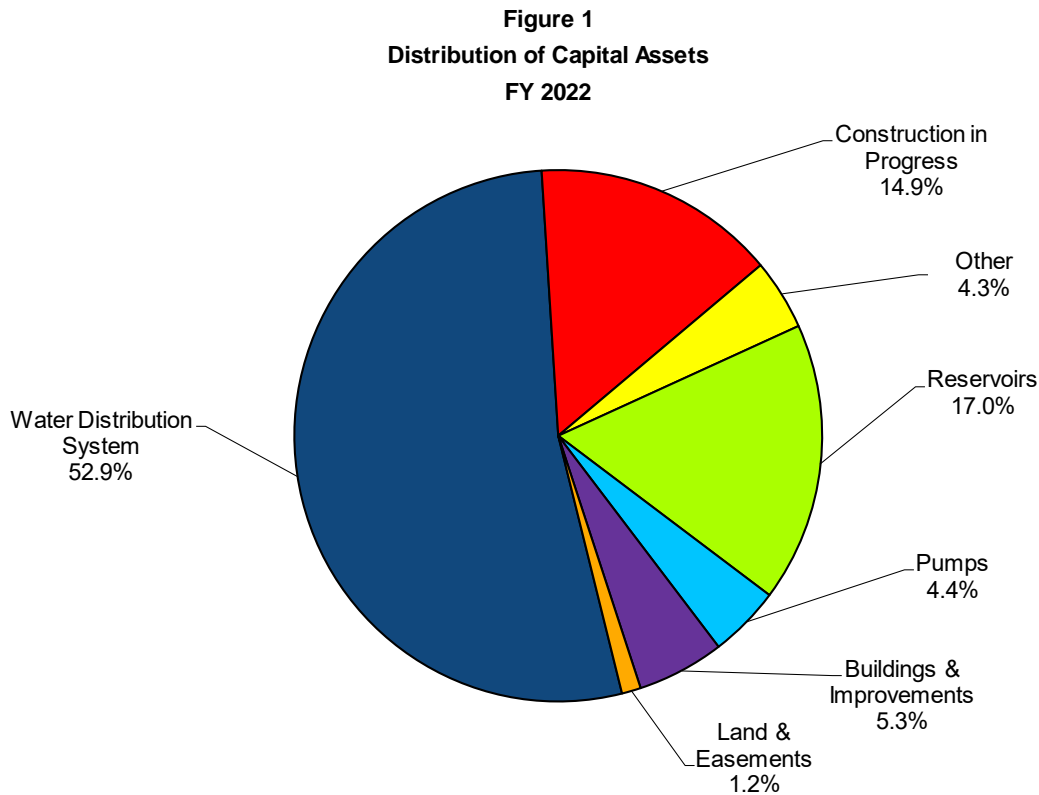
portion of WIFC recorded losses was \$0.1 million in fiscal years 2022, 2021, and 2020. The District's share of the WWSSC recorded losses was \$0.1 million, \$0.5 million and \$0.7 million in FY 2022, FY 2021, and FY 2020, respectively. The losses for the WWSSC were mostly amortization and interest expense related to its leased assets and lease liabilities.

Three of the joint ventures described above are managed by the District: WRWC, WIFC, and WWSSC. Due to recent accounting pronouncements published by the GASB, WWSSC is considered a component unit of the District, see page 36 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, 2022, were \$270.7 million and at June 30, 2021, \$237.1 million. The District's capital assets include \$63.9 million in non-depreciable land, easements, and construction in progress; and \$333.1 million (before depreciation) in buildings, reservoirs, pipelines, pump stations, office, automotive, and construction equipment.

Overall, net capital assets increased \$33.6 million or 14.2% from FY 2021, and increased \$47.4 million or 21.2% since FY 2020. The net increase since FY 2020 is mostly in construction in progress and water distribution system, which increased \$38.7 million (189%) and \$19.6 million (10%), respectively. Additional information on the District's capital assets can be found in the *Notes to Basic Financial Statements* on page 39.

Figure 1 shows the District's capital asset categories and their percentage of the District's total capital asset value in FY 2022 (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.

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) program to construct the WIF and WWSS and additional District pipelines. 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 the District's customers 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. 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

TVWD is at the forefront of public health protection. From providing water to stay hydrated during hot summer days to the importance of clean water when washing your hands, we are proud to deliver safe, reliable drinking water that meets or is better than all applicable federal and state water quality standards. TVWD and our partners continually test your water for lead, cryptosporidium, and approximately 200 other contaminants. Sampling is conducted at various locations such as water sources, water treatment facilities, and within the distribution system. For more information, visit www.tvwd.org/wqreport.



TUALATIN VALLEY
WATER DISTRICT

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TUALATIN VALLEY WATER DISTRICT

STATEMENTS NET POSITION

JUNE 30, 2022 AND 2021

	2022		2021	
	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	\$ 10,937,648	\$ 4,559,104	\$ 37,804,611	\$ 2,844,135
Investments	144,556,507	-	57,306,873	-
Accounts receivable, net	13,299,560	26,461,231	15,535,598	15,846,730
Accrued interest receivable	258,457	-	188,217	-
Materials and supplies	1,925,835	-	1,433,121	-
Prepaid expenses	222,445	81,716	183,995	1,355,851
Total Current Assets	171,200,452	31,102,051	112,452,415	20,046,716
Noncurrent Assets				
Other postemployment benefits	334,609	-	105,653	-
Investment in joint ventures	254,986,282	-	195,769,808	-
Non-utility property	4,413,857	-	4,413,857	-
Leased assets, net of accumulated amortization	-	12,983,524	-	13,343,574
Capital assets - nondepreciable	63,854,117	370,191,904	30,162,693	264,230,942
Capital assets - utility plant in service, net	206,858,210	-	206,960,309	-
Total Noncurrent Assets	530,447,075	383,175,428	437,412,320	277,574,516
Total Assets	701,647,527	414,277,479	549,864,735	297,621,232
DEFERRED OUTFLOWS OF RESOURCES				
Pension	11,501,778	-	13,345,273	-
Other postemployment benefits	203,696	-	293,717	-
Total Deferred Outflows of Resources	11,705,474	-	13,638,990	-
Total Assets and Deferred Outflows of Resources	\$ 713,353,001	\$ 414,277,479	\$ 563,503,725	\$ 297,621,232

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TUALATIN VALLEY WATER DISTRICT

STATEMENTS NET POSITION

JUNE 30, 2022 AND 2021

	2022		2021	
	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 12,154,269	\$ 26,542,947	\$ 11,300,187	\$ 17,202,581
Retainage payable	1,225,321	4,559,104	493,250	2,844,135
Accrued payroll and related expenses	1,284,996	-	1,491,501	-
Accrued compensated absences	1,137,110	-	1,174,340	-
Deposits	563,893	-	322,784	-
Total Current Liabilities	16,365,589	31,102,051	14,782,062	20,046,716
Long-Term Liabilities				
Long-term debt	103,436,353	-	-	-
Accrued long-term interest	58,183	-	-	-
Net pension liability	8,597,428	-	15,202,557	-
Other postemployment benefits	1,111,063	-	1,316,329	-
Lease liabilities	-	15,015,489	-	14,970,737
Total Long-Term Liabilities	113,203,027	15,015,489	16,518,886	14,970,737
Total Liabilities	129,568,616	46,117,540	31,300,948	35,017,453
DEFERRED INFLOWS OF RESOURCES				
Pension	9,823,669	-	4,347,395	-
Other postemployment benefits	781,966	-	573,619	-
Total Deferred Inflows of Resources	10,605,635	-	4,921,014	-
NET POSITION				
Net investment in capital assets	260,157,405	337,059,149	229,833,000	242,567,101
Restricted	334,609	-	105,653	-
Unrestricted	312,686,736	31,100,790	297,343,110	20,036,678
Total Net Position	573,178,750	368,159,939	527,281,763	262,603,779
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 713,353,001	\$ 414,277,479	\$ 563,503,725	\$ 297,621,232

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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, 2022 AND 2021

	2022		2021	
	<u>Component Unit</u>		<u>Component Unit</u>	
	Tualatin Valley Water District	Willamette Water Supply System Commission	Tualatin Valley Water District	Willamette Water Supply System Commission
OPERATING REVENUES				
Water service	\$ 75,794,037	\$ -	\$ 74,188,204	\$ -
Administrative services	3,337,630	647,819	3,524,976	664,222
Total Operating Revenues	<u>79,131,667</u>	<u>647,819</u>	<u>77,713,180</u>	<u>664,222</u>
OPERATING EXPENSES				
Water purchased and pumping power	10,107,247	-	10,312,457	-
Labor and benefits	19,955,908	-	21,915,256	-
Maintenance and repairs	1,815,864	-	2,024,981	-
General and administrative	6,272,637	648,019	6,672,030	664,222
Utilities	159,718	-	156,040	-
Supplies	284,670	-	314,115	-
Depreciation and amortization expense	7,342,441	(336,010)	7,133,526	360,050
Less: operating expenses capitalized	(7,455,614)	-	(6,201,831)	-
Total Operating Expenses	<u>38,482,871</u>	<u>312,009</u>	<u>42,326,574</u>	<u>1,024,272</u>
Net Operating Income (Loss)	40,648,796	335,810	35,386,606	(360,050)
NONOPERATING REVENUES (EXPENSES)				
Discontinued capital projects	(37,923)	-	(1,679,362)	-
Loss in equity in joint ventures	(952,351)	-	(1,289,983)	-
Interest income	1,078,978	-	1,601,441	-
Unrealized gain (loss) on investments	(1,287,618)	-	(1,037,557)	-
Interest expense	(58,183)	(492,435)	-	(488,655)
Gain (loss) on disposal of capital assets	86,984	-	(45,863)	-
Other nonoperating revenues (expenses)	49,806	200	63,228	-
Total Nonoperating Revenues (Expenses)	<u>(1,120,307)</u>	<u>(492,235)</u>	<u>(2,388,096)</u>	<u>(488,655)</u>
Capital Contributions	6,368,498	105,712,585	6,505,412	94,053,440
Changes in Net Position	45,896,987	105,556,160	39,503,922	93,204,735
Net Position, beginning of year	<u>527,281,763</u>	<u>262,603,779</u>	<u>487,777,841</u>	<u>169,399,044</u>
Net Position, end of year	<u>\$ 573,178,750</u>	<u>\$ 368,159,939</u>	<u>\$ 527,281,763</u>	<u>\$ 262,603,779</u>

The accompanying notes are an integral part of the financial statements

TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>		<u>2021</u>	
	Tualatin Valley Water District	<u>Component Unit</u> Willamette Water Supply System Commission	Tualatin Valley Water District	<u>Component Unit</u> Willamette Water Supply System Commission
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 78,030,075	\$ -	\$ 77,602,722	\$ -
Payments from other entities	3,578,739	642,153	3,645,589	686,274
Payments to employees for services	(19,620,857)	-	(18,519,255)	-
Payments to suppliers for goods and services	<u>(13,394,453)</u>	<u>(632,980)</u>	<u>(14,064,721)</u>	<u>(643,320)</u>
Net Cash Provided by Operating Activities	48,593,504	9,173	48,664,335	42,954
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	5,532,785	105,712,585	6,061,162	94,053,440
Proceeds from the sale of assets	175,161	-	20,813	3,070,171
Rental income from non-utility property	49,806	-	63,228	-
Reimbursement from other agencies	-	200	-	-
Payments on leases	-	(447,683)	-	(439,699)
Acquisition and construction of capital assets	<u>(36,957,233)</u>	<u>(103,559,306)</u>	<u>(17,197,562)</u>	<u>(93,882,731)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	(31,199,481)	1,705,796	(11,052,359)	2,801,181
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from long term debt	103,436,353	-	-	-
Contributions to joint ventures	<u>(60,168,825)</u>	<u>-</u>	<u>(58,419,343)</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Related Financing Activities	43,267,528	-	(58,419,343)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sales and maturities of investments	33,955,989	-	30,000,000	-
Interest on investments	911,673	-	1,807,628	-
Purchase of investments	<u>(122,396,176)</u>	<u>-</u>	<u>(10,992,599)</u>	<u>-</u>
Net Cash Provided by (Used for) Investing Activities	<u>(87,528,514)</u>	<u>-</u>	<u>20,815,029</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(26,866,963)	1,714,969	7,662	2,844,135
Cash and Cash Equivalents, beginning of year	<u>37,804,611</u>	<u>2,844,135</u>	<u>37,796,949</u>	<u>-</u>
Cash and Cash Equivalents, end of year	<u>\$ 10,937,648</u>	<u>\$ 4,559,104</u>	<u>\$ 37,804,611</u>	<u>\$ 2,844,135</u>

