



TUALATIN VALLEY
WATER DISTRICT

Comprehensive Annual Financial Report



Crews replace a water main

**For the fiscal years ended
June 30, 2020 and 2019**

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

www.TVWD.org

TUALATIN VALLEY WATER DISTRICT
Washington County, Oregon

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2020 and 2019

Prepared by Finance Department

TUALATIN VALLEY WATER DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Board of Commissioners, Registered Agent, and Management	3
Management's Letter of Transmittal	4
District Service Area	11
Organizational Chart	12
Government Finance Officers Association Certificate of Achievement	13
FINANCIAL SECTION	
Report of Independent Auditors	14
Management's Discussion and Analysis	16
Basic Financial Statements	
Statements of Net Position	24
Statements of Revenues, Expenses and Changes in Net Position	26
Statements of Cash Flows	27
Notes to Basic Financial Statements	29
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension (Asset)/Liability	60
Schedule of District's Pension Plan Contributions	62
Schedule of Changes in the District's Total Other Postemployment Benefit Liability	63
Schedule of Other Postemployment Benefit Contributions	64
Budgetary Basis Schedules	
Reconciliation of Revenues and Expenditures, Budgetary Basis, to the Statement of Revenues, Expenses and Changes in Net Position	65
Schedule of Revenues, Expenditures, and Transfers, Budgetary Basis, General Fund	66
Schedule of Revenues, Expenditures, and Transfers, Budgetary Basis, Capital Improvement Fund	67
Schedule of Revenues, Expenditures, and Transfers, Budgetary Basis, Capital Reserve Fund	68
Schedule of Revenues, Expenditures, and Transfers, Budgetary Basis, Debt Proceeds Fund	69
Schedule of Revenues, Expenditures, and Transfers, Budgetary Basis, Customer Emergency Assistance Fund	70

TUALATIN VALLEY WATER DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION	
Statistical Section Contents	71
Financial Trend Information	
Net Position by Component	72
Changes in Net Position	73
Operating Revenues by Source	75
Operating Expenses	76
Nonoperating Revenues and Expenses	78
Annual Capital Contribution by Source	80
Revenue Capacity Statistics	
Water Produced and Consumed	81
Bimonthly Water Rates	82
Number of Water Customers by Type and Annual Taps Sold	84
Ten Largest Customers	85
Debt Capacity Statistics	
Pledged Revenue Coverage	86
Ratio of Outstanding Debt by Type	88
Demographic and Economic Information	
Demographic and Economic Statistics	89
Major Employment Industries in Washington County, Oregon	90
Operating Information	
Water Sales, Write Offs and Bad Debt Reserves	91
Number of Employees by Identifiable Activity	92
Operating and Capital Indicators	94
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	95
Report of Independent Auditors as Required by Oregon Auditing Standards	97



TUALATIN VALLEY
WATER DISTRICT



Introductory Section



Commissioner Bernice Bagnall



Commissioner Jim Doane



Commissioner Jim Duggan



Commissioner Dick Schmidt



Commissioner Todd Sanders

Board of Commissioners Sets Policies

TVWD is governed by a five-member Board of Commissioners elected to four-year terms by voters within the District. The Board of Commissioners sets the District's policies. Board meetings are typically held the third Wednesday of each month and, when required, Board work sessions are typically held the first Tuesday of each month. Visit twwd.org for meeting dates and times.

TUALATIN VALLEY WATER DISTRICT
COMMISSIONERS AS OF JUNE 30, 2020

NAME, BOARD POSITION	FOUR YEAR TERMS
Bernice Bagnall, President	June 30, 2021
Dick Schmidt, Vice President	June 30, 2021
James Duggan, PE, Treasurer	June 30, 2021
Todd Sanders, Secretary	June 30, 2023
Jim Doane, PE, Acting Secretary	June 30, 2023

REGISTERED AGENT

Tom Hickmann, PE , Chief Executive Officer

REGISTERED OFFICE

1850 SW 170th Avenue
Beaverton, Oregon 97003

MANAGERIAL EMPLOYEES

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



TUALATIN VALLEY
WATER DISTRICT



December 28, 2020

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

We respectfully submit the Tualatin Valley Water District (the District or TVWD) Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended June 30, 2020 (FY 2020). Management is responsible for the representations contained herein. We believe the data presented is accurate in all material respects and that the manner of presentation fairly discloses the financial condition of the District as of June 30, 2020, and the results of operations for FY 2020.

Moss Adams LLP has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2020. The independent auditor's report on the District's financial statements is located in 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*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Tualatin Valley Water District

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

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

The District is located west of the City of Portland, in suburban Washington County, Oregon. The District serves unincorporated urban areas of Washington County and portions of the cities of Beaverton, Hillsboro, and Tigard. As of June 30, 2020, the District served 59,938 connections and an estimated population of 216,100.

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



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

The District also provides management and accounting services to the Willamette River Water Coalition (WRWC), the Willamette Intake Facilities (WIF) Commission, and the Willamette Water Supply System (WWSS) Commission. The District reflects its shares of the WRWC, WIF Commission and WWSS Commission as investments in joint ventures in the Statements of Net Position.

The WRWC is an entity formed by an intergovernmental agreement (IGA) of four local government agencies, including the District. The WRWC was created to develop and maintain water rights on the Willamette River for regional needs. The WRWC financial statements are prepared and reviewed as a separate entity.

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

The WWSS Commission was formed in 2019 as a joint venture of the District and the cities of Hillsboro and Beaverton. The WWSS Commission was created to construct, own, and operate the WWSS, a cost effective, reliable and resilient water supply system for the region.

The District ended FY 2020 in a strong financial position with combined cash reserves and investments of \$115.2 million. This includes resources of \$15.2 million for contingency reserves appropriated in the 2019-21 biennial budget. The District is continuing to retain a high level of reserves in anticipation of significant investments in the WWSS Commission. However, demand for water in FY2020 was significantly lower than in FY2019 as discussed in more detail later in this letter.

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).

For budgetary information on the 2019-21 biennium, please refer to the *Budgetary Basis Schedules* beginning on page 65.

Local Economy

The District is located in suburban Washington County, Oregon. Washington County's population growth has outpaced growth in the rest of the state for over two decades. In the prior five years, the County's population grew at a rate of 1.36% which is higher than the growth in population for Oregon state-wide (which was 1.24%). Based on the most recent data available, Washington County's population as of June 2020 was estimated to be 610,436 which is about 14% of the population of the state of Oregon.



Per Capita income in Washington County is the highest in Oregon. Based on the most recent Bureau of Economic Analysis data available, for 2019, the county's per capita income was \$64,043 and was approximately 20% higher than the state-wide per capita income of \$53,191.

The County's unemployment rate increased from 3.4% at the end of FY 2019 to 10.4% at the end of FY 2020, marking a sharp increase in the unemployment rate due to COVID-19 related closures. Leisure and hospitality and professional and business services showed the biggest decreases in employment during the past year. There were no industries that had reported gains as compared to the prior year. At the end of FY 2020, Washington County maintained a slightly stronger employment base as compared to the rest of the state, which had an unemployment rate of 11.7%. This trend has held steady for more than ten years. The District continues to monitor employment trends for implications to operations, customers, and water demand.

For the ten years, through FY 2018, the demand for water services provided by the District grew an average of 1.0% annually. During FY 2019 the total number of water meters serving the District's customers decreased about 5.4% and in FY 2020 they increased by less than 1.0%. In FY 2019 and FY 2020, the City of Beaverton withdrew service area from the District. This resulted in a decrease of over 4,000 meters during those two fiscal years leaving the District with a total of 59,938 meters, as of June 30, 2020.

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 5.3% of meter connections serve commercial and industrial customers. However, these customers comprised about 30% of the District's retail water usage in FY 2020. 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 usage averaged 10.4 million CCF (one hundred cubic feet, or about 748 gallons). During FY 2020, the District sold 9.32 million CCF of water, a 12.1% decrease from FY 2019. Operating revenues were \$70.1 million in FY 2020 or 4.1% lower than FY 2019. Water sales, which comprise 95% of the District operating revenues, decreased by \$3.25 million from FY 2019. Demand for water in FY2020 was impacted by weather-related decreases in demand due to a very mild summer in 2019, and the impact that the COVID-19 crises had on demand, especially for the commercial customers. The District's non-residential water revenue represented approximately 60% of the decrease in water sales from FY 2019.

A more complete discussion of the District's financial condition is presented in the MD&A beginning on page 16.



Long-term financial planning and major initiatives

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

TVWD Vision

Delivering the Best

Water ◊ Service ◊ Value

TVWD Mission

To Provide Our Community Quality Water and Customer Service

TVWD Values

Reliability ◊ Integrity ◊ Stewardship ◊ Excellence ◊ Safety

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

TUALATIN VALLEY WATER DISTRICT DESIRED RESULTS

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

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

Unrestricted net position has increased steadily as the District continues its investment in the WWSS Commission. Major goals of the WWSS Commission 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 underway and anticipated to be completed by 2026. In FY 2019, the 124th Avenue project was completed in partnership with the county, as well as early construction activities began on the Roy Rogers Road Pipeline and phase one of the Wilsonville Area Pipeline. Additionally, the District acquired property for a reservoir location at a critical location for the WWSS. In FY 2020, the WWSS Commission began work on the Raw Water Facilities project and Wilsonville Area Pipeline Projects. Additionally, the Water Treatment Plant site was annexed into the City of Sherwood.



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

The District is also planning for other improvements to its water system and to core components of its information technology and administrative infrastructure.

In FY 2018, the District executed a service area agreement with the City of Beaverton which provides certainty for District service area boundaries and a method to manage City of Beaverton withdrawals through an orderly process. The agreement is in effect until 2058.

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

The District completed construction of several pipeline replacement projects. These projects were identified as part of the mains replacement program which evaluates condition of the existing pipelines including the risk of potential failures, and prioritizes the replacement of pipelines based on a condition and a number of other factors. FY 2020 included the replacement of waterline along NW 119th Ave which was designed in house, is high pressure, and a significant connection within the District's 820 pressure zone. This pipeline is a critical component in the system. Several other pipeline replacements were designed in FY 2020 which are now in construction.

The District conducts regular water quality testing to confirm that all water meets or is better than federal and state drinking water standards. The District tested for more than 200 contaminants at multiple locations throughout the water system and customer's homes during FY 2020. These tests include substances such as lead, manganese, disinfection by-products, *E. coli*, a potentially harmful bacteria, and a variety of other contaminants related to protection of public health. In addition, the District's source waters are also tested regularly for contaminants. The Portland Water Bureau (PWB), which provides about 77% of TVWD's supply and is currently an unfiltered source, has continued to detect low levels of *Cryptosporidium* in the Bull Run Watershed during ongoing monitoring. According to the PWB and its public health partners at Multnomah County, water sourced from the Bull Run Watershed is safe to drink. However, as a customer of the PWB, the District continues to monitor the situation. The Joint Water Commission, TVWD's other primary supply originating from the upper Tualatin River Watershed, is a filtered source which uses a conventional water treatment process to remove contaminants that might occur. Together these efforts provide assurance that the District is delivering safe drinking water every day to its customers.



Financial Information

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 District 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 29. A budget is prepared biennially, by fund, to control the District's operations. During the budget process, a six-year capital improvement plan (CIP) is revised and adopted. The first two years of the six-year CIP are appropriated in the biennial budget.

2. **FY 2020 Financial Operating Results.** A discussion of the FY 2020 operating results and changes in net position is contained in the MD&A in the *Financial Section* beginning on page 16.

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

Awards

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

The District was honored to receive the following awards during FY 2020:

1. **Comprehensive Annual Financial Report.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2019. This is the 30th 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 Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. District management believes this FY



2020 Comprehensive Annual 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.

2. **Biennial Budget.** For the eighth consecutive two-year period, GFOA presented the award for Distinguished Budget Presentation to the District for its 2019-2021 Biennial Budget. To receive this award, a government must publish a budget document that meets program criteria as a policy document, financial plan, operations guide, and communications device. The award is valid for the two-year period covered by the budget.
3. **Industry Leadership.** The District received three Excellence in Communication awards from the Pacific Northwest Section of the American Water Works Association. The recent awards were for: TVWD's Cross Connection Program's Strategic Communications Plan; Game of Season's Winter Preparedness Tips Video; and the District's new website design. The Game of Season's Video also earned a National Savvy Award in the Video-Public Service Announcement (151,000+) category from the City-County Communications and Marketing Association.