Continued on next page

TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022		2021	
	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission	Tualatin Valley Water District	Component Unit Willamette Water Supply System Commission
RECONCILIATION OF NET OPERATING INCOME				
TO NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Net Operating Income (Loss)	\$ 40,648,796	\$ 335,810	\$ 35,386,606	\$ (360,050)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	7,342,441	(336,010)	7,133,526	360,050
Pension expense	714,640	-	3,410,895	-
OPEB expense	(135,854)	-	(186,981)	-
Changes in operating accounts:				
Accounts receivable	2,236,038	(5,666)	3,414,518	22,052
Inventory of materials and supplies	(492,714)	-	(24,825)	-
Prepaid expenses	(38,450)	23,816	32,388	20,902
Accounts payable	(1,678,767)	(8,777)	(794,492)	-
Accrued payroll liabilities	(243,735)	-	172,087	-
Deposits	241,109	-	120,613	-
 Net Cash Provided by Operating Activities	\$ 48,593,504	\$ 9,173	\$ 48,664,335	\$ 42,954
 NONCASH INVESTING AND FINANCING ACTIVITIES				
Net loss in investment in joint ventures	\$ (952,351)		\$ (1,289,983)	
Unrealized loss for change of investment portfolio valuation	(1,287,618)		(1,037,557)	
Capital assets abandoned and decommissioned	(37,923)		(1,679,362)	
Unpaid interest expense	58,183		-	
Capital assets contributed by developers	835,713		444,251	

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TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 revenues are from water sales, interest earnings, capital contributions from customers and developers for meters and distribution lines, and revenue from contract reimbursements from partner agencies. Revenues are 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 District's investments in the Willamette Water Supply System is scheduled to replace the water supply from the City of Portland once the agreement with Portland expires.

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, 2022 AND 2021

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, and 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.

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.

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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.

Oregon law (ORS 294.035) allows the District to invest in the following categories:

- General obligations of the United States and its agencies and instrumentalities.
- Debt obligations lawfully issued by the state of Oregon or its subdivisions rated A- or better.
- Debt obligations lawfully issued by the states of California, Idaho and Washington or their subdivisions rated AA- or better.
- Corporate indebtedness rated (P-1 or AA3) or better by Moody's Investors Services (Moody's) or rated (A-1 or AA-) or better by Fitch Ratings Inc. (Fitch) or S&P Global Ratings (S&P).

In the event of different ratings by the recognized ratings agencies then the lowest rating must meet the District's policy. Other allowable investments include Bank Deposit/Savings Accounts, Certificates of Deposit, Bankers' Acceptances, and the Local Government Investment Pool (LGIP). Issuer constraints for commercial paper combined with corporate notes are limited by statute to 5% of market value per issuer.

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

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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.

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-

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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, it is the District's practice 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, represent a consumption of net assets that applies to future periods 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, represent an acquisition of net assets that applies to future periods 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, 2022 and 2021. 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 allows employees to apply overtime hours worked to compensatory time (comp time). Employees may accumulate up to 80 hours of comp time. The District's liability for accrued vacation and comp time is reported as the current liability accrued compensated absences 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, 2022 AND 2021

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 at the fund level 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 within each fund 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.

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.

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 other Funds.

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

Debt Proceeds Fund - This fund is used to account for proceeds received from revenue bonds. The principal source of revenue currently consists of proceeds from the EPA for the District's Water Infrastructure Finance and Innovation Act (WIFIA) loan.

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 the 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 the 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 the 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.*

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 1.14% and 1.5% in fiscal years ended June 30, 2022 and 2021, respectively.

	2022	2021
Cash on hand	\$ 1,038	\$ 711
Checking accounts	1,464,463	1,675,703
Oregon State Treasurer's Local Government Investment Pool (LGIP)	9,472,147	36,128,197
Total Cash and Cash Equivalents	\$ 10,937,648	\$ 37,804,611
	2022	2021
Cash and cash equivalents - unrestricted	\$ 10,937,648	\$ 37,804,611
Investments	144,556,507	57,306,873
Total Cash and Cash Equivalents and Investments	\$ 155,494,155	\$ 95,111,484

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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

Investments	Ratings: Moody's / S&P	Effective Duration In Years	2022	2021
US Government securities				
Federal Home Loan Banks	Aaa/AA+	0.19	\$ 3,001,170	\$ 5,092,340
Federal National Mortgage Association	Aaa/AA+		-	3,004,470
Federal Home Loan Mortgage Corporation	Aaa/AA+	1.11	7,766,910	7,999,160
Federal Farm Credit Banks	Aaa/AA+	1.61	2,875,560	11,096,490
Municipal Bonds		0.83	245,505	3,342,315
Corporate Bonds	AA+, AA, AA-, AAA/ Aa1, Aa2, Aaa, Aa3	0.89	6,644,532	9,649,358
US Treasury Notes & Bonds			124,022,830	17,122,740
Total Investments		1.24	144,556,507	57,306,873
LGIP		1.75	9,472,147	36,128,197
Total Investments and LGIP		1.28	<u>\$ 154,028,654</u>	<u>\$ 93,435,070</u>

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, 2022:

- 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, 2022.

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 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:

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

As of June 30, 2022, the maximum amount of investments to be placed in the LGIP by an Oregon local government is limited by Oregon Statute to \$52,713,000. 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.

Custodial Credit Risk

At June 30, 2022, the book balance of the District's bank deposits (checking accounts) was \$1,464,463 and the bank balance was \$2,631,316. 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

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 2,815,851	\$ 3,281,412
Accrued water sales	9,110,699	10,837,221
Other receivables	2,057,989	2,166,965
	<u>13,984,539</u>	<u>16,285,598</u>
Less: Allowance for doubtful accounts	(684,979)	(750,000)
Total Accounts Receivable, net	<u>\$ 13,299,560</u>	<u>\$ 15,535,598</u>

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

ACCOUNTS AND RETAINAGE PAYABLE

	June 30,	
	2022	2021
Accounts payable - operating related	\$ 2,824,668	\$ 4,503,435
Accounts payable - capital related	9,329,601	6,796,752
Retainage payable	1,225,321	493,250
Total Accounts Payable	\$ 13,379,590	\$ 11,793,437

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.

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
Clean 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

TUALATIN VALLEY WATER DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2022 AND 2021

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.

The percentage share of the capacity ownership of the joint venturers in the WIFC at June 30, 2022, 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, 2022, were based on number of water meters served, as noted above:

City of Sherwood	15.7 %
City of Tigard	23.3
City of Tualatin	16.3
Tualatin Valley Water District	44.7

TUALATIN VALLEY WATER DISTRICT
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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 the 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 District and the cities of Beaverton, Hillsboro, 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.

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 on 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 percentage share of the capacity ownership of the joint venturers in the WWSSC at June 30, 2022, were as follows:

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:

	<u>BRJOC</u>	<u>JWC</u>	<u>WIFC</u>	<u>WRWC</u>	<u>WWSSC</u>	<u>Total</u>
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
Investments	-	247,338	1,795,265	-	58,126,222	60,168,825
Loss for the year	(277,258)	(437,328)	(128,382)	(5,009)	(104,374)	(952,351)
Balance at June 30, 2022	<u>\$7,228,713</u>	<u>\$36,613,923</u>	<u>\$8,694,215</u>	<u>\$(2,346)</u>	<u>\$202,451,777</u>	<u>\$254,986,282</u>

TUALATIN VALLEY WATER DISTRICT
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CAPITAL ASSETS

The changes in components of capital assets for the year ended June 30, 2022, were as follows:

	<u>June 30,</u> <u>2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>June 30,</u> <u>2022</u>
Capital Assets - Nondepreciable:					
Land and easements	\$ 4,426,420	\$ -	\$ 195,208	\$ -	\$ 4,621,628
Construction in progress	25,736,273	40,222,153	(6,688,014)	(37,923)	59,232,489
Total Capital Assets - Nondepreciable	30,162,693	40,222,153	(6,492,806)	(37,923)	63,854,117
Capital Assets - Utility Plant in Service:					
Buildings and improvements	21,133,964	-	50,945	-	21,184,909
Investment in joint facilities	983,518	-	-	-	983,518
Water treatment facilities	5,823,909	-	-	-	5,823,909
Water distribution system	204,797,307	835,713	4,418,725	(161,397)	209,890,348
Reservoirs	67,177,470	-	394,764	-	67,572,234
Pumps	15,757,763	-	1,572,710	-	17,330,473
Machinery and equipment	10,661,650	-	55,662	(408,640)	10,308,672
Total Capital Assets - Utility Plant in Service	326,335,581	835,713	6,492,806	(570,037)	333,094,063
Accumulated Depreciation:					
Buildings and improvements	(9,762,448)	(756,255)	-	-	(10,518,703)
Investment in joint facilities	(476,169)	(31,420)	-	-	(507,589)
Water treatment plants	(2,260,554)	(140,478)	-	-	(2,401,032)
Water distribution system	(77,973,795)	(4,104,560)	-	112,234	(81,966,121)
Reservoirs	(14,605,653)	(1,345,844)	-	-	(15,951,497)
Pumps	(5,815,268)	(351,073)	-	-	(6,166,341)
Machinery and equipment	(8,481,385)	(612,811)	-	369,626	(8,724,570)
Total Accumulated Depreciation	(119,375,272)	(7,342,441)	-	481,860	(126,235,853)
Total Capital Assets - Utility Plant in Service, net	206,960,309	(6,506,728)	6,492,806	(88,177)	206,858,210
Total Capital Assets, net	<u>\$ 237,123,002</u>	<u>\$ 33,715,425</u>	<u>\$ -</u>	<u>\$ (126,100)</u>	<u>\$ 270,712,327</u>

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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 facilities	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, 2022 AND 2021

LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the years ended June 30, 2022 and 2021 was as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022	Due within one year
Revenue Bond, EPA (WIFIA Loan)	\$ -	\$ 103,436,353	\$ -	\$ 103,436,353	\$ -
Accrued interest on revenue bond, EPA	-	58,183	-	58,183	-
Net pension liability	15,202,557	-	(6,605,129)	8,597,428	-
Total OPEB liability	1,316,329	-	(205,266)	1,111,063	-
Total long-term liabilities	<u>\$ 16,518,886</u>	<u>\$ 103,494,536</u>	<u>\$ (6,810,395)</u>	<u>\$ 113,203,027</u>	<u>\$ -</u>

	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>

Revenue Bond, EPA (WIFIA loan)

The United States Environmental Protection Agency (EPA) approved a \$387,748,990 loan (WIFIA loan) to fund a portion of the District's share of the WIFC and WWSSC. The WIFIA loan closed on August 2, 2019. The District re-executed the WIFIA loan on September 15, 2020. The purpose of the re-execution was to lower the interest rate on the WIFIA loan from 2.39% to 1.35%. During FY 2022 there was one draw against the WIFIA loan totaling \$103,436,353. On June 30, 2022, the remaining undisbursed amount of the WIFIA loan was \$284,312,637. The District held a Parity Certificate as of June 30, 2022, authorizing up to \$250 million in WIFIA loan principal amount or any other revenue bonds secured by Net Revenues on an equal basis. As of June 30, 2022, there was \$146.6 million remaining in authorized borrowings of principal under the Parity Certificate. Also authorized under the Parity Certificate is \$36.8 million in interest that may be capitalized into the loan. There are no interest or principal payments due until June 1, 2028. At that time outstanding principal and interest are due in equal payments until loan maturity on June 1, 2061. From inception of the loan until date of first payment, interest accrued will be added to the principal amount of the loan every May 31st and November 30th.

The District has secured the WIFIA loan with "Net Revenues" and federal interest subsidies if present. As of June 30, 2022, the WIFIA loan is the only debt secured by Net Revenues of the District. Net Revenues are defined as gross revenues less operating expenses as defined in the District's Master Declaration (which excludes depreciation and amortization expenses). Annually the District must have "Coverage Revenues" of at least 115% of annual bond debt service and Net Revenues of at least 125% of annual bond debt service. Coverage Revenues is defined as Net Revenues less System Development Charges. Annually the District must have an audit of its financial statements as well as a single audit in accordance with Section 2 of the Code of Federal Regulations Part 200 Subpart F and 31 USC Par 7503(b).

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Future maturities of bond principal and interest at June 30, 2022, are as follows:

Revenue Bonds			
Fiscal Year	Principal*	Interest	Total Debt Service
2023	\$ -	\$ -	\$ -
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028-2032	12,201,268	6,436,876	18,638,144
2033-2037	14,452,187	6,256,862	20,709,049
2038-2042	15,457,881	5,251,168	20,709,049
2043-2047	16,533,559	4,175,490	20,709,049
2048-2052	17,684,091	3,024,959	20,709,050
2053-2057	18,914,685	1,794,364	20,709,049
2058-2061	16,075,125	492,114	16,567,239
	\$ 111,318,796	\$ 27,431,833	\$ 138,750,629

* During the period when no payments are required, accrued interest will be added to the principal balance of the loan.

NET POSITION

The components of Net Position consists of the following:

Net Position	2022	2021
Net Investment in capital assets	\$ 260,157,405	\$ 229,833,000
Restricted	334,609	105,653
Unrestricted	312,686,736	297,343,110
Total Net Position	573,178,750	527,281,763
Net investment in capital assets	2022	2021
Capital assets, net	\$ 270,712,327	\$ 237,123,002
Less: capital related accounts payable	(9,329,601)	(6,796,752)
Less: retainage payable	(1,225,321)	(493,250)
Net investment in capital assets	\$ 260,157,405	\$ 229,833,000
Restricted net position	2022	2021
Restricted for OPEB	\$ 334,609	\$ 105,653

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 is largely funded by employer contributions (See Oregon Senate Bill 1049 section below). 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% 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% 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-matching death benefit, if eligible. (The monthly benefit must be at least \$30 per month).
 - Partial Distribution Plus Pension: Distribution of 100% 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

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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- Member died while on official leave without pay¹ from a PERS employer.
- **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% on the first \$60,000 of annual benefit and 0.15% 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 largely funded by employer contributions (See Oregon Senate Bill 1049 section below). Benefits are calculated with the following formula for members who attain normal retirement age:

General Service: 1.5% 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% of the pension that would otherwise have been paid to the deceased member.
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% 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% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

¹ The employer must approve, in writing, an official leave of absence without pay for a specified time period and submit to PERS.

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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 FY 2022 and FY 2021 were \$1,578,546 and \$1,337,239, respectively. The rates in effect for the fiscal year ended June 30, 2022 were: (1) Tier One/Tier Two – 14.77% of covered payroll, and (2) OPSRP general service – 11.36% 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 6% 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 \$3,333² indexed for inflation. When those conditions are met, 2.5% of Tier One and Tier Two members' subject salary will be redirected to the EPSA and 0.75% of OPSRP members' subject salary will be redirected to the EPSA.

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. Under 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.

² Amount was originally \$2,500 indexed for inflation but was adjusted to \$3,333 effective January 1, 2022, with the passage of Oregon House Bill 2906. The amount will be adjusted annually based on the Consumer Price Index.

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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). As of January 2022, this limit was increased to \$210,582 per year.

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 One/Tier Two 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 One/Tier Two UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which set the actuarially determined contribution rates for the 2021-2023 biennium.

Actuarial Valuations

The employer contribution rates effective July 1, 2021, through June 30, 2023 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (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. SB 1049 required a one-time re-amortization of Tier One/Tier Two UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which set actuarially determined contribution rates for the 2021-2023 biennium. 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.

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.

TUALATIN VALLEY WATER DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2022 AND 2021

Actuarial Methods and Procedures

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 2019
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Investment Return	6.9 percent
Inflation Rate	2.4 percent
Payroll Growth	3.4 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

Discount Rate

The discount rates used to measure the total pension liability was 6.9% and 7.2% for FY 2022 and FY 2021, respectively, 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.

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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, 2022 and 2021, the District reported a liability of \$8,597,428 and \$15,202,557, 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 District's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At June 30, 2022 and 2021 the District's proportionate share was 0.07184592% and 0.06966160%, respectively.

For the years ended June 30, 2022 and 2021, the District recognized pension expense of \$737,180 and \$3,084,038, 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., Shown below is

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Milliman’s (Actuary) assumptions³ 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. 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.

Long-Term Expected Rate of Return ¹		20-Year		
Asset Class	Target Allocation	Annual Arithmetic Return ²	Annualized Geometric Mean	Annual Standard Deviation
Global Equity	0.31 %	0.07 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 ³	1.77	1.76	1.20
Assumed Inflation - Mean			2.40 %	1.65 %

1 Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

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.

3 Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

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 in place during FY 2022 of 6.9%, and in place during FY 2021 of 7.2% as well as what the District’s proportionate share of the net pension liability would be each year if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the rate in effect at that time:

June 30, 2022	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
Proportionate share of the net pension liability	\$ 16,883,291	\$ 8,597,428	\$ 1,665,167

June 30, 2021	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

³ The assumptions are presented in Table 31 on page 74 the Oregon PERS Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

TUALATIN VALLEY WATER DISTRICT
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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, 2022 and 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Balance		Balance	
	June 30, 2022		June 30, 2021	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 804,775	\$ -	\$ 669,097	\$ -
Net difference between projected and actual earnings on investments	-	(6,364,609)	1,787,623	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,966,262	(3,436,434)	8,735,441	(4,318,809)
Changes of assumptions	2,152,195	(22,626)	815,873	(28,586)
Contributions made subsequent to measurement date	1,578,546	-	1,337,239	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 11,501,778</u>	<u>\$ (9,823,669)</u>	<u>\$ 13,345,273</u>	<u>\$ (4,347,395)</u>

Payable to OPERS

At June 30, 2022 and 2021, the District's payable to OPERS for defined benefit contributions was approximately \$88,707 and \$112,983, respectively. These amounts represent legally required contributions to the plan for services incurred in that fiscal year.

Deferred outflows of resources of \$1,578,546 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions, as of June 30, 2022, will be recognized in pension expense as follows:

Year ended	
June 30:	
2023	\$ 529,001
2024	430,430
2025	136,902
2026	(1,204,109)
2027	207,339
	<u>\$ 99,563</u>

TUALATIN VALLEY WATER DISTRICT
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DEFINED CONTRIBUTION PLANS

Individual Account Program

In the 2003 legislative session, the Oregon Legislature 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 went into the IAP portion of OPSRP. It should be noted that this was modified effective July 1, 2020. See Oregon Senate Bill 1049 section earlier in this report. 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 6% of their salary covered under the plan. Employees contributed approximately \$757,612 and \$736,945 for the years ended June 30, 2022 and 2021, 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.

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

For the years ended June 30, 2022 and 2021, employees contributed approximately \$797,000 and \$749,000 and the District recognized expense of approximately \$362,000 and \$360,000, respectively. At June 30, 2022 and 2021, the District's liability to the plan was approximately \$44,000 and \$53,000, 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

TUALATIN VALLEY WATER DISTRICT
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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, 2022 and 2021, the District's liability for pensions related to this plan was \$22,000 and \$25,000, 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 IMPLICIT RATE SUBSIDY 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.

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 as well as a 2% administrative fee. Coverage may lapse if retirees' premiums are unpaid. As of June 30, the following employees and retired employees were covered under the plan:

	2022	2021
Active participants	127	122
Retired employees	6	10
Total participants	133	132

At June 30, 2022, 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	\$ 103,120	\$ (182,461)	\$ (79,341)
Changes of assumptions	64,953	(449,645)	(384,692)
Net Deferred Inflows and Outflows of Resources	\$ 168,073	\$ (632,106)	\$ (464,033)

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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	<u>\$ 223,461</u>	<u>\$ (555,543)</u>	<u>\$ (332,082)</u>

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

Year ended June 30:	
2023	\$ 54,394
2024	54,389
2025	41,194
2026	84,783
2027	70,699
Thereafter	158,574
	<u>\$ 464,033</u>

Actuarial assumptions and other Inputs

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

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2022
Experience Study	August 2018
Discount rate	4.09% changed from 2.19%
Payroll growth	3.58% to 8.53% changed from 3.5% to 7.2%
Inflation rate	2.4% changed from 2.5%
Cost method	Entry Age Normal Level Percent of Salary
Employer funding policy	Pay-as-you-go cash basis
Mortality	Active and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021
Healthcare cost trend rates	6% to 7.5% changed from 4.5% to 7.5%

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.

TUALATIN VALLEY WATER DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
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Total OPEB Liability, Expense, and Deferred Inflows and Outflows of resources for OPEB – DISTRICT PLAN

The District's total OPEB liability was \$1,111,063 and \$1,316,329 as of June 30, 2022 and 2021, respectively. The liability was determined by an actuarial valuation as of June 30, 2022 with a measurement date also as of June 30, 2022. The District recognized OPEB income of \$17,287 and \$55,006 for FY2022 and FY2021, respectively.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,316,329	\$ 1,406,637
Changes for the year:		
Service cost	42,901	40,948
Interest on total OPEB liability	28,780	37,394
Effects of assumptions changes	(143,753)	41,108
Differences between expected and actual experience	(42,592)	(125,604)
Benefit payments	(90,602)	(84,154)
Ending balance	<u>\$ 1,111,063</u>	<u>\$ 1,316,329</u>

Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability calculated using the current discount rate of 4.09%, 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 (3.09%) or 1-percentage point higher (5.09%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

<u>Discount rate:</u>	1% Decrease 3.09%	4.09%	1% Increase 5.09%
Total OPEB Liability	\$1,190,059	\$1,111,063	\$1,036,935
<u>Healthcare Cost Trend:</u>	1% Decrease 6.5% decreasing to 3.5%	7.5% decreasing to 4.5%	1% Increase 8.5% decreasing to 5.5%
Total OPEB Liability	\$1,020,911	\$1,111,063	\$1,212,691

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

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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>

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 years ended June 30, 2022 and 2021 were:

	<u>2022</u>	<u>2021</u>
Tier One / Tier Two	0.05%	0.06%
OPSRP General Service	0.00%	0.00%

District contributions for the years ended June 30, 2022 and 2021 were \$395 and \$7,001, respectively.

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

At June 30, 2022 and 2021, the District reported an asset of \$334,609 and \$105,653, respectively, for its proportionate share of the OPERS net RHIA asset. The net RHIA asset was measured as of June 30, 2021 and 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, 2022 and 2021, the District's proportionate share was 0.09743986% and 0.05185162%, respectively.