Acknowledgements

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

Respectfully,



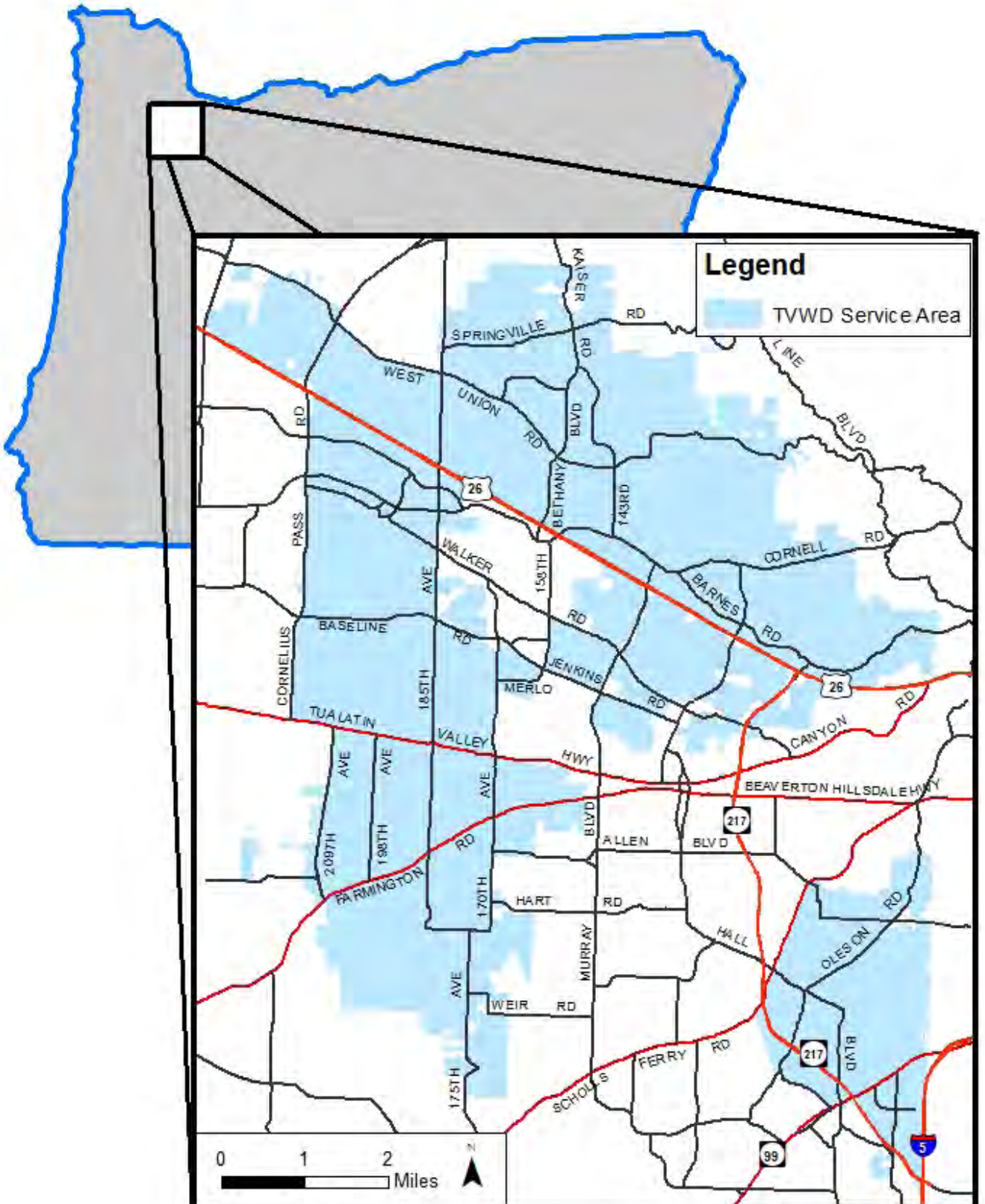
Tom Hickmann, PE
Chief Executive Officer



Paul L. Matthews
Chief Financial Officer

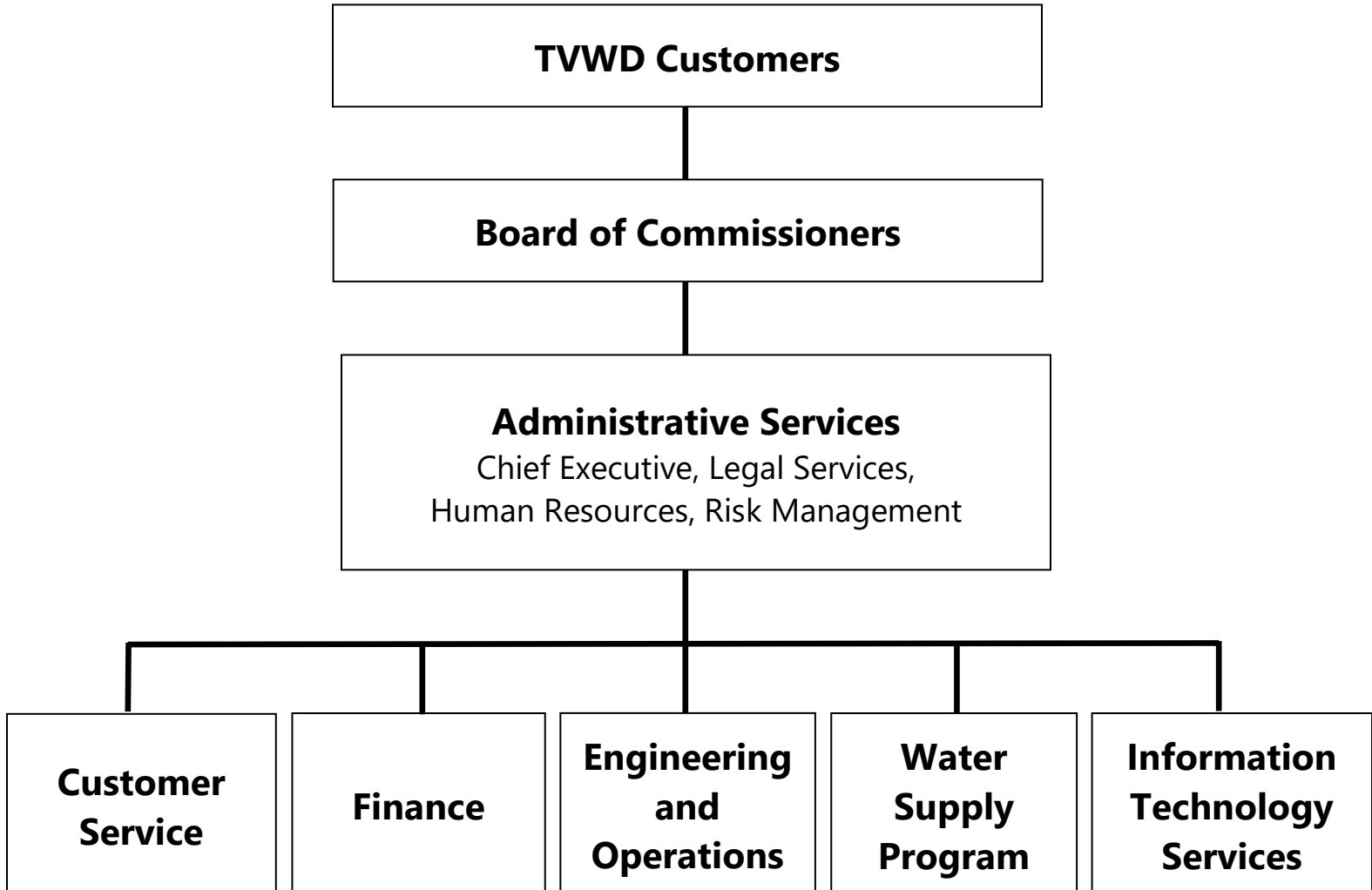


TVWD serves a population of about 216,100 people in Washington County, Oregon. The District's service area covers more than 44 square miles including portions of the cities of Beaverton, Hillsboro and Tigard, and the communities of Aloha, Bethany, Cedar Hills, Cedar Mill, Cooper Mountain, Progress, Metzger, and Rock Creek, and other unincorporated areas in Washington County. TVWD serves major employers such as Intel, Maxim Integrated Products, Nike, Reser's Fine Foods, and Providence Health Systems.





Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Tualatin Valley Water District
Oregon**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



Financial Section



Ridgewood View Reservoir and Pump Station

Our Water System

TVWD is fortunate to have multiple quality water sources for its customers. The Portland Water Bureau provides about 77% of the District's water, with the other 23% supplied from the Joint Water Commission. The District maintains 752 miles of pipe, 23 reservoirs holding 67 million gallons of water, and 12 active pump stations. During FY 2020, the District supplied about 7.67 billion gallons of water, or a little more than 21 million gallons of water per day.

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Tualatin Valley Water District (the District) which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Tualatin Valley Water District as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Budgetary Basis Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Budgetary Basis Schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Basis Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 28, 2020, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 28, 2020

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 Tualatin Valley Water District for the fiscal years ended June 30, 2020, and 2019. 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, 2020 was \$518.9 million and included net capital assets of \$223.3 million; investments in joint ventures of \$138.6 million; non-utility property of \$4.4 million; total current assets of \$136.1 million; and total deferred outflows of resources of \$16.5 million. Overall, total assets and deferred outflows of resources for the District increased 4.7% from FY 2019 and 12.1% since FY 2018.
- The District's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) on June 30, 2020, by \$487.8 million. This amount reflects an increase of \$37.5 million or 8.3% from FY 2019 and 16.9% since FY 2018. For the fiscal year ended June 30, 2020, unrestricted net position in the amount of \$266.7 million includes \$115.2 million in cash and investments that may be used to meet the District's ongoing obligations. This represents a 48.2% increase in unrestricted net position from FY 2019 and 54.9% increase since FY 2018.
- At June 30, 2020, net capital and leased assets totaled \$223.3 million, a decrease of \$56.2 million or 22.5% from FY 2019 and \$43.0 million or 16.1% since FY 2018. Long-term liabilities totaled \$19.5 million, a decrease of 23.4% from FY 2019 and 17.6% from FY 2018. These fluctuations were primarily related to assets and liabilities being transferred to the WWSS Commission, at its formation, as of July 1, 2019. The District adopted *GASB Statement No. 87, Leases* in FY 2018 which includes retrospective reporting of lease liabilities. There were no lease liabilities in FY 2020 and \$9 million in FY 2019. The District's net pension liability was \$18.2 million in FY 2020, \$15.5 million in FY 2019, and \$13.7 million in FY 2018.
- Operating revenues for FY 2020 were \$70.1 million, a decrease of \$2.9 million or 4% from FY 2019 and a 4.6% increase since FY 2018. The FY 2020 decrease was a result of decrease demand caused by weather and the impact on demand of the COVID-19 crises. The FY 2019 increase in operating revenues from FY 2018 is largely attributable to rate increases implemented by the District. The District's financial policies dictate that it adjusts rates annually to maintain sufficient revenues to support ongoing operations and current and future capital improvements.
- Operating expenses for FY 2020 were \$43 million, reflecting an overall increase of \$3.1 million or 7.8%, from FY 2019 and an increase of 11.7% since FY 2018. Water purchases increased by \$0.5 million in FY 2020 and by \$0.4 million since FY 2018. Labor and benefit costs increased by \$2.3 million or 11.6% in FY 2020 and by \$3.7 million or 20.1% since FY 2018. These variances were largely attributable to pension costs.

TUALATIN VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Overall, the District's net operating income was \$27.1 million for FY 2020 as compared to \$33.1 million in FY 2019, and \$28.5 million in FY 2018. Operating revenues continue to exceed the cost of operations. In FY 2020, the District generated an operating margin of 38.7% as compared to 45.3% in FY 2019 and 42.5% in FY 2018. Recent increases in net operating income are intended to smooth future rate increases required to support investments in the WWSS and other District capital improvements.
- Total nonoperating revenues (expenses) was \$1.9 million in FY 2020, and (\$9.1) million in FY 2019, an increase of \$11 million from FY 2019. The District had a combined \$11.5 million in losses from disposals of capital assets and discontinued capital projects in FY 2019 compared to only \$0.8 million in FY 2020. The majority of losses in disposal of capital assets in FY 2019 resulted from the City of Beaverton's withdrawal of customers and transferring ownership of the corresponding infrastructure.
- At June 30, 2020 the District reported a net pension liability of \$18.2 million, an increase of \$2.7 million or 16.9% from the net pension liability of \$15.5 million reported in FY 2019, and an increase of \$4.5 million or 32.9% since FY 2018. The District reported pension expense of \$3.0 million in FY 2020 and \$1.3 million in FY 2019. For more information, refer to the *Pension Plans* section beginning on page 46 in *Notes to Basic Financial Statements*.
- The District's total OPEB liability increased from \$1.1 million in FY 2019 to \$1.4 million in FY 2020, an increase of 27.3%. For more information, refer to *Postemployment Benefits Other Than Pensions* on page 55 in the *Notes to Basic Financial Statements*.
- The District owns several properties that contain water storage reservoirs, pump stations, administrative facilities, and other properties earmarked 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 Tualatin Valley Water 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*, and 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 is improving or deteriorating over time. These statements include the District's 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 the District's creditors (liabilities). They also provide the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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 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 19, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$487.8 million on June 30, 2020 and reflects an increase of \$37.5 million or 8.3% and \$70.5 million or 16.9% over the District's net position at the close of FY 2019 and FY 2018, respectively.

Other than unrestricted net assets, net investment in capital assets is the largest portion of the District's net position (\$221.1 million or 45.3% of total net position at June 30, 2020), and includes the District's investment in land, buildings, equipment, reservoirs, and pipelines, net of related liabilities. The District uses these capital assets to provide water service to customers; consequently, these assets are not available for future spending. The remaining balance of the District's net position at June 30, 2020 was \$266.7 million and is unrestricted and includes \$115.2 million in cash and investments that may be used to meet the District's ongoing obligations.

Investments in joint ventures consist of capital improvements the District has participated in funding at the Joint Water Commission (JWC), the Barney Reservoir Joint Ownership Commission (BRJOC), the Willamette River Water Coalition (WRWC), the Willamette Intake Facilities Commission (WIF), and the WWSS Commission. Losses at JWC, BRJOC, and WIF consist of depreciation of the plant assets allocated to the partners. The WWSS Commission was created in July 2019 as a joint venture to own, operate and maintain the WWSS. For more information, refer to Investments in Joint Ventures on page 38 in *Notes to Basic Financial Statements*.