TUALATIN VALLEY WATER DISTRICT
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For the years ended June 30, 2022 and 2021, the District recognized RHIA income from this plan of \$62,134 and \$157,833, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to this RHIA plan from the following sources:

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion	\$ 26,152	\$ (56,051)
Difference in earnings	-	(79,522)
Contributions after the measurement date	2,887	-
Change in experience/expectations	-	(9,309)
Change in assumptions	6,584	(4,978)
Net Deferred Outflows/Inflows of Resources	\$ 35,623	\$ (149,860)

	June 30, 2021	
	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 \$2,887 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA will be recognized in RHIA expense as follows:

Year ended June 30:	
2023	\$ (34,789)
2024	(39,060)
2025	(18,155)
2026	(25,120)
	\$ (117,124)

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

Actuarial Methods and Assumptions

Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience Study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40%
Long-term expected rate of return	6.90%
Discount rate	6.90%
Projected salary increases	3.40%
Retiree healthcare participation	Healthy retirees: 32%
	Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	<u>Healthy retirees and beneficiaries:</u> 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. <u>Active members:</u> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Disabled retirees:</u> 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.

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 asset, as well as what the District's proportionate share of the net RHIA asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate in effect for FY2022 and FY2021:

<u>Year ended June 30, 2022</u>	<u>1% Decrease</u> <u>(5.9%)</u>	<u>Discount Rate</u> <u>(6.9%)</u>	<u>1% Increase</u> <u>(7.9%)</u>
Proportionate share of the net OPEB asset	\$ (295,913)	\$ (334,609)	\$ (367,665)

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

<u>Year ended June 30, 2021</u>	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
Proportionate share of the net OPEB 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.

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:

<u>June 30, 2022</u>	<u>District Plan</u>	<u>RHIA Plan</u>	<u>Total</u>
Net OPEB Asset	\$ -	\$ 334,609	\$ 334,609
Net OPEB Deferred Outflows	168,073	35,623	203,696
Net OPEB Liability	(1,111,063)	-	(1,111,063)
Net OPEB Deferred Inflows	(632,106)	(149,860)	(781,966)
Net OPEB (Income)	(73,315)	(62,134)	(135,449)
<u>June 30, 2021</u>	<u>District Plan</u>	<u>RHIA Plan</u>	<u>Total</u>
Net OPEB (Asset)	\$ -	\$ (105,653)	\$ (105,653)
Net OPEB Deferred Outflows	223,461	70,256	293,717
Net OPEB Liability	1,316,329	-	1,316,329
Net OPEB Deferred Inflows	(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 under 18% of its maximum annual exposure.

TUALATIN VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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) each year 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. The City of Portland provided the District notice of non-renewal as allowed within the contract. Based on that notice, the contract will expire June 30, 2026. 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 \$1.250 and \$1.311 per CCF for the years ended June 30, 2022 and 2021, respectively.

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 line. These maintenance costs are included in operating expenses as water purchase costs. These costs were \$7,140 and \$3,142 for the years ending June 30, 2022 and 2021, 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.

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 \$4.1 million and \$6.1 million in outstanding commitments on contracts with greater than \$1.0 million remaining as of June 30, 2022 and 2021, 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 \$622.9 million and \$109.3 million as of June 30, 2022 and 2021, respectively. The District has \$327.0 million and \$57.4 million in outstanding commitments related to its ownership share of the WWSSC of 52.5% as of June 30, 2022 and 2021, respectively.



TUALATIN VALLEY
WATER DISTRICT

Required Supplementary Information



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. In addition to providing quality water to the tap, TVWD's infrastructure is designed to move large amounts of water quickly through the system for firefighting purposes. The District maintains more than 5,300 fire hydrants throughout our service area so firefighters have the water they need to respond to fire emergencies.



TUALATIN VALLEY
WATER DISTRICT

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]}

	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
2022	0.0718 %	\$8,597,428	\$12,275,623	70.04 %	87.6 %
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:

At the Oregon PERS Board October 2021 meeting the board approved changing the assumed rate of return from 7.2 percent to 6.9 percent. The change went into effect January 1, 2022.

At the Oregon PERS Board July 2021 meeting the board approved changing the assumed inflation and projected salary increases to 2.4 percent and 3.4 percent respectively. These changes went into effect January 1, 2022

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.

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

	Contractually required contributions	Actual contributions	Contribution deficiency / (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2022	\$ 1,578,546	\$ (1,578,546)	\$ -	\$ 12,545,004	12.58 %
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]:

Years ending June 30,	Actuarial valuation date	Actuarial Cost Method	Actuarial Valuation Method	Inflation Rate	Projected Salary Increase	Investment Rate of Return
2022	12/31/2019	Entry Age Normal	Market Value	2.40%	3.40%	6.9%
2020-2021	12/31/2017	Entry Age Normal	Market Value	2.50%	3.50%	7.2%
2018-2019	12/31/2015	Entry Age Normal	Market Value	2.50%	3.50%	7.5%
2016-2017	12/31/2013	Entry Age Normal	Market Value	2.75%	3.75%	7.5%
2014-2015	12/31/2011	Projected Unit Credit	Market Value	2.75%	3.75%	8.0%

[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]}

	Total OPEB liability - beginning balance	Service costs	Interest	Changes in benefit terms	Changes of assumptions	Difference between expected and actual experience	Benefit payments	Net change in total OPEB liability	Total OPEB liability - ending balance	Covered employee payroll	Total OPEB liability as a % of covered employee payroll
2022	\$1,316,329	\$42,901	\$28,780	\$ -	\$(143,753)	\$(42,592)	\$(90,602)	\$(205,266)	\$1,111,063	\$13,597,565	8.2%
2021	1,406,637	40,948	37,394	-	41,108	(125,604)	(84,154)	(90,308)	1,316,329	12,004,045	11.0%
2020	1,129,069	49,760	39,851	14,124	55,319	206,242	(87,728)	277,568	1,406,637	11,825,082	11.9%
2019	1,191,615	49,057	46,502	-	29,660	(108,873)	(78,892)	(62,546)	1,129,069	10,776,137	10.5%
2018	1,652,926	106,235	61,661	-	(513,101)	(41,913)	(74,193)	(461,311)	1,191,615	10,513,304	11.3%

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

	Contractually required contributions	Actual contributions	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of covered employee payroll
2022	\$ 90,602	\$ 90,602	\$ -	\$ 13,597,565	0.67%
2021	84,154	84,154	-	12,004,045	0.70%
2020	87,728	87,728	-	11,825,082	0.74%
2019	78,892	78,892	-	10,776,137	0.73%
2018	74,193	74,193	-	10,513,304	0.71%

See notes on next page

[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
NOTES TO SCHEDULES OF TOTAL OPEB LIABILITY AND CONTRIBUTIONS
IMPLICIT RATE SUBSIDY PLAN

Actuarial Assumptions and Methods Used:

	Valuation Date	Measurement Date	Experience Study	Discount Rate	Growth Rate	Inflation Rate	Cost Method	Funding Policy	Tables Used	Trend Rates
2022	6/30/2022	6/30/2022	8/1/2018	4.09%	3.58 - 8.53%	2.40%	Entry age normal	Pay as you go	Pub-2010 MP-2021 scale	6 - 7.5%
2021	6/30/2020	6/30/2021	8/1/2018	2.19%	3.5 - 7.2%	2.50%	Entry age normal	Pay as you go	Pub-2010 MP-2019 scale	4.5 - 7.5%
2020	6/30/2020	6/30/2020	8/1/2018	2.66%	3.71 - 7.94%	2.50%	Entry age normal	Pay as you go	Pub-2010 MP-2019 scale	4.5 - 8%
2019	6/30/2018	6/30/2019	8/1/2018	3.51%	3.46 - 6.88%	2.50%	Entry age normal	Pay as you go	RPH-2017 MP-2017 scale	5 - 8.5%
2018	6/30/2018	6/30/2018	8/1/2018	3.87%	3.50%	2.50%	Entry age normal	Pay as you go	RPH-2017 MP-2017 scale	5 - 9%

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay benefits for the implicit rate subsidy plan.

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]

	Proportion of Net OPEB (Asset) / Liability	Proportionate Share of Net OPEB (Asset) / Liability	District's Covered Payroll in (000's)	Proportionate share of Net OPEB (Asset) / Liability as a % of Covered Payroll	Plan Net Position as a % of Total OPEB (Asset) / Liability
2022	0.0974%	(\$334,609)	\$12,276	-2.73%	183.9%
2021	0.0519%	(105,653)	11,825	-0.89%	150.1%
2020	0.1060%	(204,826)	11,365	-1.80%	144.4%
2019	0.1004%	(112,045)	10,468	-1.07%	124.0%
2018	0.0982%	(40,696)	10,006	-0.41%	108.9%
2017	0.0996%	27,042	9,434	0.29%	94.2%

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

Changes of assumptions:

The Oregon PERS Board adopted assumption changes which took effect January 1, 2022, as follows: assumed inflation rate to 2.4 percent, projected salary increases to 3.4 percent, and the assumed investment rate of return to 6.9 percent.

The Oregon 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]

	Contractually Required Contributions	Contributions In Relation to Contractually Required Contributions	Contribution (Deficiency) / Excess	District's Covered Payroll in (000's)	Contributions As a % of Covered Payroll
2022	\$ 2,887	\$ (2,887)	\$ -	\$ 12,545	0.02%
2021	3,298	(3,298)	-	12,276	0.03%
2020	3,703	(3,703)	-	11,825	0.03%
2019	52,535	(52,535)	-	11,365	0.46%
2018	48,602	(48,602)	-	10,468	0.46%
2017	51,031	(51,031)	-	10,006	0.51%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS – RHIA

Actuarial assumptions and methods used to determine contributions:

Effective July 1 to June 30,	Actuarial Valuation Date	Actuarial Cost Method	Amortization Method	Amortization Period	Asset Valuation Method	Remaining Amortization Periods	Inflation Rate	Actuarial Assumptions		
								Healthcare Cost Trend Rates	Projected Salary Increases	Investment Rate of Return
2021-2023	12/31/2019	Entry Age Normal	Level of % of Payroll, Closed	10 years	Market Value	6.9%	2.40%	0% Statute, Fixed \$60/Mo. For Health Ins.	3.40%	6.90%
2019-2021	12/31/2017	Entry Age Normal	Level of % of Payroll, Closed	10 years	Market Value	7.2%	2.50%	0% Statute, Fixed \$60/Mo. For Health Ins.	3.50%	7.20%
2017-2019	12/31/2015	Entry Age Normal	Level of % of Payroll, Closed	20 years	Market Value	7.5%	2.50%	0% Statute, Fixed \$60/Mo. For Health Ins.	3.50%	7.50%
2015-2017	12/31/2013	Entry Age Normal	Level of % of Payroll, Closed	20 years	Market Value	7.5%	2.75%	0% Statute, Fixed \$60/Mo. For Health Ins.	3.75%	7.75%

[1] Only years with available information presented.



TUALATIN VALLEY
WATER DISTRICT



Supplementary Information



Operators respond to an after-hours leak

Responding 24 hours a day, 365 days a year

Every day, TVWD operators inspect a select group of critical water sites to ensure drinking water is safe and meeting system demands. This happens 365 days a year, including weekends, holidays, and during inclement weather. We inspect and monitor fluoride, chlorine levels, and water flow rates. TVWD staff are also on call for service response when District offices are closed, with three different after-hours operators ready to respond to water emergencies 24 hours a day.



TUALATIN VALLEY
WATER DISTRICT

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, 2022

BUDGETARY BASIS	Total Revenue	Total Expenditures	Net
General Fund	\$ 87,324,930	\$ 38,399,506	\$ 48,925,424
Capital Improvement Fund	2,413,506	102,792,423	(100,378,917)
Capital Reserve Fund	6,151,564	-	6,151,564
Debt Proceeds Fund	103,436,353	-	103,436,353
Customer Emergency Assistance Fund	9,251	179,062	(169,811)
	<u>\$ 199,335,604</u>	<u>\$ 141,370,991</u>	57,964,613

**ADD (DEDUCT) ITEMS TO RECONCILE TO CHANGES
IN NET POSITION ON A FINANCIAL REPORTING BASIS**

Contributed capital for infrastructure (mains and hydrants)	835,713
Capital outlay	42,627,258
Capital outlay - Joint Ventures	60,179,284
Partner share of capital outlay	(2,405,105)
Depreciation and amortization	(7,342,440)
Disposals of capital assets	(88,177)
Discontinued capital projects	(37,923)
Decommissioning expense	500,000
Debt Proceeds	(103,436,353)
Interest expense on long-term debt	(58,183)
Change in joint venture valuation	(952,351)
Unrealized gain/(loss) on investments	(1,287,618)
Pension expense	(737,180)
Other postemployment benefits expense	135,449

CHANGES IN NET POSITION \$ 45,896,987

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget for the FY2022 - FY2023 Biennium			Actual Results		Variance with Final Budget
	Original	Revisions	Final	FY 2022	Total	
REVENUES:						
Water sales	\$ 158,826,968	\$ -	\$ 158,826,968	\$ 75,794,037	\$ 75,794,037	\$ (83,032,931)
Customer Service fees	751,303	-	751,303	634,024	634,024	(117,279)
Interest on investments	438,200	-	438,200	450,686	450,686	12,486
Services to other agencies	2,436,000	-	2,436,000	1,697,309	1,697,309	(738,691)
Other revenues	1,088,435	-	1,088,435	621,015	621,015	(467,420)
Rights-of way fees	1,625,000	-	1,625,000	672,245	672,245	(952,755)
Construction revenue from other funds	10,722,620	-	10,722,620	7,455,614	7,455,614	(3,267,006)
Total Revenues	175,888,526	-	175,888,526	87,324,930	87,324,930	(88,563,596)
Beginning Fund Balance	37,376,583	-	37,376,583	49,326,700	49,326,700	11,950,117
	<u>\$ 213,265,109</u>	<u>\$ -</u>	<u>\$ 213,265,109</u>	<u>\$ 136,651,630</u>	<u>\$ 136,651,630</u>	<u>\$ (76,613,479)</u>
EXPENDITURES:						
Personnel services	\$ 42,330,036	\$ -	\$ 42,330,036	\$ 19,368,914	\$ 19,368,914	\$ 22,961,122
Materials and services	47,640,836	-	47,640,836	18,347,678	18,347,678	29,293,158
Capital outlay	705,950	-	705,950	14,119	14,119	691,831
Special payments	1,625,000	-	1,625,000	668,795	668,795	956,205
Operating contingencies	20,000,000	-	20,000,000	-	-	20,000,000
Total Expenditures	112,301,822	-	112,301,822	38,399,506	38,399,506	73,902,316
TRANSFERS TO OTHER FUNDS:						
Capital Reserve Fund	83,000,000	-	83,000,000	60,000,000	60,000,000	23,000,000
Customer Emergency Assistance Fund	500,000	-	500,000	250,000	250,000	250,000
Total Transfers	83,500,000	-	83,500,000	60,250,000	60,250,000	23,250,000
Total Expenditures and Transfers	195,801,822	-	195,801,822	98,649,506	98,649,506	97,152,316
Ending Fund Balance	17,463,287	-	17,463,287	38,002,124	38,002,124	(20,538,837)
	<u>\$ 213,265,109</u>	<u>\$ -</u>	<u>\$ 213,265,109</u>	<u>\$ 136,651,630</u>	<u>\$ 136,651,630</u>	<u>\$ 76,613,479</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget for the FY2022 - FY2023 Biennium			Actual Results		Variance with Final Budget
	Original	Revisions	Final	FY 2022	Total	
REVENUES:						
Interest on investments	\$ -	\$ -	\$ -	\$ 8,401	\$ 8,401	\$ 8,401
Contributed capital	3,320,000	-	3,320,000	\$ 2,405,105	2,405,105	(914,895)
Total Revenues	3,320,000	-	3,320,000	\$ 2,413,506	\$ 2,413,506	\$ (906,494)
TRANSFERS FROM OTHER FUNDS:						
Capital Reserve Fund	376,262,670	-	376,262,670	\$ 100,378,917	100,378,917	(275,883,753)
Beginning Fund Balance	-	-	-	\$ -	-	-
	<u>\$ 379,582,670</u>	<u>\$ -</u>	<u>\$ 379,582,670</u>	<u>\$ 102,792,423</u>	<u>\$ 102,792,423</u>	<u>\$ (276,790,247)</u>
EXPENDITURES:						
Capital outlay	\$ 133,486,462	\$ -	\$ 133,486,462	\$ 42,613,139	\$ 42,613,139	\$ 90,873,323
Capital outlay - Joint Ventures	246,096,208	-	246,096,208	\$ 60,179,284	60,179,284	185,916,924
Total Capital outlay	379,582,670	-	379,582,670	\$ 102,792,423	\$ 102,792,423	\$ 276,790,247
Ending Fund Balance	-	-	-	\$ (0)	(0)	0
	<u>\$ 379,582,670</u>	<u>\$ -</u>	<u>\$ 379,582,670</u>	<u>\$ 102,792,423</u>	<u>\$ 102,792,423</u>	<u>\$ 276,790,247</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
CAPITAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget for the			Actual Results		Variance
	FY2022 - FY2023 Biennium					
	Original	Revisions	Final	FY 2022	Total	with Final
						Budget
REVENUES:						
Contributed capital	\$ 1,151,010	\$ -	\$ 1,151,010	\$ 623,344	\$ 623,344	\$ (527,666)
System development						
charges	9,574,073	-	9,574,073	4,909,441	4,909,441	(4,664,632)
Interest on investments	431,000	-	431,000	618,779	618,779	187,779
Total Revenues	11,156,083	-	11,156,083	6,151,564	6,151,564	(5,004,519)
TRANSFERS FROM OTHER FUNDS:						
General Fund	83,000,000	-	83,000,000	60,000,000	60,000,000	(23,000,000)
Debt Proceeds Fund	226,500,000	-	226,500,000	103,436,353	103,436,353	(123,063,647)
Total Transfers	309,500,000	-	309,500,000	163,436,353	163,436,353	(146,063,647)
Beginning Fund Balance - unrestricted	56,508,462	-	56,508,462	47,909,429	47,909,429	(8,599,033)
	\$ 377,164,545	\$ -	\$ 377,164,545	\$ 217,497,346	\$ 217,497,346	\$ (159,667,199)
TRANSFERS TO OTHER FUNDS:						
Capital Improvement Fund	\$ 376,262,670	\$ -	\$ 376,262,670	\$ 100,378,917	\$ 100,378,917	\$ 275,883,753
Total Transfers	376,262,670	-	376,262,670	100,378,917	100,378,917	275,883,753
Ending Fund Balance - unrestricted	901,875	-	901,875	117,118,429	117,118,429	(116,216,554)
	\$ 377,164,545	\$ -	\$ 377,164,545	\$ 217,497,346	\$ 217,497,346	\$ 159,667,199

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
DEBT PROCEEDS FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget for the FY2022 - FY2023 Biennium			Actual Results		Variance with Final Budget
	Original	Revisions	Final	FY 2022	Total	
REVENUES:						
Debt Proceeds	\$ 226,500,000	\$ -	\$ 226,500,000	\$ 103,436,353	\$ 103,436,353	\$ (123,063,647)
Total Revenues	226,500,000	-	226,500,000	103,436,353	103,436,353	(123,063,647)
Beginning Fund Balance	-	-	-	-	-	-
	<u>\$ 226,500,000</u>	<u>\$ -</u>	<u>\$ 226,500,000</u>	<u>\$ 103,436,353</u>	<u>\$ 103,436,353</u>	<u>\$ (123,063,647)</u>
TRANSFERS TO OTHER FUNDS:						
Fund	\$ 226,500,000	\$ -	\$ 226,500,000	\$ 103,436,353	\$ 103,436,353	\$ 123,063,647
Ending Fund Balance	-	-	-	-	-	-
	<u>\$ 226,500,000</u>	<u>\$ -</u>	<u>\$ 226,500,000</u>	<u>\$ 103,436,353</u>	<u>\$ 103,436,353</u>	<u>\$ 123,063,647</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS) -
CUSTOMER EMERGENCY ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget for the			Actual Results		Variance with Final Budget
	FY2022 - FY2023 Biennium			FY 2022	Total	
	Original	Revisions	Final			
REVENUES:						
Contributions	\$ 26,000	\$ -	\$ 26,000	\$ 8,139	\$ 8,139	\$ (17,861)
Interest on investments	35	-	35	1,112	1,112	1,077
Total Revenues	26,035	-	26,035	9,251	9,251	(16,784)
 TRANSFERS FROM OTHER FUNDS:						
General Fund	500,000	-	500,000	250,000	250,000	(250,000)
Beginning Fund Balance	5,000	-	5,000	34,201	34,201	29,201
	<u>\$ 531,035</u>	<u>\$ -</u>	<u>\$ 531,035</u>	<u>\$ 293,452</u>	<u>\$ 293,452</u>	<u>\$ (237,583)</u>
 EXPENDITURES:						
Materials and services	\$ 531,035	\$ -	\$ 531,035	\$ 179,062	\$ 179,062	\$ 351,973
Total Expenditures	531,035	-	531,035	179,062	179,062	351,973
Ending Fund Balance	-	-	-	114,390	114,390	(114,390)
	<u>\$ 531,035</u>	<u>\$ -</u>	<u>\$ 531,035</u>	<u>\$ 293,452</u>	<u>\$ 293,452</u>	<u>\$ 237,583</u>



TUALATIN VALLEY
WATER DISTRICT

Statistical Section



Tualatin River headwaters

Providing reliability and resilience

The District is fortunate to have multiple quality water sources for its customers. The Portland Water Bureau provides about 73% of the District's water, with the other 27% supplied from the capacity the District owns in the Joint Water Commission and the Grabhorn Aquifer Storage and Recovery Well. Shifting the amount of water received from each source benefits customers because it allows the District to minimize service interruptions, and manage water storage and financial resources more efficiently and reliably. The District maintains 759 miles of pipe, 23 reservoirs holding 67 million gallons of water, and 14 active pump stations.



TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT

STATISTICAL SECTION

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

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Financial Trends	75
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	84
These schedules contain information to help the reader assess the District's most significant local revenue source, the District's water rates.	
Debt Capacity	88
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	91
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	93
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 Annual Comprehensive Financial Reports.