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
Net Position (in millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Difference 2020-2019</u>	<u>Difference 2020-2018</u>
ASSETS					
Current assets	\$ 136.1	\$ 148.7	\$ 141.1	\$ (12.6)	\$ (5.0)
Investments in joint ventures	138.6	48.5	45.9	90.1	92.7
Leased Assets	-	8.5	8.7	(8.5)	(8.7)
Non-utility property	4.4	4.4	4.4	-	-
Capital assets	<u>223.3</u>	<u>279.5</u>	<u>257.6</u>	<u>(56.2)</u>	<u>(34.3)</u>
Total Assets	<u>502.4</u>	<u>489.6</u>	<u>457.7</u>	<u>12.8</u>	<u>44.7</u>
Deferred outflows of resources	<u>16.5</u>	<u>6.0</u>	<u>5.0</u>	<u>10.5</u>	<u>11.5</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 518.9</u>	<u>\$ 495.6</u>	<u>\$ 462.7</u>	<u>\$ 23.3</u>	<u>\$ 56.2</u>
LIABILITIES					
Current liabilities	\$ 10.2	\$ 18.1	\$ 20.5	\$ (7.9)	\$ (10.3)
Long-term liabilities	<u>19.5</u>	<u>25.6</u>	<u>23.8</u>	<u>(6.1)</u>	<u>(4.3)</u>
Total Liabilities	<u>29.7</u>	<u>43.7</u>	<u>44.3</u>	<u>(14.0)</u>	<u>(14.6)</u>
DEFERRED INFLOWS OF RESOURCES	1.4	1.6	1.1	(0.2)	0.3
NET POSITION					
Net investment in capital assets	221.1	267.7	242.5	(46.6)	(21.4)
Restricted	-	2.6	2.6	(2.6)	(2.6)
Unrestricted	<u>266.7</u>	<u>180.0</u>	<u>172.2</u>	<u>86.7</u>	<u>94.5</u>
Net Position	<u>487.8</u>	<u>450.3</u>	<u>417.3</u>	<u>37.5</u>	<u>70.5</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 518.9</u>	<u>\$ 495.6</u>	<u>\$ 462.7</u>	<u>\$ 23.3</u>	<u>\$ 56.2</u>

Change in Net Position

As shown in Table 2 on the next page, the District's net position increased by \$37.5 million during FY 2020, an increase of 13.6% or \$4.5 million from FY 2019 but a decrease of 3.8% or \$1.5 million since FY 2018. The District's changes in net position were due to the combined changes of the following major components:

- The District generated \$70.1 million in operating revenues, a decrease of \$2.9 million or 4% from FY 2019, and an increase of \$3.1 million or 4.6% since FY 2018. The District, in compliance with its *Financial Management Policies*, continues to maintain revenue sufficiency by adjusting rates annually. Rate increases are based on cost-of-service principles and an assessment of the revenue required to fund current and future operations and capital improvements.
- Operating expenses, net of operating expenses capitalized, was \$43 million FY 2020. This is an increase of \$3.1 million or 7.8% from \$39.9 million in FY 2019 and an increase of \$4.5 million or

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

11.7% in FY 2018, primarily resulting from increases in labor and benefit expenses due to increased pension expense. Operations and maintenance expenses decreased by \$0.4 million or 5% from FY 2019 and increased by \$0.9 million or 13.4% since FY 2018.

- The District generated net operating income of \$27.1 million in FY 2020, which produced an operating margin of 38.7% as compared to 45.3% in FY 2019 and 42.5% in FY 2018. Operating revenues continue to exceed operating expenses as required by District *Financial Management Policies*, and the District remains in a healthy financial condition.
- Total nonoperating revenues (expenses) were \$1.9 million in FY 2020 as compared to (\$9.1) million in FY 2019 and \$1.7 million in FY 2018. Significant components of this change were due to the City of Beaverton's withdrawal of customers and resulting transfer of infrastructure formerly owned by the District.
- Contributions of capital for FY 2020 were \$8.5 million as compared to \$9.0 million in FY 2019 and \$8.8 million in FY 2018. Capital contributions vary year-to-year based on the level of development activity.

Table 2
Change in Net Position (in millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Difference 2020-2019</u>	<u>Difference 2020-2018</u>
OPERATING REVENUES					
Water and other services	\$ 70.1	\$ 73.0	\$ 67.0	\$ (2.9)	\$ 3.1
OPERATING EXPENSES					
Water purchased	10.6	10.1	10.2	0.5	0.4
Labor and benefits	22.1	19.8	18.4	2.3	3.7
Operations and maintenance	7.6	8.0	6.7	(0.4)	0.9
Depreciation expense	7.0	6.9	7.3	0.1	(0.3)
Less: operating expenses capitalized	<u>(4.3)</u>	<u>(4.9)</u>	<u>(4.1)</u>	<u>0.6</u>	<u>(0.2)</u>
Total Operating Expense	43.0	39.9	38.5	3.1	4.5
NET OPERATING INCOME	27.1	33.1	28.5	(6.0)	(1.4)
NONOPERATING REVENUES (EXPENSES)					
Discontinued capital projects	-	(2.4)	-	2.4	-
Loss in equity in joint ventures	(1.5)	(0.8)	(0.8)	(0.7)	(0.7)
Interest income	2.7	2.8	1.7	(0.1)	1.0
Unrealized gain (loss) on investments	1.0	1.1	(0.3)	(0.1)	1.3
Interest expense	-	(0.3)	(0.3)	0.3	0.3
Pension Employer Incentive Fund revenue	0.9	-	-	0.9	0.9
Gain (loss) on disposal of capital assets, net	(1.2)	(9.1)	1.3	7.9	(2.5)
Other nonoperating revenues (expenses)	<u>-</u>	<u>(0.4)</u>	<u>0.1</u>	<u>0.4</u>	<u>(0.1)</u>
Total Nonoperating Revenues (Expenses)	1.9	(9.1)	1.7	11.0	0.2
Capital contributions	<u>8.5</u>	<u>9.0</u>	<u>8.8</u>	<u>(0.5)</u>	<u>(0.3)</u>
Changes in net position	37.5	33.0	39.0	4.5	(1.5)
Net position, Beginning of year	<u>450.3</u>	<u>417.3</u>	<u>378.3</u>	<u>33.0</u>	<u>72.0</u>
Net position, End of year	<u>\$ 487.8</u>	<u>\$ 450.3</u>	<u>\$ 417.3</u>	<u>\$ 37.5</u>	<u>\$ 70.5</u>

TUALATIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

Water sales, which comprised 94.5% of the District operating revenues in FY 2020, decreased by \$3.3 million or 4.7% from FY 2019. Water sales have increased by \$2.5 million or 3.9% since 2018, largely because of rate increases to cover operating costs and infrastructure needs. Other operating revenues were \$3.9 million in FY 2020, an increase of \$0.3 million from FY 2019 and of \$0.7 million from FY 2018. 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.

Table 3
Total Revenues and Total Expenses (in millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Difference 2020-2019</u>	<u>Difference 2020-2018</u>
Operating Revenues	\$ 70.1	\$ 73.0	\$ 67.0	\$ (2.9)	\$ 3.1
Non-Operating Revenues	4.6	4.0	3.1	0.6	1.5
Contributed Capital	<u>8.5</u>	<u>9.0</u>	<u>8.8</u>	<u>(0.5)</u>	<u>(0.3)</u>
Total Revenues	\$ 83.2	\$ 86.0	\$ 78.9	\$ (2.8)	\$ 4.3
Operating Expenses	43.0	39.9	38.5	3.1	4.5
Non-Operating Expenses	<u>2.7</u>	<u>13.1</u>	<u>1.4</u>	<u>(10.4)</u>	<u>1.3</u>
Total Expenses	<u>45.7</u>	<u>53.0</u>	<u>39.9</u>	<u>(7.3)</u>	<u>5.8</u>
Change in Net Position	<u>\$ 37.5</u>	<u>\$ 33.0</u>	<u>\$ 39.0</u>	<u>\$ 4.5</u>	<u>\$ (1.5)</u>

Capital Asset and Debt Administration

Long-Term Debt Activity

As a result of implementing GASB 87, the District reported leased assets and liabilities in FY 2019. Effective July 1, 2019 (FY 2020), the District transferred these leases to the WWSS Commission since they pertained to that entity. The District had no bonded indebtedness at June 30, 2020, 2019 and 2018. For more information, refer to Long-Term Liabilities on page 45 in *Notes to Basic Financial Statements*.

TUALATIN VALLEY WATER DISTRICT

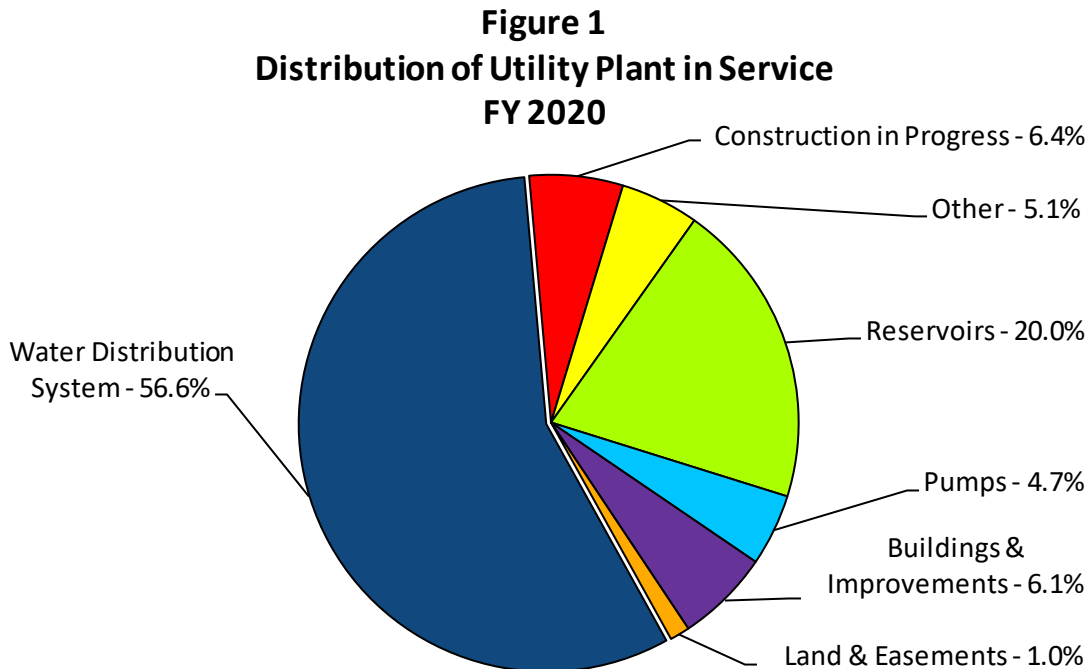
MANAGEMENT'S DISCUSSION AND ANALYSIS

Joint Ventures and Capital Assets Activity

The District has investments in the following joint ventures: JWC, BRJOC, WRWC, WIF and WWSS Commission. Losses recorded by the JWC related to the District were \$0.4 million for FY 2020, \$0.4 million for FY 2019, and \$0.5 million for FY 2018. This 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 2020, 2019, and 2018. The WRWC recorded losses of \$0.03 million for FY 2020, \$0.04 million for FY 2019 and \$0.04 million for FY 2018. The WIF recorded losses of \$0.1 million in fiscal years 2020, 2019 and 2018. The WWSS Commission recorded a loss of \$0.7 million in FY 2020 which was mostly made up of depreciation and interest expense, related to its leased assets and corresponding lease liabilities. See page 38 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, 2020, were \$223.3 million and at June 30, 2019, \$279.5 million. The District's capital assets include \$24.9 million in non-depreciable land, easements and construction in progress; and \$311 million (before depreciation) in buildings, reservoirs, pipelines, pump stations, office, automotive, and construction equipment. The District has no leased assets at June 30, 2020, and \$8.5 million at June 30, 2019. Leased assets consisted of office space and a ground lease which were transferred to the WWSS Commission as of July 1, 2019. Overall, net capital assets decreased \$56.2 million or 20.1% from FY 2019, and \$34.3 million or 13.3% since FY 2018. This net decrease represents the amounts transferred to the WWSS at July 1, 2019 plus depreciation for FY 2020. Additional information on the District's capital assets can be found in the *Notes to Basic Financial Statements* on page

Figure 1 shows the District's capital and leased asset categories and their percentage proportion of the District's total capital asset value in FY 2020.



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. The District continued to serve these customers as described in the IGA on an interim service basis.

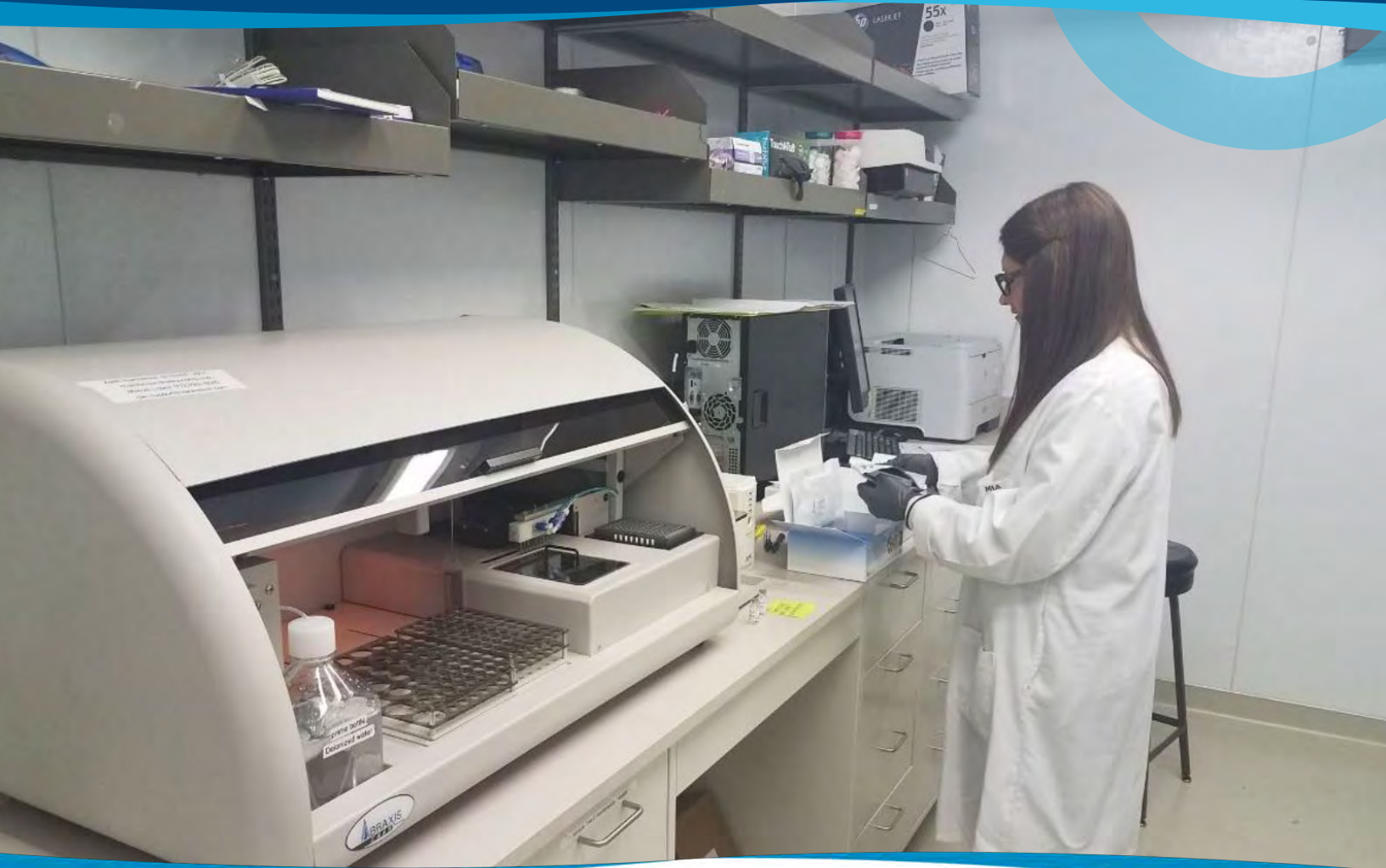
In February 2019, the District and the City of Hillsboro applied to the U.S. Environmental Protection Agency for long-term, low-cost supplemental loans from the Water Infrastructure Finance and Innovation Act (WIFIA) to construct the WWSS. The District closed its \$387.7 million WIFIA loan at 2.39% on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

Requests for Information

The financial report is designed to provide a general overview of Tualatin Valley Water District's finances for all those with an interest in 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.