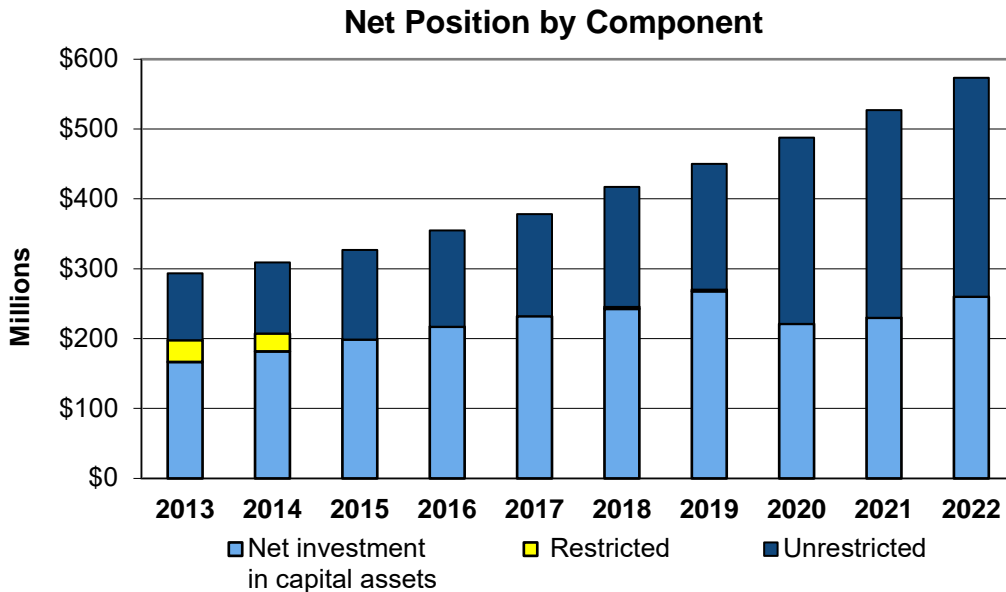


TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

Primary Government Net Position

	Net investment in capital assets	Restricted	Unrestricted	Total
2022	\$ 260,157,405	\$ -	\$ 313,021,345	\$ 573,178,750
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



TUALATIN VALLEY WATER DISTRICT
CHANGES IN NET POSITION
LAST TEN YEARS

	2022	2021	2020
OPERATING REVENUES:			
Water service	\$ 75,794,037	\$ 74,188,204	\$ 66,198,211
Administrative service	3,337,630	3,524,976	3,888,547
Total Operating Revenues	<u>79,131,667</u>	<u>77,713,180</u>	<u>70,086,758</u>
OPERATING EXPENSES:			
Water purchased and pumping power	10,107,247	10,312,457	10,632,559
Labor and fringe benefits	19,955,908	21,915,256	22,086,542
Maintenance and repairs	1,815,864	2,024,981	1,800,179
General and administrative	6,272,637	6,672,030	5,304,460
Electricity and other utilities	159,719	156,040	142,621
Supplies	284,670	314,115	305,839
Depreciation and amortization expense	7,342,440	7,133,526	7,046,956
Less: operating expenses capitalized	<u>(7,455,614)</u>	<u>(6,201,831)</u>	<u>(4,316,745)</u>
Total Operating Expenses	<u>38,482,871</u>	<u>42,326,574</u>	<u>43,002,411</u>
NET OPERATING INCOME	40,648,796	35,386,606	27,084,347
NONOPERATING REVENUES (EXPENSES)			
Discontinued capital projects	(37,923)	(1,679,362)	-
Loss in equity in joint ventures	(952,351)	(1,289,983)	(1,542,432)
Interest income	1,078,978	1,601,441	2,704,937
Unrealized gain (loss) on investments	(1,287,618)	(1,037,557)	1,006,613
Interest expense	(58,183)	-	(382)
Pension Employer Incentive Fund matching revenue	-	-	860,559
Gain (loss) on disposal of capital assets, net	86,984	(45,863)	(1,169,532)
Other nonoperating revenues (expenses)	49,806	63,228	43,316
Total Nonoperating Revenues (Expenses)	<u>(1,120,307)</u>	<u>(2,388,096)</u>	<u>1,903,079</u>
Capital Contributions	6,368,498	6,505,412	8,478,181
Changes in Net Position	<u>45,896,987</u>	<u>39,503,922</u>	<u>37,465,607</u>
Net Position, beginning of year	527,281,763	487,777,841	450,312,234
Restatement for change in accounting principles	-	-	-
Net Position, beginning of year restated	<u>527,281,763</u>	<u>487,777,841</u>	<u>450,312,234</u>
Net Position, end of year	<u><u>\$573,178,750</u></u>	<u><u>\$527,281,763</u></u>	<u><u>\$487,777,841</u></u>

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

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

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2019	2018	Restated 2017 ^[1]	2016	Restated 2015 ^[2]	2014	2013
\$ 69,451,031	\$ 63,730,160	\$ 52,461,679	\$ 48,728,635	\$ 41,025,195	\$ 35,013,145	\$ 34,169,338
3,633,228	3,214,641	3,001,965	3,764,144	4,689,194	2,515,514	2,002,197
<u>73,084,259</u>	<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>
10,050,276	10,161,954	9,693,035	9,051,685	7,713,786	7,461,754	7,584,712
19,824,271	18,433,098	17,532,715	19,870,765	11,747,960	14,047,903	13,364,417
2,048,506	1,462,432	1,557,932	1,336,820	1,496,431	1,534,727	1,773,526
5,533,112	4,853,470	5,073,804	6,348,825	7,186,365	4,218,566	3,332,570
146,428	140,626	146,444	134,865	119,964	122,282	103,543
315,926	220,641	196,007	218,756	272,876	197,191	234,592
6,896,192	7,336,782	6,957,712	6,110,033	5,880,723	5,414,179	5,222,171
<u>(4,904,995)</u>	<u>(4,113,466)</u>	<u>(3,377,130)</u>	<u>(3,064,622)</u>	<u>(2,816,946)</u>	<u>(2,899,203)</u>	<u>(2,217,408)</u>
39,909,716	38,495,537	37,780,519	40,007,127	31,601,159	30,097,399	29,398,123
33,174,543	28,449,264	17,683,125	12,485,652	14,113,230	7,431,260	6,773,412
(2,346,275)	-	(17,527)	(416,646)	(383,121)	(1,036)	(5,325,088)
(836,783)	(775,060)	(656,837)	(831,663)	(714,847)	(658,349)	(759,993)
2,769,322	1,634,667	1,080,484	700,524	592,861	553,807	590,380
1,127,490	(302,492)	(440,187)	95,015	69,654	292,396	(329,057)
(291,492)	(285,882)	(25,522)	(2,194)	(281,156)	(317,717)	(368,902)
-	-	-	-	-	-	-
(9,125,528)	1,335,320	(556,624)	(4,874)	(100,384)	(116,322)	(37,846)
<u>(418,021)</u>	<u>80,466</u>	<u>25,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(9,121,287)</u>	<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>
8,973,748	8,815,962	6,630,821	16,055,052	9,392,435	8,208,309	6,228,346
<u>33,027,004</u>	<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>
417,285,230	378,332,985	354,758,670	326,677,804	308,997,211	293,604,863	286,833,611
-	-	(149,167)	-	(5,008,079)	-	-
<u>417,285,230</u>	<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>\$450,312,234</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>

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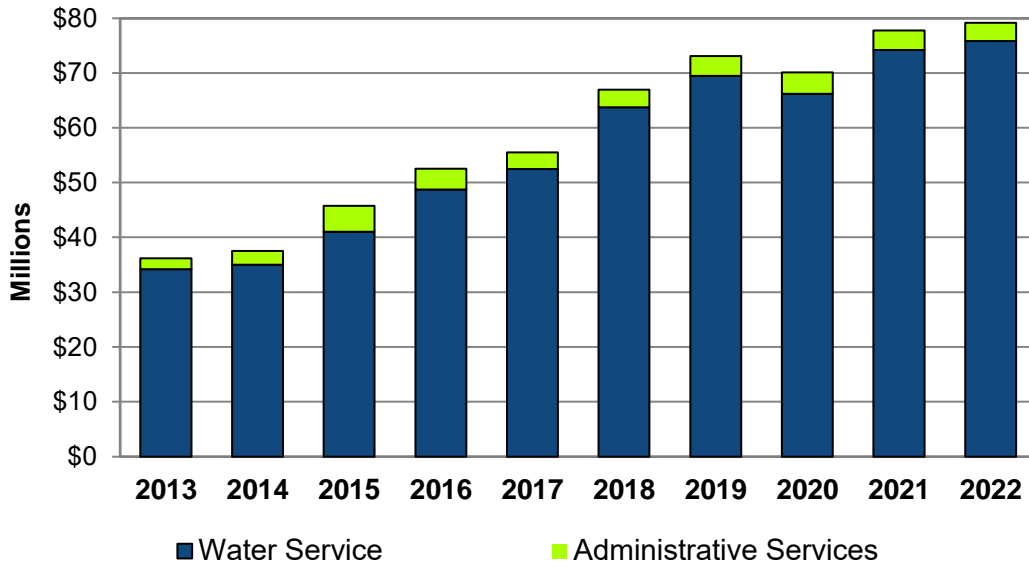


TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Year Ended June 30	Water Service	Administrative Services	Total
2022	\$ 75,794,037	\$ 3,337,630	\$ 79,131,667
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

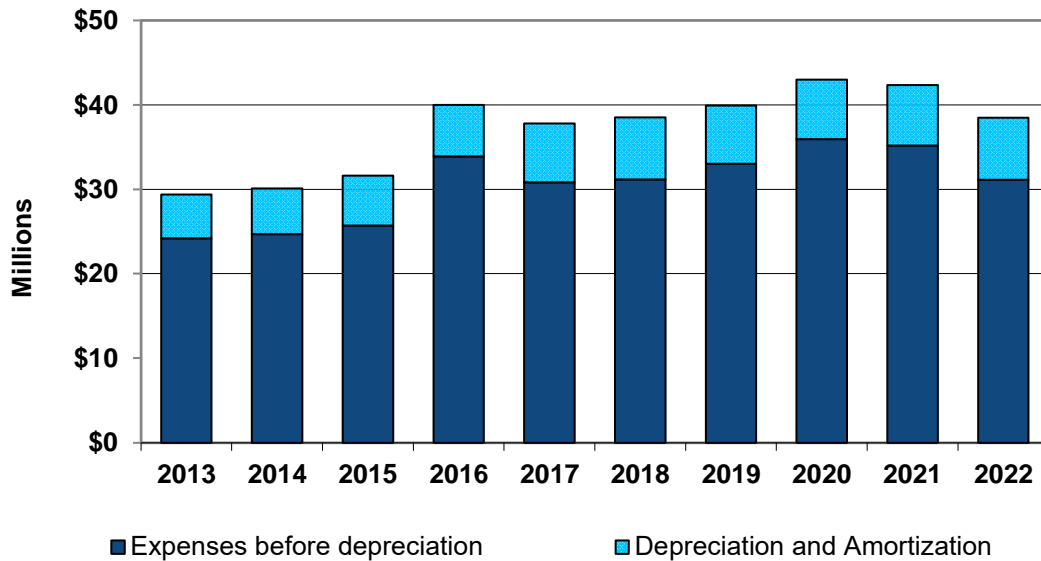
Total Operating Revenues



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
2022	\$ 10,107,247	\$ 19,955,908	\$ 1,815,864	\$ 6,272,637	\$ 159,719
2021	10,312,457	21,915,256	2,024,981	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

Total Operating Expenses



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Supplies	Less Capitalized Overhead	Subtotal, Expenses before Depreciation	Depreciation and Amortization	Total Operating Expenses
\$ 284,670	\$ (7,455,614)	\$ 31,140,431	\$ 7,342,440	\$ 38,482,871
314,115	(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

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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
2022	\$ (37,923)	\$ (952,351)	\$ 1,078,978	\$ (1,287,618)	\$ (58,183)
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)

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Pension Employer Incentive Fund (EIF)	Disposal of capital assets, net	Other nonoperating revenues (expenses)	Total nonoperating revenues (expenses)
\$ -	\$ 86,984	\$ 49,806	\$ (1,120,307)
-	(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)