Basic Financial Statements



A lab employee tests a water sample

Safeguarding the Quality of Our Water

TVWD is proud to deliver safe, reliable drinking water that complies with 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. Visit tvwd.org/wqreport for more information.

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TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 37,796,949	\$ 37,724,501
Cash and cash equivalents - restricted	-	2,588,788
Investments	77,379,763	86,350,120
Accounts receivable, net	18,950,116	18,550,948
Deposits	-	26,236
Accrued interest receivable	366,472	418,299
Materials and supplies	1,408,296	1,392,555
Prepaid expenses	216,383	1,704,737
Total Current Assets	136,117,979	148,756,184
Noncurrent Assets		
Investment in Joint Ventures	138,640,448	48,473,746
Non-utility property	4,413,857	4,413,857
Leased assets, net of accumulated amortization	-	8,481,806
Land, easements and construction in progress	24,879,201	81,476,868
Utility plant in service, less accumulated depreciation	198,435,133	198,053,965
Total Noncurrent Assets	366,368,639	340,900,242
DEFERRED OUTFLOW OF RESOURCES		
Pension	16,225,848	5,970,966
Other postemployment benefits	237,741	24,717
Total Deferred Outflows of Resources	16,463,589	5,995,683
Total Assets and Deferred Outflows of Resources	\$ 518,950,207	\$ 495,652,109

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The accompanying notes are an integral part of the financial statements

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 7,316,455	\$ 14,631,349
Retainage payable	225,054	981,626
Accrued payroll and related expenses	1,478,382	1,386,823
Accrued compensated absences	1,015,372	947,857
Deposits from developers	202,171	138,923
Total Current Liabilities	<u>10,237,434</u>	<u>18,086,578</u>
Long-term liabilities, net of current portion		
Net pension liability	18,155,926	15,528,994
Total other postemployment benefits liability	1,406,637	1,129,069
Lease liabilities	-	8,967,417
Total Long-term Liabilities	<u>19,562,563</u>	<u>25,625,480</u>
 Total Liabilities	 29,799,997	 43,712,058
DEFERRED INFLOWS OF RESOURCES		
Pension	863,706	1,061,364
Other postemployment benefits	508,663	566,453
Total Deferred Inflows of Resources	<u>1,372,369</u>	<u>1,627,817</u>
NET POSITION		
Net investment in capital assets	221,070,752	267,673,981
Restricted for capital projects	-	2,588,788
Unrestricted	266,707,089	180,049,465
Total Net Position	<u>487,777,841</u>	<u>450,312,234</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 518,950,207</u>	 <u>\$ 495,652,109</u>

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TUALATIN VALLEY
WATER DISTRICT

TUALATIN VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Water service	\$ 66,198,211	\$ 69,451,031
Administrative services	3,888,547	3,633,228
Total Operating Revenues	70,086,758	73,084,259
OPERATING EXPENSES		
Water purchased	10,632,559	10,050,276
Labor and benefits	22,086,542	19,824,271
Maintenance and repairs	1,800,179	2,048,506
General and administrative	5,304,460	5,533,112
Electricity and other utilities	142,621	146,428
Supplies	305,839	315,926
Depreciation and amortization expense	7,046,956	6,896,192
Less: operating expenses capitalized	(4,316,745)	(4,904,995)
Total Operating Expenses	43,002,411	39,909,716
Net Operating Income	27,084,347	33,174,543
NONOPERATING REVENUES (EXPENSES)		
Discontinued capital projects	-	(2,346,275)
Loss in equity in joint ventures	(1,542,432)	(836,783)
Interest income	2,704,937	2,769,322
Unrealized gain on investments	1,006,613	1,127,490
Interest expense	(382)	(291,492)
Pension Employer Incentive Fund revenue	860,559	-
Loss on disposals and transfers of capital assets, net	(1,169,532)	(9,125,528)
Other nonoperating revenues (expenses)	43,316	(418,021)
Total Nonoperating Revenues (Expenses)	1,903,079	(9,121,287)
Capital Contributions	8,478,181	8,973,748
Changes in Net Position	37,465,607	33,027,004
Net Position, beginning of year	450,312,234	417,285,230
Net Position, end of year	\$ 487,777,841	\$ 450,312,234

The accompanying notes are an integral part of the financial statements

TUALATIN VALLEY WATER DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 65,799,043	\$ 68,717,110
Payments to suppliers for goods and services	(20,504,797)	(17,462,527)
Payments to employees for services	(18,885,763)	(18,332,356)
Payments from other entities	3,978,031	3,710,461
Net cash provided by operating activities	30,386,514	36,632,688
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(14,794,667)	(40,140,488)
Proceeds from the sale of assets	(296,331)	2,035,496
Capital contributions	7,936,638	6,991,959
Interest paid	(382)	(257,331)
Net cash used for capital and related financing activities	(7,154,742)	(31,370,364)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sales and maturities of investments	47,041,430	32,008,411
Purchase of investments	(36,862,912)	(44,883,261)
Cash payments to pension side accounts	(10,000,000)	-
Interest on investments	2,555,216	2,651,513
Investment in joint ventures	(28,903,006)	(3,402,835)
Rental income	80,347	81,978
Net cash used for investing activities	(26,088,925)	(13,544,194)
Net Decrease in Cash and Cash Equivalents	(2,857,153)	(8,281,870)
Cash and Cash Equivalents, beginning of year	40,313,289	48,595,159
Cash and Cash Equivalents, end of year	\$ 37,456,136	\$ 40,313,289

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The accompanying notes are an integral part of the financial statements

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FROM OPERATING ACTIVITIES		
Operating Income	\$ 27,084,347	\$ 33,174,543
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	7,046,956	6,896,192
Pension expense	3,034,951	1,352,729
OPEB expense	6,754	(36,180)
Changes in operating accounts:		
Accounts receivable	(399,168)	(733,921)
Inventory of materials and supplies	(15,741)	240,062
Prepaid expenses	1,488,354	(1,339,821)
Accounts and retainage payable	(8,108,497)	(3,173,515)
Accrued payroll liabilities	159,074	175,366
Deposits	89,484	77,233
	<u>\$ 30,386,514</u>	<u>\$ 36,632,688</u>
Net cash provided by operating activities		
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital assets contributed by developers	\$ -	\$ 1,981,789
Net loss in investment in joint ventures	(1,542,432)	(836,783)
Unrealized gain due to change of investment portfolio valuation	1,006,613	1,127,490
Capital assets abandoned and decommissioned	-	1,837,230
Capital assets contributed to joint venture	63,918,749	-
PERS Employer Incentive Fund (EIF) Contribution	860,559	-

Continued from previous page

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

DESCRIPTION OF THE DISTRICT

The District

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

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

The District purchases approximately 77% 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 and is renewable in June 2026, and every ten years thereafter, unless a 5-year notice is provided by either party.

The remainder of the District's water is supplied by the Joint Water Commission (JWC) and the Barney Reservoir Joint Ownership Commission (BRJOC), pursuant to a perpetual Water Service Agreement among the cities of Hillsboro, Forest Grove, and Beaverton 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

Tualatin Valley Water 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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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

The District has ownership positions in five joint ventures. One is a source of raw water, the Barney Reservoir Joint Ownership Commission (BRJOC). The second is for treatment and transmission of water, the Joint Water Commission (JWC). The third is the Willamette River Water Coalition (WRWC), to coordinate water rights on the Willamette River. The fourth is the Willamette Intake Facilities Commission (WIF), to manage, operate and provide for the capital needs of the Willamette Intake Facility which are used to withdraw and transmit water to its members. The fifth is the Willamette Water Supply System Commission (WWSSC), to own, operate and maintain the Willamette Water Supply System (WWSS) in order to supply potable water to the District, Hillsboro, and Beaverton. The District reports its share of income or loss on these joint ventures using the equity method.

The BRJOC is a joint venture of the District and four other entities consisting of Clean Water Services and the cities of Hillsboro, Beaverton, and Forest Grove. The financial statements may be obtained from the City of Hillsboro, Finance Department, 150 East Main Street, Fifth Floor, Hillsboro, Oregon 97123.

The JWC is a joint venture of the District, and the cities of Hillsboro, Beaverton, and Forest Grove. The financial statements may be obtained from the City of Hillsboro, Finance Department, 150 East Main Street, Fifth Floor, Hillsboro, Oregon 97123.

The WRWC is a joint venture of the District and the cities of Sherwood, Tigard, and Tualatin. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

The WIF is a joint venture of the District and the cities of Hillsboro, Beaverton, Sherwood, Tigard, and Wilsonville. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

The WWSS is a joint venture of the District and the cities of Hillsboro and Beaverton. The financial statements may be obtained from the Tualatin Valley Water District, Finance Department, 1850 NW 170th Avenue, Beaverton, OR 97003.

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 includes; water service, 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, 2020 AND 2019

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 could also include 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 governmental entities to report certain investments at fair value in the Statements of Net Position.

Cash and investments are valued at fair value in the basic financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical instruments in active markets. Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

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

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, 2020 AND 2019

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. Restricted cash and equivalents reported at June 30, 2019 consisted of funds restricted by an external party to be used for capital outlay for the Willamette Water Supply Program (WWSP). This is no longer a restriction of funds for the District as of July 1, 2019.

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.

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
Water distribution system	50
Water treatment plants	50-75
Joint Facilities	50
Reservoirs	35-50
Pumps	10-30
Machinery and equipment	3-20

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Leased Assets

Leased assets are reported at the initial measurement of the lease liability adjusted by initial direct costs and payments made to the lessor at the commencement of the lease, less any lease incentives. Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Net Position

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

Deferred Inflows and Outflows of Resources

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

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

Pensions

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, deferred inflows and outflows of resources, revenues, and expenses as of, and for the years ended June 30, 2020 and 2019. Actual results may differ from such estimates.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Accrued Compensated Absences

Permanent full-time and permanent 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. The District's liability for accrued vacation and compensatory time is reported as a current liability in the financial statements, as amounts paid each year for compensated absences tend to exceed the annual accrual.

Lease Liabilities

Lease liabilities are initially measured at the present value of payments expected to be made during the lease term, including fixed and variable payments, residual guarantees, termination penalties, lease incentives, and any other payments reasonably certain to be made in accordance with the lease agreement.

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

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

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The Board of Commissioners may transfer 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. The Board approved three supplemental budgets during the year ended June 30, 2019.

Funds

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

General Fund

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

Capital Improvement Fund

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

Capital Reserve Fund

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

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, debt principal and interest for revenue bonds. The principal source of revenue currently will consist of draws from the District's Water Infrastructure Finance and Innovation Act (WIFIA) loan which is to fund the District's investment in the construction of the WWSS and WIF.

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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

CASH AND INVESTMENTS

The District maintains substantially all investments in one pool. Earnings are allocated to the funds based on the portion of the pool held daily. Investments earned an average yield of 2.30% and 2.21% in fiscal years ended June 30, 2020 and 2019, respectively.

	2020	2019
Cash and cash equivalents - unrestricted	\$ 37,796,949	\$ 37,724,501
Cash and cash equivalents - restricted	-	2,588,788
Total cash and cash equivalents	37,796,949	40,313,289
Investments	77,379,763	86,350,120
Total Cash and Cash Equivalents and Investments	\$ 115,176,712	\$ 126,663,409

	2020	2019
Cash on hand	\$ 942	\$ 1,000
Checking and money market accounts	2,198,018	1,208,804
Oregon State Treasurer's		
Short-Term Investment Fund	35,597,989	39,103,485
Total Cash and Cash Equivalents	\$ 37,796,949	\$ 40,313,289

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

Investments	Ratings: Moody's / S&P	Effective Duration In Years	2020	2019	Level Inputs
US Government securities					
Federal Home Loan Banks	Aaa/AA+	0.96	\$ 11,222,820	\$ 18,147,090	2
Federal National Mortgage Association	Aaa/AA+	1.12	3,035,760	11,951,440	2
Federal Home Loan Mortgage Corporation	Aaa/AA+	1.80	5,014,920	11,008,020	2
Federal Farm Credit Banks	Aaa/AA+	0.92	22,412,500	22,164,830	2
Municipal Bonds		1.94	3,420,183	3,136,740	2
Corporate Bonds	AA+, AA, AA-, AAA/ Aa1, Aa2, Aaa, Aa3	2.16	9,824,410	6,053,040	2
US Treasury Notes		1.14	22,449,170	13,888,960	1
Total Investments		1.26	77,379,763	86,350,120	
Oregon State Treasurer's Local Government Investment Pool (LGIP)		1.43	35,597,989	39,103,485	**
Total Investments and LGIP		1.31	\$ 112,977,752	\$ 125,453,605	

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020:

- 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, 2020.

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%

The maximum amount of investments to be placed in the LGIP by an Oregon local government is limited by Oregon Statute to \$50,400,000. This amount increases by the US City Average Consumer Price Index annually on September 1. The limit can be temporarily exceeded for ten consecutive business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Custodial Credit Risk

At June 30, 2020, the book balance of the District's bank deposits (checking accounts) was \$2,198,018 and the bank balance was \$1,758,738. 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 relevant ORS, deposits in excess of federal depository insurance are held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by, and in the name of, the Office of the State Treasurer.

ACCOUNTS RECEIVABLE

	June 30,	
	2020	2019
Water usage charges receivable	\$ 2,350,615	\$ 2,309,983
Unbilled water usage revenue accrued	8,424,234	9,522,561
Other receivables	8,425,267	6,981,489
	19,200,116	18,814,033
Allowance for doubtful accounts	(250,000)	(263,085)
Total Accounts Receivable, net	\$ 18,950,116	\$ 18,550,948

ACCOUNTS AND RETAINAGE PAYABLE

	June 30,	
	2020	2019
Accounts Payable - Operating related	\$ 5,297,927	\$ 4,241,734
Accounts Payable - Capital related	2,018,528	10,389,615
Retainage Payable - Capital related	225,054	-
Total Accounts and Retainage Payable	\$ 7,541,509	\$ 14,631,349

INVESTMENTS IN JOINT VENTURES

Joint Water Commission

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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:

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

Barney Reservoir Joint Ownership Commission

The Barney Reservoir Joint Ownership Commission (BRJOC) was organized under ORS 190 and established an agreement among the District, Clean Water Services, and the cities of Hillsboro, Forest Grove, and Beaverton. The purpose of the BRJOC is to own and operate the Barney Reservoir.

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

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

Willamette Intake Facilities Commission

The Willamette Intake Facilities Commission (WIF) was organized in April 2018 under ORS 190 and established an agreement among the District and the cities of Hillsboro, Sherwood, Tigard, Beaverton, and Wilsonville. The purpose of the WIF is to manage, operate and provide for the capital needs for the Willamette Intake Facility.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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% is 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 WIF (see rates below). Operations, maintenance, and repair expenses unrelated to usage will be allocated based on each party's proportionate ownership of the WIF.

The percentage share of the capacity ownership of the joint venturers in the WIF at June 30, 2020, were as follows:

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

Willamette River Water Coalition

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

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, 2020, were based on number of water meters served, as noted above:

City of Tigard	22.7 %
City of Tualatin	16.0
City of Sherwood	15.6
Tualatin Valley Water District	45.7

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Willamette Water Supply System Commission

Willamette Water Supply System Commission (WWSSC) was organized in July 2019 under ORS 190 and was established by an agreement between the District and the cities of Hillsboro and Beaverton. The WWSSC is governed by a three-member board, with one representative appointed by each venturer. The purpose of the WWSSC is to provide water supply facilities beginning at the Willamette Intake Facilities system separation point and continuing to the points of delivery (turnouts). The WWSSC is managed by the District.

Expenses are allocated using two techniques: 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.

The following ownership percentages were in effect at June 30, 2020:

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

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

	<u>Joint Water Commission</u>	<u>Barney Reservoir Joint Venture</u>	<u>Willamette River Water Coalition</u>	<u>Willamette Intake Facility</u>	<u>Willamette Water Supply System</u>	<u>Total</u>
Balance at						
June 30, 2018	\$ 34,758,721	\$ 8,209,654	\$ (5,533)	\$ 2,944,852	\$ -	\$ 45,907,694
Investments	2,245,867	17,499	37,766	1,101,703	-	3,402,835
Loss for the year	<u>(435,661)</u>	<u>(272,496)</u>	<u>(35,252)</u>	<u>(93,374)</u>	<u>-</u>	<u>(836,783)</u>
Balance at						
June 30, 2019	36,568,927	7,954,657	(3,019)	3,953,181	-	48,473,746
Investments	913,052	91,624	38,795	304,491	90,361,172	91,709,134
Loss for the year	<u>(427,604)</u>	<u>(270,316)</u>	<u>(29,929)</u>	<u>(97,716)</u>	<u>(716,867)</u>	<u>(1,542,432)</u>
Balance at						
June 30, 2020	<u>\$ 37,054,375</u>	<u>\$ 7,775,965</u>	<u>\$ 5,847</u>	<u>\$ 4,159,956</u>	<u>\$ 89,644,305</u>	<u>\$ 138,640,448</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

CAPITAL ASSETS

The changes in components of capital assets for the year ended June 30, 2020, were as follows:

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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

	Balance June 30, 2018	Additions	Transfers	Disposals	Balance June 30, 2019
Nondepreciable Capital assets:					
Land and easements	\$ 3,487,910	\$ -	\$ -	\$ (4,988)	\$ 3,482,922
Construction in progress	<u>59,552,900</u>	<u>40,140,488</u>	<u>(17,589,047)</u>	<u>(4,110,395)</u>	<u>77,993,946</u>
Total Nondepreciable Capital Assets	63,040,810	40,140,488	(17,589,047)	(4,115,383)	81,476,868
Utility Plant in Service:					
Buildings and improvements	20,315,766	-	21,696	-	20,337,462
Investment in joint facilities	983,518	-	-	-	983,518
Water treatment plants	5,823,909	-	-	-	5,823,909
Water distribution system	199,964,569	1,981,789	4,494,588	(19,454,592)	186,986,354
Reservoirs	52,097,922	-	12,356,457	(24,454)	64,429,925
Pumps	15,757,763	-	-	-	15,757,763
Machinery and equipment	<u>9,706,929</u>	<u>-</u>	<u>716,306</u>	<u>(505,798)</u>	<u>9,917,437</u>
Total Utility plant in service	304,650,376	1,981,789	17,589,047	(19,984,844)	304,236,368
Accumulated Depreciation:					
Buildings and improvements	(7,549,439)	(724,965)	-	-	(8,274,404)
Investment in joint facilities	(381,900)	(31,423)	-	-	(413,323)
Water treatment plants	(1,839,118)	(140,478)	-	-	(1,979,596)
Water distribution system	(77,679,633)	(3,541,532)	-	10,095,166	(71,125,999)
Reservoirs	(10,904,168)	(1,056,511)	-	24,454	(11,936,225)
Pumps	(4,747,905)	(357,675)	-	-	(5,105,580)
Machinery and equipment	<u>(6,994,123)</u>	<u>(826,461)</u>	<u>-</u>	<u>473,308</u>	<u>(7,347,276)</u>
Total Accumulated Depreciation	(110,096,286)	(6,679,045)	-	10,592,928	(106,182,403)
Total Utility Plant in Service, net	<u>194,554,090</u>	<u>(4,697,256)</u>	<u>17,589,047</u>	<u>(9,391,916)</u>	<u>198,053,965</u>
Total Capital Assets, net	<u>\$ 257,594,900</u>	<u>\$35,443,232</u>	<u>\$ -</u>	<u>\$ (13,507,299)</u>	<u>\$ 279,530,833</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Effective July 1, 2018, the District and the City of Beaverton (the City) entered into an intergovernmental agreement (IGA) providing the framework for the City to withdraw specific areas within the District's service area. Once withdrawn, customers located within the withdrawn areas would eventually become customers of the City. This resulted in transfers of customers served by the District to the City of 3,947 during FY 2019, and 291 during FY 2020. The IGA also resulted in transfer of ownership of certain assets located within the areas of withdrawal to the City. Total value of assets transferred was approximately \$19.3 million and \$1.0 million for fiscal years ended June 30, 2019 and 2020, respectively, with a net book value of approximately \$9.3 million and \$0.6 million for the fiscal years ended June 30, 2019 and 2020, respectively.

As of June 30, 2019, a well on District property was determined to need decommissioning due to biological fouling. The District has accrued an estimated liability of \$500 thousand for the remaining costs required to decommission the well appropriately. The well and other related assets have been written off and are no longer recorded as assets of the District since they have no remaining service value. There has been no water production related to this site to date.

LEASED ASSETS

Leased assets consisted of the following at June 30, 2020:

	Balance June 30, 2019	Additions	Transfers	Balance June 30, 2020
Leased assets:				
Land and easements	\$ 7,567,043	\$ -	\$ (7,567,043)	\$ -
Buildings	1,445,607	-	(1,445,607)	-
Total leased assets	9,012,650	-	(9,012,650)	-
Less accumulated amortization for:				
Land and easements	(154,430)	-	154,430	-
Buildings	(376,414)	-	376,414	-
Total accumulated amortization	(530,844)	-	530,844	-
Total leased assets, net	\$ 8,481,806	\$ -	\$ (8,481,806)	\$ -

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

Leased assets consisted of the following at June 30, 2019:

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
Leased assets:				
Land and easements	\$ 7,567,043	\$ -	\$ -	\$ 7,567,043
Buildings	1,445,607	-	-	1,445,607
Total leased assets	<u>9,012,650</u>	<u>-</u>	<u>-</u>	<u>9,012,650</u>
Less accumulated amortization for:				
Land and easements	(77,215)	(77,215)	-	(154,430)
Buildings	(236,483)	(139,931)	-	(376,414)
Total accumulated amortization	<u>(313,698)</u>	<u>(217,146)</u>	<u>-</u>	<u>(530,844)</u>
Total leased assets, net	<u>\$ 8,698,952</u>	<u>\$ (217,146)</u>	<u>\$ -</u>	<u>\$ 8,481,806</u>

Effective July 1, 2019, the District transferred its leased assets and liabilities to the WWSSC since they were both part of the WWSSC's operations.

LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the years ended June 30, 2020 and 2019 were as follows:

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Net pension liability	\$ 13,665,755	\$ 2,920,772	\$ (1,057,533)	\$ 15,528,994	\$ -
Total OPEB liability	1,191,615	95,559	(158,105)	1,129,069	-
Lease liabilities	8,933,256	155,011	(120,850)	8,967,417	-
Total long-term liabilities	<u>\$ 23,790,626</u>	<u>\$ 3,171,342</u>	<u>\$ (1,336,488)</u>	<u>\$ 25,625,480</u>	<u>\$ -</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The United States Environmental Protection Agency (EPA) approved a \$388 million loan to fund a portion of the District's share of the WWSS. The loan, which closed on August 2, 2019, is part of EPA's Water Infrastructure Finance and Innovation Act (WIFIA) program. There were no borrowings against the loan as of June 30, 2020. See Subsequent Events note for more information.

LEASE LIABILITIES

In 2016, the District and the City of Hillsboro entered into a lease for office space to house the staff managing the construction of the WWSS. This lease was amended in fiscal year 2018 to increase the leased space. Base rent increases by 3% per annum. The lease terminates in 2027. Variable costs based on operating expenses, which are not included in the measurement of the lease liability, are also paid.

In 2018, the District and the City of Hillsboro entered into a lease with the City of Wilsonville for subsurface land for the placement of a raw water pipeline. The lease terminates in 2115. Annual lease installments are payable through FY 2025 with a balloon payment in FY 2026.

Effective July 1, 2019, the District transferred both leases to the WWSSC as part of the WWSSC's formation.

NET INVESTMENT IN CAPITAL ASSETS

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

	<u>2020</u>	<u>2019</u>
Capital assets, net	\$ 223,314,334	\$ 279,530,833
Leased assets, net	-	8,481,806
Less: lease liabilities	-	(8,967,417)
Less: retainage payable	(225,054)	(981,626)
Less: capital related accounts payable	(2,018,528)	(10,389,615)
Net investment in capital assets	<u>\$ 221,070,752</u>	<u>\$ 267,673,981</u>

PENSION PLANS

Public Employees Retirement System (PERS)

Plan Description

Employees of the District are provided pensions through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan. All 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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Benefits

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

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement benefit if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. 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.

2. Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
 - Member was employed by an OPERS employer at the time of death,
 - Member died within 120 days after termination of OPERS-covered employment,
 - Member died because of injury sustained while employed in an OPERS-covered job, or
 - Member was on an official leave of absence from an OPERS-covered job at the time of death.
3. 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.
4. Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in FY 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

2. Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
3. Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates applied to covered payroll. These contributions, expressed as a percentage of covered payroll, are intended to accumulate enough assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2017 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 allows eligible employers to receive matching funds if the employers apply and make a qualifying deposit into a side account. During fiscal year ended June 30, 2020, the District deposited \$10 million into a qualifying side account and, as a result, received \$860,559 in matching funds from the EIF into the side account.

Employer contributions for the year ended June 30, 2020 were approximately \$1,505,660. The rates in effect for the fiscal year ended June 30, 2020 were: (1) Tier1/Tier 2 – 14.86 percent of covered payroll, and (2) OPSRP general service – 8.73 percent of covered payroll.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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

Actuarial Methods and Procedures

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 2017
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.5 percent
Net Investment Return	7.2 percent
Payroll Growth	3.5 percent
Cost of Living Adjustments	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.

Mortality

Healthy retirees and beneficiaries:
RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Disabled retirees:
RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Non-Annuitant (Active) members:
RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Discount Rate

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

Depletion Date Projection

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

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

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

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

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

At June 30, 2020 and 2019, the District reported a liability of \$18,155,926 and \$15,528,994, respectively, for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability for each plan used to calculate the net pension liability was determined by an

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

actuarial valuation as of December 31, 2017. 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, 2020 and 2019 the District's proportionate share was 0.10496208 and 0.10251052 percent, respectively.

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$3,034,951 and \$2,909,502 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 July 2017 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Long-Term Expected Rate of Return ¹				
Asset Class	Target Allocation ¹	Annual Arithmetic Return ²	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	3.59 %	3.49 %	4.55 %
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank/Leveraged Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large/Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.13	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
Assumed Inflation - Mean			2.50	1.85

¹ Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017.