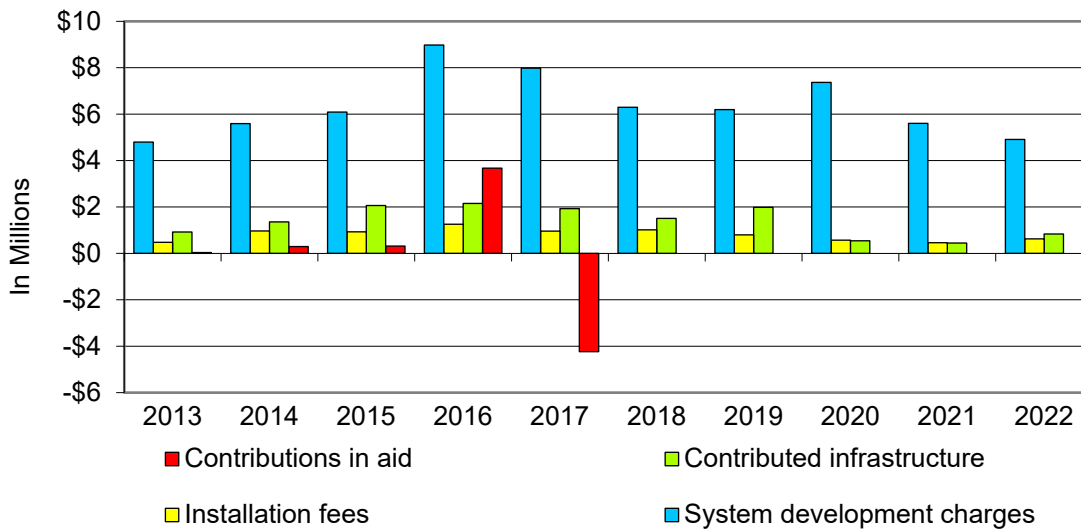
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TUALATIN VALLEY WATER DISTRICT

CAPITAL CONTRIBUTIONS BY SOURCE LAST TEN YEARS

	System development charges	Installation fees	Contributed infrastructure	Contributions in aid	Total contributions
2022	\$ 4,909,441	\$ 623,344	\$ 835,713	\$ -	\$ 6,368,498
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	1,927,402	(4,235,719) [1]	6,630,821
2016	8,977,050	1,255,363	2,150,248	3,672,391	16,055,052
2015	6,086,538	929,714	2,063,230	312,953	9,392,435
2014	5,593,132	964,412	1,355,277	295,488	8,208,309
2013	4,795,030	477,041	921,874	34,401	6,228,346

Capital Contributions by Source

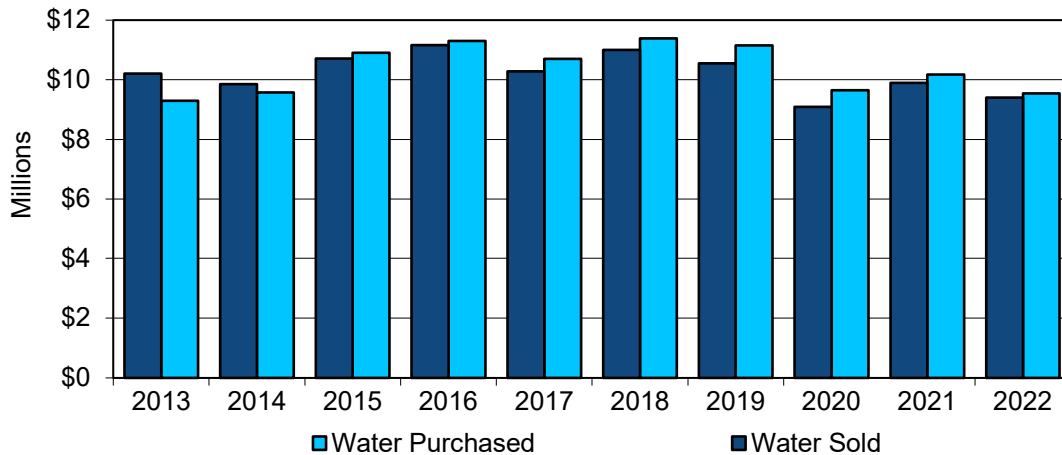


[1] Contributions in aid have been adjusted to remove the City of Hillsboro's cumulative ownership contributions in the Willamette Water Supply Program (WWSP).

TUALATIN VALLEY WATER DISTRICT
WATER PRODUCED AND CONSUMED
LAST TEN YEARS

Fiscal Year End	Water Produced (CCF) ^[2]	Water Sold (CCF) ^[2]	Non-revenue Water (CCF) ^[2]	Non-revenue Water Percent	Total Direct Rates ^[4]			Ratio of Water Sold to Water Purchased
					Fixed Charge ^[3]	Rate Per CCF		
						Block 1	Block 2	
2022	9,545,884	9,403,427	142,457	1.5%	\$ 37.20	\$6.15	\$8.77	98.5%
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%

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.

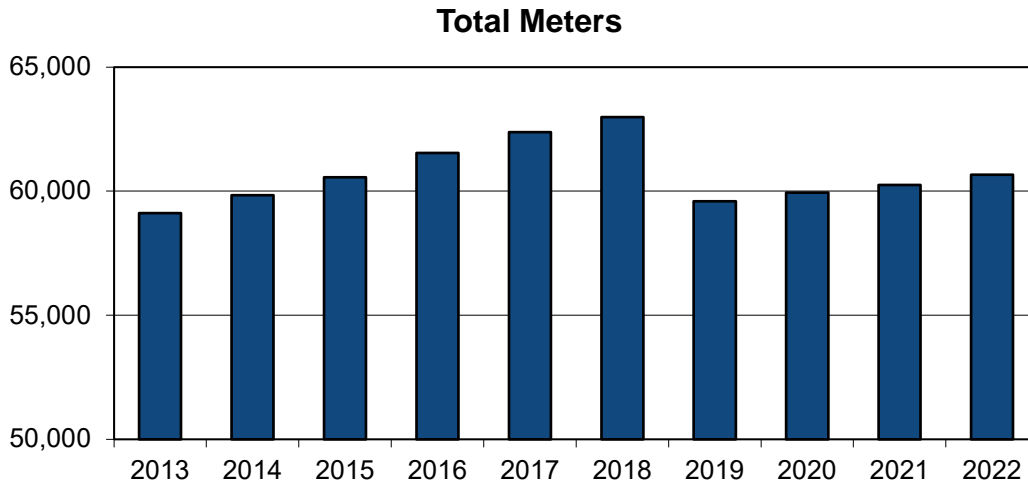
[3] Bi-monthly. TVWD has fixed charges that vary by meter size and cannot easily calculate a weighted-average rate to present as the total direct rate; instead, the rate for the most common size of meter (5/8 inch) is shown.

[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 METERS BY CLASS
LAST TEN FISCAL YEARS

	Meters				Total Meters	Net Change in Meters
	Class 1 & 2 Residential	Class 3 Commercial	Class 4 Industrial	Class 5-8 Other ^[2]		
2022	57,487	1,395	24	1,759	60,665	417
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



[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.

TUALATIN VALLEY WATER DISTRICT
WATER RATES
LAST TEN FISCAL YEARS

Nov 1st,	Water Usage ^{[1],[2]}		Fixed Bi-monthly Rates by Meter Size (in inches)									
	Block 1	Block 2	5/8	3/4	1	1-1/2	2	3	4	6	8	10
2021	\$6.15	\$8.77	\$37.20	\$40.98	\$50.50	\$67.86	\$100.10	\$278.72	\$373.46	\$601.88	\$896.38	\$1,429.90
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
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
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
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
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
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
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
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

^[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	FY 2022			FY 2013		
	Rank	Consumption CCF [1]	Percent	Rank	Consumption CCF [1]	Percent
Intel Oregon	1	388,648	4.13%	1	330,903	3.24%
Maxim Integrated Products	2	352,033	3.74%	2	269,288	2.64%
Nike INC	3	146,269	1.56%	4	108,809	1.07%
Resers Fine Foods	4	115,739	1.23%	6	95,957	0.94%
US Golf Services	5	72,088	0.77%			0.00%
Providence Health Systems	6	60,845	0.65%	5	106,835	1.05%
Panzer Nursery Inc	7	59,966	0.64%	9	61,142	
Heritage Village Mobile Park	8	57,825	0.61%	3	166,086	1.63%
Stack Infrastructure	9	57,307	0.61%			
OHSU West Campus	10	53,547	0.57%	10	58,998	
Tualatin Hills Park & Recreation District				7	92,158	0.90%
Forest Ridge Apartments				8	80,766	0.79%
		<u>1,364,267</u>	<u>14.51%</u>		<u>1,370,942</u>	<u>13.43%</u>
All Other Consumers		<u>8,039,160</u>	<u>85.49%</u>		<u>8,840,513</u>	<u>86.57%</u>
Total All Customers		<u><u>9,403,427</u></u>	<u><u>100%</u></u>		<u><u>10,211,455</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

	Gross Revenues ^[1]	Less: Operating Expenses ^[2]	Net Revenues ^[3]	System Development Charges (SDC's)	Coverage Revenues ^[4]
2022	\$ 85,743,430	\$ 31,140,430	\$ 54,603,000	\$ 4,909,441	\$ 49,693,559
2021	83,738,088	35,193,048	48,545,040	5,600,722	42,944,318
2020	77,881,299	35,955,455	41,925,844	7,367,496	34,558,348
2019	82,047,412	33,013,524	49,033,888	6,193,831	42,840,057
2018	73,630,756	31,158,755	42,472,001	6,295,124	36,176,877
2017	63,763,832	30,943,116	32,820,716	7,981,382	24,839,334
2016	61,707,378	33,897,094	27,810,284	8,977,050	18,833,234
2015	52,229,980	25,720,436	26,509,544	6,086,538	20,423,006
2014	43,500,916	24,683,220	18,817,696	5,593,132	13,224,564
2013	41,337,488	24,175,952	17,161,536	4,795,030	12,366,506

- [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 judgements, 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] "Coverage Revenues" means Net Revenues less System Development Charges.
- [5] 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.
- [6] Only current year principal payment due shown for coverage purposes.
- [7] Required minimum coverage ratios are: Net Revenues/Debt Service and Coverage Revenues/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.
- [8] On June 1, 2015, the District exercised the call provisions at par as priced in the July 28, 2005 Official Statement.

Source Tualatin Valley Water District financial records
Information reported prior to FY 2020 is in accordance with 2005 Master Bond Declaration
Information reported after FY 2019 is in accordance with August, 2019 Master Bond Declaration

Continued on next page

			Coverage Ratios ^[7]	
Debt Service ^[5]			Net Revenues	Coverage
Principal ^[6]	Interest	Total	/ Debt Service	Revenues / Debt Service
\$ -	\$ -	\$ -	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
1,280,000 ^[8]	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

Continued from previous page

TUALATIN VALLEY WATER DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	[1] District Population (Estimated)	[1] Per Capita Personal Income	[2] Revenue Bonds				Bonded Debt Per Capita	[2] Leases	Total Debt	Total Debt Per Capita	Debt as a % of Personal Income
			Principal	Interest	Amortized Defeasance	Total					
2022	224,600	\$ 72,688	\$ 103,436,353	\$ 58,183	\$ -	\$ 103,494,536	\$ 461	\$ -	\$ 103,494,536	\$ 461	0.63%
2021	222,195	69,610	-	-	-	-	-	-	-	-	0.00%
2020	216,100	66,831	-	-	-	-	-	-	-	-	0.00%
2019	214,717	63,425	-	-	-	-	8,967,417	8,967,417	42	0.07%	
2018	229,100	60,999	-	-	-	-	8,933,256	8,933,256	39	0.06%	
2017	226,360	57,502	-	-	-	-	1,021,556	1,021,556	5	0.01%	
2016	221,749	55,043	-	-	-	-	-	-	-	-	0.00%
2015	218,399	53,765	-	-	-	-	-	-	-	-	0.00%
2014	214,143	50,523	5,470,000	635,250	(54,778)	6,050,472	28	-	6,050,472	28	0.06%
2013	211,556	46,725	6,705,000	930,625	(80,249)	7,555,376	36	-	7,555,376	36	0.08%