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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

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

<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
\$ 29,075,105	\$ 18,155,926	\$ 9,018,078

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, 2020 and 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Balance</u>		<u>Balance</u>	
	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflow of</u>	<u>Inflow of</u>	<u>Outflow of</u>	<u>Inflow of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Difference between expected and actual experience	\$ 1,001,246	\$ -	\$ 530,793	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on investments	-	(514,702)	-	(696,816)
Changes in proportion and differences between employer contributions and proportionate share of contributions	395,324	(349,004)	261,667	(364,548)
Changes of assumptions	2,463,059	-	3,610,463	-
Contributions made subsequent to measurement date	1,505,660	-	1,568,043	-
Contributions made subsequent to measurement date to side accounts	<u>10,860,559</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 16,225,848</u>	<u>\$ (863,706)</u>	<u>\$ 5,970,966</u>	<u>\$ (1,061,364)</u>

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Payable to OPERS

At June 30, 2020 and 2019, the District's payable to OPERS for defined benefit contributions was approximately \$93,261 and \$110,391, respectively. These amounts represent legally required contributions to the plan for services incurred in that fiscal year.

Deferred outflows of resources of \$1,505,660 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, 2021. Deferred outflows of resources of \$10,860,559 related to a \$10 million deposit by the District into a PERS side account and a matching deposit of \$860,559 into the side account by the PERS Employer Incentive Fund. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2021	\$ 1,699,588
2022	217,188
2023	587,581
2024	456,606
2025	34,960
	<u>\$ 2,995,923</u>

Changes in Plan Provisions During the Measurement Period

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

- Effective with calendar year 2020, annual salary included in the calculation of Final Average Salary will be 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).

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

DEFINED CONTRIBUTION PLANS

Individual Account Program

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and for Tier One/Tier Two members active after January 1, 2004. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to creation of OPSRP will be members of both the OPERS and OPSRP system if they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. Employees contributed approximately \$721,893 and \$682,152 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, employees contributed approximately \$724,000 and \$815,000 and the District recognized expense of approximately \$339,000 and \$324,000, respectively. At June 30, 2020 and 2019, the District's liability to the plan was approximately \$49,000 and \$44,000, 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.

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than the payment of benefits to plan participants. Accordingly, these plan assets and the related liability are not recorded in the District's basic financial statements. Employees are immediately vested in all contributions to the plan. At June 30, 2020 and 2019, the District's liability for pensions related to this plan was \$19,000 and \$16,000 respectively.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

District 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 and coverage may lapse if their premium is unpaid. As of June 30, the following employees and retired employees were covered under the plan:

	2020	2019
Active participants	131	130
Retired employees	6	15
Total participants	137	145

At June 30, 2020, 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	\$ 171,868	\$ (105,512)	\$ 66,356
Changes of assumptions	65,873	(403,151)	(337,278)
Net Deferred Inflows and Outflows of Resources	\$ 237,741	\$ (508,663)	\$ (270,922)

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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

Year ended June 30:		
2021	\$	(9,253)
2022		(9,253)
2023		(9,253)
2024		(9,248)
2025		3,947
Thereafter		<u>(237,862)</u>
		<u>\$ (270,922)</u>

Actuarial assumptions and other Inputs

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

Measurement date	June 30, 2020
Actuarial valuation date	June 30, 2020
Discount rate	2.66 percent (changed from 3.51 percent in previous measurement period)
Payroll growth	7.94% to 3.71% based on the OPERS actuarial valuation as of June 30, 2019
Inflation rate	2.5 percent
Cost method	Entry age normal
Employer funding policy	Pay-as-you-go cash basis
Experience Study	August 2018
Mortality	Active and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
Healthcare cost trend rates	8.0 percent, decreasing to 4.5 percent

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Total OPEB Liability, OPEB Expense, and Deferred Inflows and Outflows of resources related to OPEB

The District's total OPEB liability was \$1,406,637 and \$1,129,069 as of June 30, 2020 and 2019, respectively. The liability was determined by an actuarial valuation as of June 30, 2020 with a measurement date also as of June 30, 2020. The District recognized OPEB expense of \$94,482 and \$42,712 for FY2020 and FY2019, respectively.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

	2020	2019
Beginning balance	\$ 1,129,069	\$ 1,191,615
Changes for the year:		
Service cost	49,760	49,057
Interest on total OPEB liability	39,851	46,502
Effects of change in benefit terms	14,124	-
Effects of assumptions changes	55,319	29,660
Differences between expected and actual experience	206,242	(108,873)
Benefit payments	<u>(87,728)</u>	<u>(78,892)</u>
Ending balance	<u><u>\$ 1,406,637</u></u>	<u><u>\$ 1,129,069</u></u>

Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability calculated using the current discount rate of 2.66 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66 percent) or 1-percentage point higher (3.66 percent) than the current rate. A similar sensitivity analysis is then presented for changes in healthcare trend assumption.

	1% Decrease 1.66%	Discount rate 2.66%	1% Increase 3.66%
Discount rate:			
Total OPEB Liability	\$1,510,006	\$1,406,637	\$1,309,703
	1% Decrease 7.0% decreasing to 3.5%	Healthcare Trend Rate 8.0% decreasing to 4.5%	1% Increase 9.0% decreasing to 5.5%
Healthcare Cost Trend:			
Total OPEB Liability	\$1,285,017	\$1,406,637	\$1,545,045

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 \$3,900 per individual or \$7,800 per family. The estimated maximum exposure the District could be liable for is approximately \$1.7 million. The last 5 years of experience with this self-funding had the District paying out well under 20% of its maximum annual exposure.

COMMITMENTS

Intergovernmental Agreements (IGAs)

A ten-year renewable agreement with the City of Portland was approved by the Board of Commissioners in April 2006 and signed by the Board President on June 7, 2006. The agreement provides for a firm supply of water and obligates the District to purchase an average of 13.16 million gallons per day (MGD) or pay Portland for water not taken. The agreement was amended in September 2015 to clarify various terms, especially regarding summer water usage. The agreement was renewed effective July 1, 2016. Water purchase costs are determined annually based on Portland's Water Bureau operating requirements under an enterprise method of accounting, including a return on invested capital and depreciation. The water purchase costs reflect Portland's total cost as allocated to the District and Portland's other customers in proportion to each customer's use of Portland's water system. These costs were \$1.364 and \$1.225 per CCF for the years ended June 30, 2020 and 2019, 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 make specified payments to fund its proportionate share of maintenance costs incurred by the City of Portland on the water main. These maintenance costs are included in operating expenses as water purchase costs. These costs were approximately \$6,000 and \$120,000 for the years ending June 30, 2020 and 2019, respectively. The City of Tualatin has an agreement with the District to pay for 20.34% of the District's obligation from the WCSL. The City of Portland bills the City of Tualatin for the water it uses, and the District bills the City of Tualatin for its share of the maintenance costs.

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

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

TUALATIN VALLEY WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Contracts

The District has \$4.8 million in outstanding commitments on contracts with greater than \$1.0 million remaining as of June 30, 2020. The WWSSC has entered into various contracts related to the construction of the Willamette Water Supply System (WWSS). The District, has \$92.1 million in outstanding commitments on contracts based on its membership share in the WWSSC.

SUBSEQUENT EVENTS

WIFIA loan re-executed.

The United States Environmental Protection Agency (EPA) approved a \$388 million loan to fund a portion of the District's share of the WWSS. The loan which closed on August 2, 2019, is part of EPA's Water Infrastructure Finance and Innovation Act (WIFIA) program. The District re-executed the loan on September 15, 2020. The purpose of the re-execution was to lower the interest rate on the loan from 2.39% to 1.35%. This will result in an estimated \$122 million dollars in savings over the lifetime of the loan.



Required Supplementary Information



Pipe installation for the Willamette Water Supply System

Creating A Reliable Drinking Water Future

TVWD, the City of Hillsboro, and the City of Beaverton are developing an additional water supply from the Willamette River at Wilsonville. When complete in 2026, the Willamette Water Supply System will be one of Oregon's most seismically resilient drinking water systems. It will consist of 30 miles of large diameter pipe, some of which is already in the ground, in addition to a new water treatment plant in Sherwood. To help pay for this project, TVWD secured a Water Infrastructure Finance and Innovation Act (WIFIA) loan, which will save ratepayers millions over the life of the loan. For more information, visit [OurReliableWater.org](https://www.ourreliablewater.org).

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY LAST TEN FISCAL YEARS ^{[1][2]}

Oregon Public Employee Retirement Pension Plan (OPERS)

Year ended June 30,	District's proportion of the net pension (asset)/liability	District's proportionate share of the net pension (asset)/liability	District's covered payroll	District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension (asset)/liability
2020	0.1050 %	\$18,155,926	\$11,365,231	159.75 %	80.20 %
2019	0.1025	15,528,994	10,467,725	148.35	82.10
2018	0.1014	13,665,755	10,006,337	136.57	83.10
2017	0.1011	15,179,892	9,433,995	160.91	80.50
2016	0.1096	6,290,514	9,452,076	66.55	91.90
2015	0.0981	(2,222,862)	8,942,987	-24.86	103.60
2014	0.0981	5,004,420	9,023,965	55.46	n/a

See notes on next page

[1] Ten-year trend information required by GASB will be presented prospectively.

[2] As of the measurement date, which is one year in arrears.

Source: OPERS actuarial reports and District data.

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY LAST TEN FISCAL YEARS ^{[1][2]}

NOTES TO SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION (ASSET) LIABILITY

Changes in assumptions, plan provisions and benefit terms:

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

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

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

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

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

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

[1] Ten-year trend information required by GASB will be presented prospectively.

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

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS ^[1]

Oregon Public Employee Retirement Pension Plan (OPERS)

Year Ended June 30	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency / (excess)	District's covered payroll	Contributions as a percentage of covered payroll
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 THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

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

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

[1] Ten-year trend information required by GASB will be presented prospectively.

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

TUALATIN VALLEY WATER DISTRICT

SCHEDULE OF THE DISTRICT'S TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY LAST TEN FISCAL YEARS ^{[1][2]}

Implicit Rate Subsidy Plan

Schedule of Total OPEB Liability (TOL)			
Year ending June 30	Total OPEB Liability	Covered Payroll	TOL as a % of Covered Payroll
2020	\$1,406,637	\$ 11,825,082	11.90 %
2019	1,129,069	10,776,137	10.48
2018	1,191,615	10,513,304	11.33

Schedule of Changes in Total OPEB Liability								
Year ending June 30	Beginning Balance	Service Costs	Interest	Changes in Benefit Terms	Changes of assumptions	Difference between expected and actual experience	Benefit payments	Ending Balance
2020	\$1,129,069	\$49,760	\$39,851	\$ 14,124	\$ 55,319	\$ 206,242	\$(87,728)	\$1,406,637
2019	1,191,615	49,057	46,502	-	29,660	(108,873)	(78,892)	1,129,069
2018	1,652,926	106,235	61,661	-	(513,101)	(41,913)	(74,193)	1,191,615

NOTES TO SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY

Changes of assumptions:

- The discount rate decreased from 3.51% as of July 1, 2019 to 2.66% as of June 30, 2020.
- The mortality table has been updated from the SOA RPH-2017 Total Dataset Mortality Table generational using Scale MP-2017 to the following: Active and Retirees – SOA Pub-2010 General Headcount Weighted Mortality Table full generational using Scale MP-2019, and Surviving Spouses – SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.
- Projected salary increases went from a range of (6.88% - 3.46%) up to a range of (7.94% – 3.71%) based on the Oregon Public Employees Retirement System actuarial valuation as of December 31, 2019.
- Healthcare cost trend rates went from a range of (8.5% – 5.0%) down to a range of (8.0% – 4.5%).

Changes in benefit terms:

- The Plan now covers the deductible and co-insurance amount up to \$6,150 annually which was revised from \$6,250 annually. Employees are now responsible for paying the first \$100 of the deductible for single coverage and \$200 for family coverage.

[1] Ten-year trend information required by GASB will be presented prospectively.

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

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

Implicit Rate Subsidy Plan

	Year ended June 30,		
	2020	2019	2018
Contractually required contributions	\$ 87,728	\$ 78,892	\$ 74,193
Contributions in relation to the contractually required contributions	<u>(87,728)</u>	<u>(78,892)</u>	<u>(74,193)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,825,082	\$ 10,776,137	\$ 10,513,304
Contributions as a percentage of covered payroll	0.74%	0.73%	0.71%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

Actuarial assumptions and methods used to determine contributions:

	2020	2019	2018
Actuarial Valuation	June 30, 2020	June 30, 2018	June 30, 1018
Effective	July 2019- June 2021	July 2017- June 2019	July 2017- June 2019
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial assumptions:			
Inflation rate	2.50%	2.50%	2.50%
Salary increases	7.2% declining to 3.5% in 30 years	6.88% declining to 3.46% in 30 years	6.88% declining to 3.46% in 30 years
Discount rate	2.66%	3.51%	3.58%
Healthcare cost	8% in 2021 to	8.5% in 2020 to	9% in 2019 to
Inflation rate	4.5% in 2028	5% in 2027	5% in 2026

[1] Ten-year trend information required by GASB will be presented prospectively.

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



TUALATIN VALLEY
WATER DISTRICT



Budgetary Basis Schedules



A Field Customer Service Representative inspects a water meter

Providing Quality Water

TVWD crews are dedicated to keeping the water distribution system functioning properly. To get from the source to the tap, water goes through treatment, pipelines, valves, pump stations, reservoirs, and more pipelines before it reaches homes and businesses. We regularly respond to leaks in day or night, every day of the year; flush the water system to enhance water quality; read meters for billing; and investigate and assist customers with a variety of service problems. Our crews work hard to make sure that water is available when needed while minimizing inconveniences to customers.