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

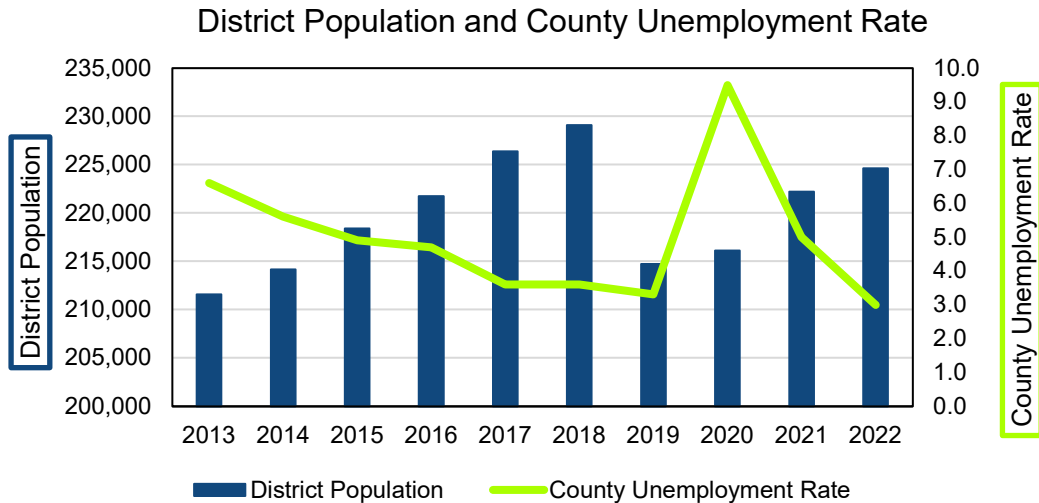
[2] From Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

	[1] District Population (Estimated)	WASHINGTON COUNTY			UNEMPLOYMENT RATE		[4] County Labor Force	[4] State Labor Force
		[2] Population	[3] Per Capita Income	Personal Income (000's)	[4] County	[4] State of Oregon		
2022	224,600 ^[5]	605,087 ^[5]	\$ 72,688 ^[5]	\$43,982,290	3.0 %	3.6 %	337,400	2,199,100
2021	222,195	600,811	69,610 ^[5]	41,822,273	5.0	5.8	326,200	2,154,100
2020	216,100	600,689	66,831	40,144,647	9.5	10.6	319,400	2,119,400
2019	214,717 ^[6]	601,592	63,425	38,155,973	3.3	3.9	323,700	2,102,700
2018	229,100	596,904	60,999	36,410,547	3.6	4.1	320,100	2,093,300
2017	226,360	591,336	57,502	34,003,003	3.6	4.1	320,200	2,096,600
2016	221,749	584,910	55,043	32,195,201	4.7	5.2	313,000	2,058,900
2015	218,399	572,664	53,765	30,789,280	4.9	5.7	300,800	1,991,000
2014	214,143	562,316	50,523	28,409,891	5.6	6.6	294,500	1,960,500
2013	211,556	555,264	46,725	25,944,710	6.6	8.0	289,300	1,938,100



[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 SUPPLY
MAJOR EMPLOYMENT INDUSTRIES IN WASHINGTON COUNTY, OREGON
CURRENT YEAR AND TEN YEARS AGO

Industry	<u>June 30, 2022</u>			<u>June 30, 2013</u>		
	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Work Force</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Work Force</u>
Professional and business services	1	54,590	18.35%	1	47,105	18.40%
Trade, transportation and utilities	2	53,810	18.08%	2	44,637	17.43%
Manufacturing	3	52,115	17.51%	3	43,722	17.08%
Education and health services	4	37,533	12.61%	4	30,909	12.07%
Leisure and hospitality	5	23,802	8.00%	6	21,402	8.36%
Government	6	22,997	7.73%	5	22,352	8.73%
Construction	7	17,696	5.95%	8	12,250	4.78%
Financial activities	8	14,791	4.97%	7	14,646	5.72%
Other services [1]	9	9,017	3.03%	9	8,359	3.26%
Information, publishing & telecomm.	10	7,512	2.52%	10	7,344	2.87%
All other industries		3,697	1.25%		3,316	1.30%
Total Employment		<u>297,560</u>	<u>100.00%</u>		<u>256,042</u>	<u>100.00%</u>

[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,			
	2022	2021	2020	2019
WATER:				
System Operations	9	9	9	9
Construction, Maintenance, and Valve crews	20	20	24	29
Water Resources, frmly Water Quality	6	5	4	5
ENGINEERING & INSPECTION:				
Engineering	8	7	8	8
Inspections	2	2	2	2
ADMINISTRATION:				
Executive Administration	8	10	10	10
Human Resources	4	2	2	2
Conservation/Public Outreach	4	4	4	4
Billing/Customer Service	17	14	14	14
Meter Reading/Field Customer Service	14	14	14	14
Finance and Accounting	12	10	11	13
Information Services	8	8	9	8
OPERATIONS ADMINISTRATION:				
Administration	4	4	5	5
Asset Management-Facilities, Fleet, GIS	10	10	7	7
Safety & Security	2	2	2	2
WILLAMETTE WATER SUPPLY PROGRAM:				
Executive Administration	2	2	2	2
Administration	2	2	3	4
Engineering	3	3	3	3
Finance and Accounting	3	2	2	1
Public Outreach	1	2	-	2
TOTAL EMPLOYEES ^[1]	139	132	135	144
Estimated district population ^[2]	^[3] 224,600	222,195	216,100	^[4] 214,717
Number of employees per 1,000 population	0.62	0.59	0.62	0.67

[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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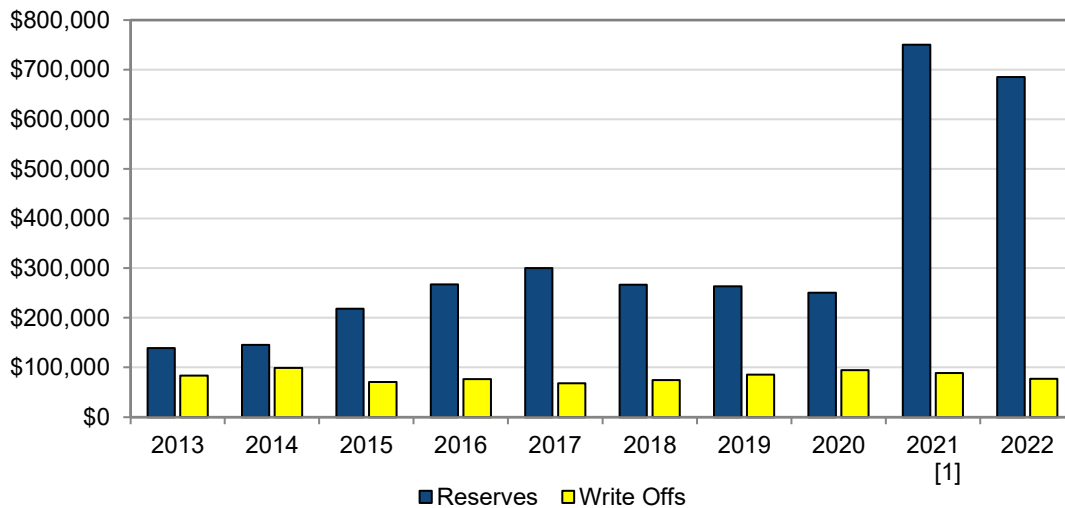
2018	2017	2016	2015	2014	2013
8	9	9	9	10	10
22	22	25	25	26	25
6	6	4	6	3	3
8	8	10	11	16	14
2	2	2	2	3	3
8	7	7	7	9	9
2	2	3	3	2	2
3	4	4	4	6	5
12	14	12	12	12	12
14	14	14	13	14	14
11	11	11	11	11	10
8	7	8	8	7	8
8	5	5	4	3	2
11	6	9	9	8	8
1	2	2	2	2	2
1	1	1	1	-	-
4	3	1	-	-	-
3	4	3	1	-	-
1	1	1	-	-	-
1	1	1	2	-	-
134	129	132	130	132	127
229,100	226,360	221,749	218,399	214,143	211,556
0.58	0.57	0.60	0.60	0.62	0.60

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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>
2022	\$ 75,794,037	\$ 76,987	0.10%	\$ 13,459,886	\$ 684,979	5.09%
2021	74,188,204	90,561	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	75,998	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%

Allowance for Doubtful Accounts vs Write Offs

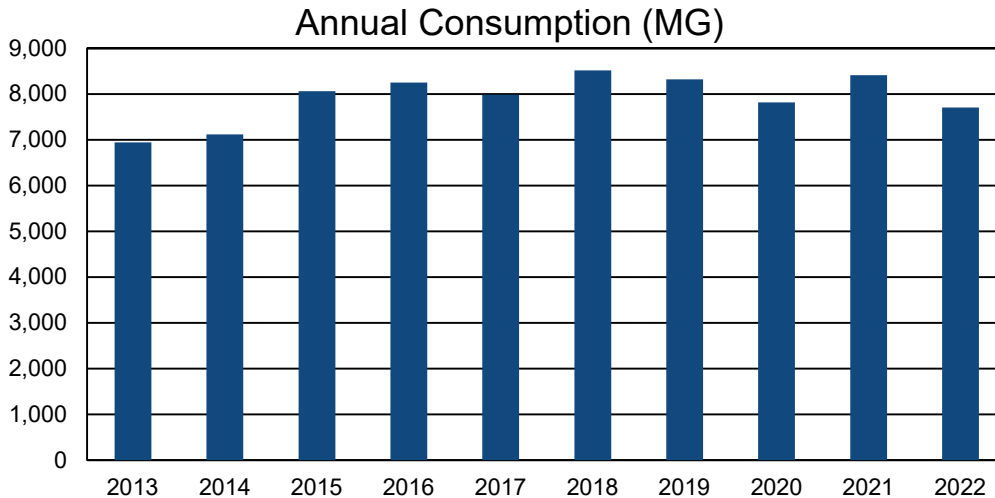


[1] The District significantly increased its Allowance for Doubtful Accounts due to its temporary policy of not shutting off customers water during the COVID-19 pandemic.

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)	Miles of Water Mains ^[1]	Number of Reservoirs	Number of Pump Stations	Peak-Day (MGD)	Average (MGD)	Minimum-Day (MGD)	Annual (MG)	Inspections Conducted
2022	67.35	759	23	14	40.83	21.11	14.53	7,704	562
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



[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



District staff partnered with Tualatin Valley Fire and Rescue firefighters for trench 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

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

The Board of Commissioners
Tualatin Valley Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tualatin Valley Water District (the District) and Willamette Water Supply System Commission (WWSSC), a component unit of the District, as of and for the year ended June 30, 2022, 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 21, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tualatin Valley Water District's and Willamette Water Supply System Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tualatin Valley Water District's and Willamette Water Supply System Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Tualatin Valley Water District's and Willamette Water Supply System Commission's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tualatin Valley Water District's and Willamette Water Supply System Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
December 21, 2022

Report of Independent Auditors Required by Oregon State Regulations

The Board of Commissioners
Tualatin Valley Water District

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of Tualatin Valley Water District (the "District") and Willamette Water Supply System Commission (WWSSC), a component of the District, as of and for the year ended June 30, 2022, 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 21, 2022.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe Tualatin Valley Water District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 or significant deficiencies may exist that have not been identified.

Purpose of this Report

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

This report is intended solely for the information and use of the board of commissioners and management of District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 21, 2022



TUALATIN VALLEY
WATER DISTRICT



TUALATIN VALLEY

WATER DISTRICT

This is the fifth publication in a biennial series of financial reports:

- 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)
- 2022-23 Financial Plan (Published May 2022)
- Annual Comprehensive Financial Report for the fiscal years ended June 30, 2022 and 2021 (Published December 2022)

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