TUALATIN VALLEY WATER DISTRICT
RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
TO THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

BUDGETARY BASIS	<u>Total revenue</u>	<u>Total expenditures</u>	<u>Net</u>
General Fund	\$ 70,628,696	\$ 47,317,466	\$ 23,311,230
Capital Improvement Fund	2,982	50,648,856	(50,645,874)
Capital Reserve Fund	10,211,171	-	10,211,171
Debt Proceeds Fund	-	-	-
Customer Emergency Assistance Fund	10,309	10,792	(483)
	<u>\$ 80,853,158</u>	<u>\$ 97,977,114</u>	(17,123,956)
ADD (DEDUCT) ITEMS TO RECONCILE TO CHANGES IN NET POSITION ON A FINANCIAL REPORTING BASIS			
Contributed capital for infrastructure (mains and hydrants)			541,543
Operating expenses capitalized			4,316,745
Capital outlay			14,794,667
Capital outlay - Joint Ventures			35,914,538
Depreciation and amortization			(7,046,956)
Disposals and transfers of capital assets			(1,214,009)
Change in joint venture valuation			(1,542,432)
Unrealized gain/(loss) on investments			1,006,613
Pension side account deposit			10,000,000
Pension Employer Incentive Fund Revenue			860,559
Pension expense			(3,034,951)
Other postemployment benefits expense			(6,754)
CHANGES IN NET POSITION			<u>\$ 37,465,607</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget for the			Actual Results		Variance with Final Budget
	FY 2020 - 2021 Biennium			FY 2020	Total	
	Original	Revisions	Final			
REVENUES:						
Water sales	\$ 149,248,486	\$ -	\$ 149,248,486	\$ 66,198,211	\$ 66,198,211	\$ (83,050,275)
Service fees	1,178,849	-	1,178,849	802,956	802,956	(375,893)
Interest on investments	585,000	-	585,000	427,045	427,045	(157,955)
Other revenues	3,521,494	-	3,521,494	2,615,577	2,615,577	(905,917)
Rights-of way fees	1,446,000	-	1,446,000	584,907	584,907	(861,093)
Construction revenue from other funds	10,194,616	-	10,194,616	4,316,745	4,316,745	(5,877,871)
Total Revenues	166,174,445	-	166,174,445	74,945,441	74,945,441	(91,229,004)
Beginning Fund Balance	46,685,284	-	46,685,284	54,319,258	54,319,258	7,633,974
	<u>\$ 212,859,729</u>	<u>\$ -</u>	<u>\$ 212,859,729</u>	<u>\$ 129,264,699</u>	<u>\$ 129,264,699</u>	<u>\$ (83,595,030)</u>
EXPENDITURES:						
Personnel services	\$ 43,536,651	\$ -	\$ 43,536,651	\$ 19,044,837	\$ 19,044,837	\$ 24,491,814
Materials and services	42,131,195	-	42,131,195	17,627,308	17,627,308	24,503,887
Capital outlay	212,200	-	212,200	60,349	60,349	151,851
Special payments	21,446,000	-	21,446,000	10,584,972	10,584,972	10,861,028
Operating contingencies	15,000,000	-	15,000,000	-	-	15,000,000
Total Expenditures	122,326,046	-	122,326,046	47,317,466	47,317,466	75,008,580
TRANSFERS TO OTHER FUNDS:						
Capital Reserve Fund	78,457,822	-	78,457,822	55,318,744	55,318,744	23,139,078
Customer Emergency Assistance Fund	25,000	-	25,000	12,500	12,500	12,500
Total Transfers	78,482,822	-	78,482,822	55,331,244	55,331,244	23,151,578
Total Expenditures and Transfers	200,808,868	-	200,808,868	102,648,710	102,648,710	98,160,158
Ending Fund Balance	12,050,861	-	12,050,861	26,615,989	26,615,989	(14,565,128)
	<u>\$ 212,859,729</u>	<u>\$ -</u>	<u>\$ 212,859,729</u>	<u>\$ 129,264,699</u>	<u>\$ 129,264,699</u>	<u>\$ 83,595,030</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget for the FY 2020 - 2021 Biennium			Actual Results		Variance with Final Budget
	Original	Revisions	Final	FY 2020	Total	
REVENUES:						
Interest on investments	\$ -	\$ -	\$ -	\$ 2,982	\$ 2,982	\$ 2,982
Total Revenues	-	-	-	2,982	2,982	2,982
TRANSFERS FROM OTHER FUNDS:						
Capital Reserve Fund	179,522,721	-	179,522,721	50,645,874	50,645,874	(128,876,847)
Beginning Fund Balance	-	-	-	-	-	-
	<u>\$ 179,522,721</u>	<u>\$ -</u>	<u>\$ 179,522,721</u>	<u>\$ 50,648,856</u>	<u>\$ 50,648,856</u>	<u>\$ (128,873,865)</u>
EXPENDITURES:						
Capital outlay	\$ 63,809,533	\$ -	\$ 63,809,533	\$ 14,734,318	\$ 14,734,318	\$ 49,075,215
Capital outlay - Joint Ventures	115,713,188	-	115,713,188	35,914,538	35,914,538	79,798,650
Total Capital outlay	179,522,721	-	179,522,721	50,648,856	50,648,856	128,873,865
Ending Fund Balance	-	-	-	-	-	-
	<u>\$ 179,522,721</u>	<u>\$ -</u>	<u>\$ 179,522,721</u>	<u>\$ 50,648,856</u>	<u>\$ 50,648,856</u>	<u>\$ 128,873,865</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -
CAPITAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget for the FY 2020 - 2021 Biennium			Actual Results		Variance with Final Budget
	Original	Revisions	Final	FY 2020	Total	
REVENUES:						
Contributed capital	\$ 2,368,990	\$ -	\$ 2,368,990	\$ 569,141	\$ 569,141	\$ (1,799,849)
System development charges	11,426,151	-	11,426,151	7,367,496	7,367,496	(4,058,655)
Interest on investments	3,613,100	-	3,613,100	2,274,534	2,274,534	(1,338,566)
Total Revenues	17,408,241	-	17,408,241	10,211,171	10,211,171	(7,197,070)
TRANSFERS FROM OTHER FUNDS:						
General Fund	78,457,822	-	78,457,822	55,318,744	55,318,744	(23,139,078)
Debt Proceeds Fund	25,000,000	-	25,000,000	-	-	(25,000,000)
Total Transfers	103,457,822	-	103,457,822	55,318,744	55,318,744	(48,139,078)
Beginning Fund Balance - restricted	-	-	-	2,588,788	2,588,788	2,588,788
Beginning Fund Balance - unrestricted	86,235,671	-	86,235,671	80,666,312	78,077,524	(8,158,147)
	<u>\$ 207,101,734</u>	<u>\$ -</u>	<u>\$ 207,101,734</u>	<u>\$ 148,785,015</u>	<u>\$ 146,196,227</u>	<u>\$ (60,905,507)</u>
TRANSFERS TO OTHER FUNDS:						
Capital Improvement Fund	\$ 179,522,721	\$ -	\$ 179,522,721	\$ 50,645,874	\$ 50,645,874	\$ 128,876,847
Total Transfers	179,522,721	-	179,522,721	50,645,874	50,645,874	128,876,847
Ending Fund Balance - unrestricted	27,579,013	-	27,579,013	98,139,141	95,550,353	(67,971,340)
	<u>\$ 207,101,734</u>	<u>\$ -</u>	<u>\$ 207,101,734</u>	<u>\$ 148,785,015</u>	<u>\$ 146,196,227</u>	<u>\$ 60,905,507</u>

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -
DEBT PROCEEDS FUND
FOR THE YEAR ENDED JUNE 30, 2020

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

TUALATIN VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND TRANSFERS (BUDGETARY BASIS) -
CUSTOMER EMERGENCY ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget for the FY 2020 - 2021 Biennium			Actual Results		Variance with Final Budget
	Original	Revisions	Final	FY 2020	Total	
REVENUES:						
Contributions	\$ 11,740	\$ -	\$ 11,740	\$ 9,933	\$ 9,933	\$ (1,807)
Interest on investments	-	-	-	376	376	376
Total Revenues	11,740	-	11,740	10,309	10,309	(1,431)
TRANSFERS FROM OTHER FUNDS:						
General Fund	25,000	-	25,000	12,500	12,500	(12,500)
Beginning Fund Balance	9,065	-	9,065	9,156	9,156	91
	<u>\$ 45,805</u>	<u>\$ -</u>	<u>\$ 45,805</u>	<u>\$ 31,965</u>	<u>\$ 31,965</u>	<u>\$ (13,840)</u>
EXPENDITURES:						
Materials and services	\$ 33,000	\$ -	\$ 33,000	\$ 10,792	\$ 10,792	\$ 22,208
Total Expenditures	33,000	-	33,000	10,792	10,792	22,208
Ending Fund Balance	12,805	-	12,805	21,173	21,173	(8,368)
	<u>\$ 45,805</u>	<u>\$ -</u>	<u>\$ 45,805</u>	<u>\$ 31,965</u>	<u>\$ 31,965</u>	<u>\$ 13,840</u>



TUALATIN VALLEY
WATER DISTRICT

Statistical Section



A Tualatin Valley Fire and Rescue firefighter battles a fire

Supporting Fire and Health Protection

A well-maintained and reliable water system is critical to protecting our community. TVWD is responsible for public health and fire protection, in addition to the core function of providing clean, quality water to the tap. TVWD provides water infrastructure for a variety of critical uses, including maintaining more than 5,300 fire hydrants and providing reliable water supply to multiple hospitals and health care facilities.

TUALATIN VALLEY WATER DISTRICT

STATISTICAL SECTION

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

Contents

	<u>Page</u>
Financial Trends	72
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	81
These schedules contain information to help the reader assess the District's most significant local revenue source, the District water rate.	
Debt Capacity	86
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	89
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	91
These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



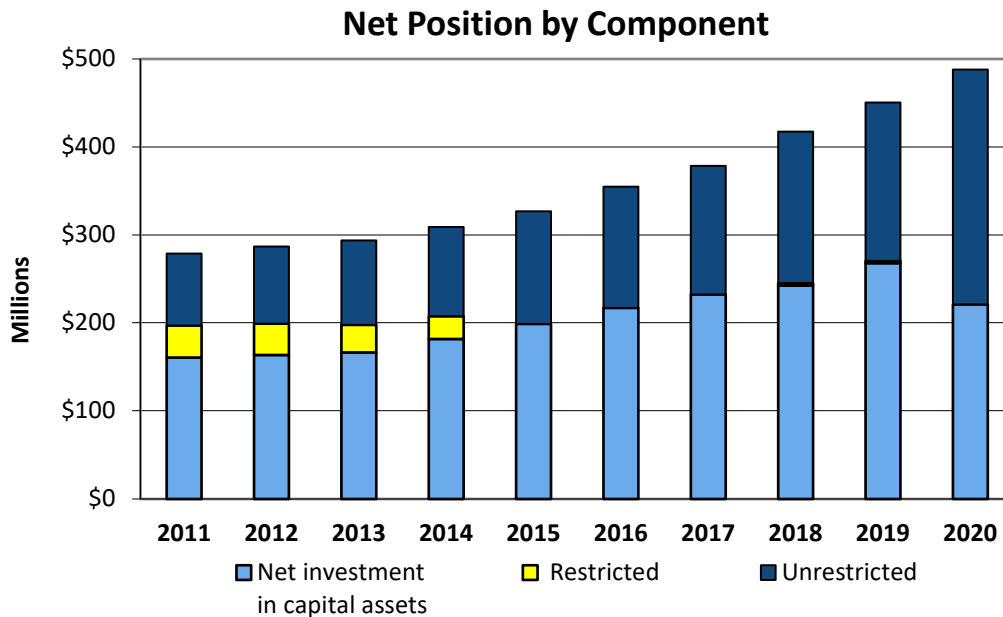
TUALATIN VALLEY
WATER DISTRICT

TUTALATIN VALLEY WATER DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Primary Government Net Position				
	Net investment in capital assets	Restricted	Unrestricted	Total
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
[2] 2015	198,676,321	-	128,001,483	326,677,804
2014	181,750,385	25,645,024	101,601,802	308,997,211
2013	166,466,059	31,236,587	95,902,217	293,604,863
2012	163,330,667	35,706,625	87,796,319	286,833,611
[1] 2011	160,366,537	36,631,312	81,840,445	278,838,294



[1] In 2011, debt was reclassified from capital assets to unrestricted net position due to the nature of related debt.

[2] In 2015, restricted net position was reclassified to unrestricted net position as the restriction was internal to the organization.

TUALATIN VALLEY WATER DISTRICT

CHANGES IN NET POSITION

LAST TEN YEARS

	2020	2019	2018
OPERATING REVENUES:			
Water service	\$ 66,198,211	\$ 69,451,031	\$ 63,730,160
Administrative service	3,888,547	3,633,228	3,214,641
Total Operating Revenues	<u>70,086,758</u>	<u>73,084,259</u>	<u>66,944,801</u>
OPERATING EXPENSES:			
Water purchased	10,632,559	10,050,276	10,161,954
Labor and fringe benefits	22,086,542	19,824,271	18,433,098
Maintenance and repairs	1,800,179	2,048,506	1,462,432
General and administrative	5,304,460	5,533,112	4,853,470
Electricity and other utilities	142,621	146,428	140,626
Supplies	305,839	315,926	220,641
Depreciation and amortization expense	7,046,956	6,896,192	7,336,782
Less: operating expenses capitalized	(4,316,745)	(4,904,995)	(4,113,466)
Total Operating Expenses	<u>43,002,411</u>	<u>39,909,716</u>	<u>38,495,537</u>
NET OPERATING INCOME	27,084,347	33,174,543	28,449,264
NONOPERATING REVENUES (EXPENSES)			
Discontinued capital projects	-	(2,346,275)	-
Loss in equity in joint ventures	(1,542,432)	(836,783)	(775,060)
Interest income	2,704,937	2,769,322	1,634,667
Unrealized gain (loss) on investments	1,006,613	1,127,490	(302,492)
Interest expense	(382)	(291,492)	(285,882)
Pension Employer Incentive Fund matching revenue	860,559	-	-
Gain (loss) on disposal of capital assets, net	(1,169,532)	(9,125,528)	1,335,320
Other nonoperating revenues (expenses)	43,316	(418,021)	80,466
Total Nonoperating Revenues (Expenses)	<u>1,903,079</u>	<u>(9,121,287)</u>	<u>1,687,019</u>
Capital Contributions	<u>8,478,181</u>	<u>8,973,748</u>	<u>8,815,962</u>
Changes in Net Position	<u>37,465,607</u>	<u>33,027,004</u>	<u>38,952,245</u>
Net Position, beginning of year	450,312,234	417,285,230	378,332,985
Restatement for change in accounting principles	-	-	-
Net Position, beginning of year restated	<u>450,312,234</u>	<u>417,285,230</u>	<u>378,332,985</u>
Net Position, end of year	<u>\$ 487,777,841</u>	<u>\$ 450,312,234</u>	<u>\$ 417,285,230</u>

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

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

Continued on next page

Restated 2017 ^[1]	2016	Restated 2015 ^[2]	2014	2013	2012	2011
\$ 52,461,679	\$ 48,728,635	\$ 41,025,195	\$ 35,013,145	\$ 34,169,338	\$ 30,666,849	\$ 29,471,827
3,001,965	3,764,144	4,689,194	2,515,514	2,002,197	1,869,734	1,961,254
55,463,644	52,492,779	45,714,389	37,528,659	36,171,535	32,536,583	31,433,081
9,693,035	9,051,685	7,713,786	7,461,754	7,584,712	7,436,547	7,015,039
17,532,715	19,870,765	11,747,960	14,047,903	13,364,417	11,959,160	11,549,552
1,557,932	1,336,820	1,496,431	1,534,727	1,773,526	1,730,707	1,488,583
5,073,804	6,348,825	7,186,365	4,218,566	3,332,570	2,717,783	2,628,427
146,444	134,865	119,964	122,282	103,543	112,650	113,891
196,007	218,756	272,876	197,191	234,592	265,488	427,467
6,957,712	6,110,033	5,880,723	5,414,179	5,222,171	5,001,243	4,910,680
(3,377,130)	(3,064,622)	(2,816,946)	(2,899,203)	(2,217,408)	(1,739,985)	(1,326,567)
37,780,519	40,007,127	31,601,159	30,097,399	29,398,123	27,483,593	26,807,073
17,683,125	12,485,652	14,113,230	7,431,260	6,773,412	5,052,990	4,626,008
(17,527)	(416,646)	(383,121)	(1,036)	(5,325,088)	-	-
(656,837)	(831,663)	(714,847)	(658,349)	(759,993)	(735,005)	(807,963)
1,080,484	700,524	592,861	553,807	590,380	654,826	800,107
(440,187)	95,015	69,654	292,396	(329,057)	(102,247)	-
(25,522)	(2,194)	(281,156)	(317,717)	(368,902)	(479,586)	(539,575)
-	-	-	-	-	-	-
(556,624)	(4,874)	(100,384)	(116,322)	(37,846)	(480,284)	(2,415)
25,749	-	-	-	-	-	-
(590,464)	(459,838)	(816,993)	(247,221)	(6,230,506)	(1,142,296)	(549,846)
6,630,821	16,055,052	9,392,435	8,208,309	6,228,346	4,084,623	3,955,765
23,723,482	28,080,866	22,688,672	15,392,348	6,771,252	7,995,317	8,031,927
354,758,670	326,677,804	308,997,211	293,604,863	286,833,611	278,838,294	270,806,367
(149,167)	-	(5,008,079)	-	-	-	-
354,609,503	326,677,804	303,989,132	293,604,863	286,833,611	278,838,294	270,806,367
<u>\$ 378,332,985</u>	<u>\$ 354,758,670</u>	<u>\$ 326,677,804</u>	<u>\$ 308,997,211</u>	<u>\$ 293,604,863</u>	<u>\$ 286,833,611</u>	<u>\$ 278,838,294</u>

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TUALATIN VALLEY
WATER DISTRICT

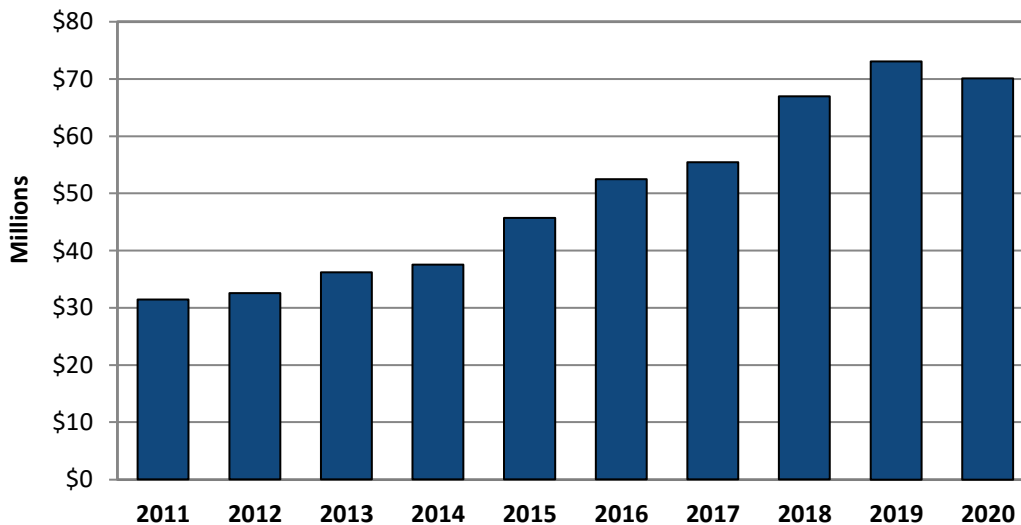
TUALATIN VALLEY WATER DISTRICT

OPERATING REVENUES BY SOURCE

LAST TEN FISCAL YEARS

Year Ended June 30	Water Service	Administrative Services	Total
2020	\$ 66,198,211	\$ 3,888,547	\$ 70,086,758
2019	69,451,031	3,633,228	73,084,259
2018	63,730,160	3,214,641	66,944,801
2017	52,461,679	3,001,965	55,463,644
2016	48,728,635	3,764,144	52,492,779
2015	41,025,195	4,689,194	45,714,389
2014	35,013,145	2,515,514	37,528,659
2013	34,169,338	2,002,197	36,171,535
2012	30,666,849	1,869,734	32,536,583
2011	29,471,827	1,961,254	31,433,081

Total Operating Revenues



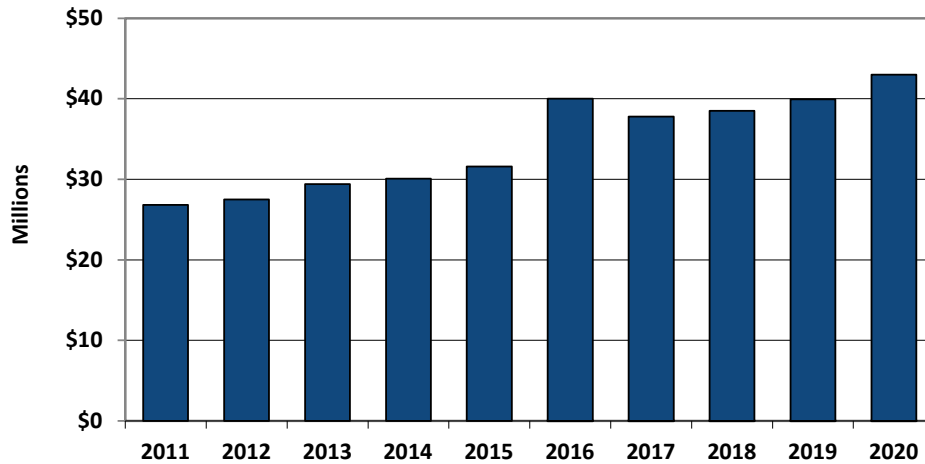
TUALATIN VALLEY WATER DISTRICT

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
2020	\$ 10,632,559	\$ 22,086,542	\$ 1,800,179	\$ 5,304,460	\$ 142,621
2019	10,050,276	19,824,271	2,048,506	5,533,112	146,428
2018	10,161,954	18,433,098	1,462,432	4,853,470	140,626
2017	9,693,035	17,532,715	1,557,932	5,073,804	146,444
2016	9,051,685	19,870,765	1,336,820	6,348,825	134,865
2015	7,713,786	11,747,960	1,496,431	7,186,365	119,964
2014	7,461,754	14,047,903	1,534,727	4,218,566	122,282
2013	7,584,712	13,364,417	1,773,526	3,332,570	103,543
2012	7,436,547	11,959,160	1,730,707	2,717,783	112,650
2011	7,015,039	11,549,552	1,488,583	2,628,427	113,891

Total Operating Expenses



Continued on next page

	Supplies	Less Capitalized Overhead	Subtotal, Expenses before Depreciation	Depreciation and Amortization	Total Operating Expenses
\$	305,839	\$ (4,316,745)	\$ 35,955,455	\$ 7,046,956	\$ 43,002,411
	315,926	(4,904,995)	33,013,524	6,896,192	39,909,716
	220,641	(4,113,466)	31,158,755	7,336,782	38,495,537
	196,007	(3,377,130)	30,822,807	6,957,712	37,780,519
	218,756	(3,064,622)	33,897,094	6,110,033	40,007,127
	272,876	(2,816,946)	25,720,436	5,880,723	31,601,159
	197,191	(2,899,203)	24,683,220	5,414,179	30,097,399
	234,592	(2,217,408)	24,175,952	5,222,171	29,398,123
	265,488	(1,739,985)	22,482,350	5,001,243	27,483,593
	427,467	(1,326,567)	21,896,392	4,910,680	26,807,072

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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
2020	\$ -	\$ (1,542,432)	\$ 2,704,937	\$ 1,006,613	\$ (382)
2019	(2,346,275)	(836,783)	2,769,322	1,127,490	(291,492)
2018	-	(775,060)	1,634,667	(302,492)	(285,882)
2017	(17,527)	(656,837)	1,080,484	(440,187)	(25,522)
2016	(416,646)	(831,663)	700,524	95,015	(2,194)
2015	(383,121)	(714,847)	592,861	69,654	(281,156)
2014	(1,036)	(658,349)	553,807	292,396	(317,717)
2013	(5,325,088)	(759,993)	590,380	(329,057)	(368,902)
2012	-	(735,005)	552,579	(102,247)	(479,586)
2011	-	(807,963)	800,107	-	(539,575)

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Pension Employer Incentive Fund (EIF)	Disposal of capital assets, net	Other nonoperating expenses	Total Non-Operating Revenues (Expenses)
\$ 860,559	\$ (1,169,532)	\$ 43,316	\$ 1,903,079
-	(9,125,528)	(418,021)	(9,121,287)
-	1,335,320	80,466	1,687,019
-	(556,624)	25,749	(590,464)
-	(4,874)	-	(459,838)
-	(100,384)	-	(816,993)
-	(116,322)	-	(247,221)
-	(37,846)	-	(6,230,506)
-	(480,284)	-	(1,244,543)
-	(2,415)	-	(549,846)

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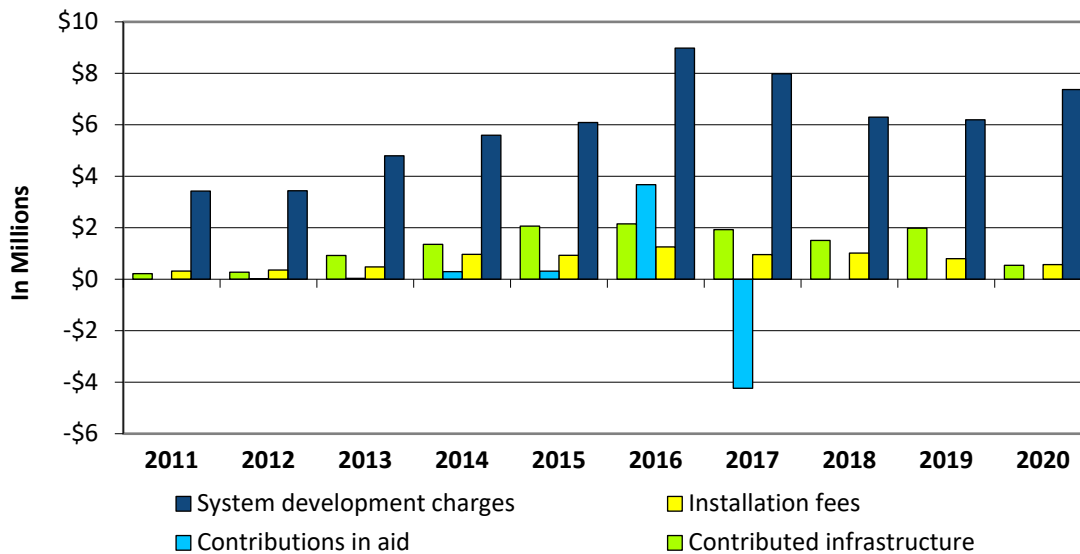
TUALATIN VALLEY WATER DISTRICT

CAPITAL CONTRIBUTIONS BY SOURCE

LAST TEN YEARS

	System development charges	Installation fees	Contributions in aid	Contributed infrastructure	Total contributions
2020	\$ 7,367,496	\$ 569,141	\$ -	\$ 541,544	\$ 8,478,181
2019	6,193,831	798,128	-	1,981,789	8,973,748
2018	6,295,124	1,014,589	-	1,506,249	8,815,962
2017	7,981,382	957,756	(4,235,719) ^[1]	1,927,402	6,630,821
2016	8,977,050	1,255,363	3,672,391	2,150,248	16,055,052
2015	6,086,538	929,714	312,953	2,063,230	9,392,435
2014	5,593,132	964,412	295,488	1,355,277	8,208,309
2013	4,795,030	477,041	34,401	921,874	6,228,346
2012	3,436,563	355,761	19,293	273,006	4,084,623
2011	3,422,813	315,227	-	217,724	3,955,764

Capital Contributions by Source

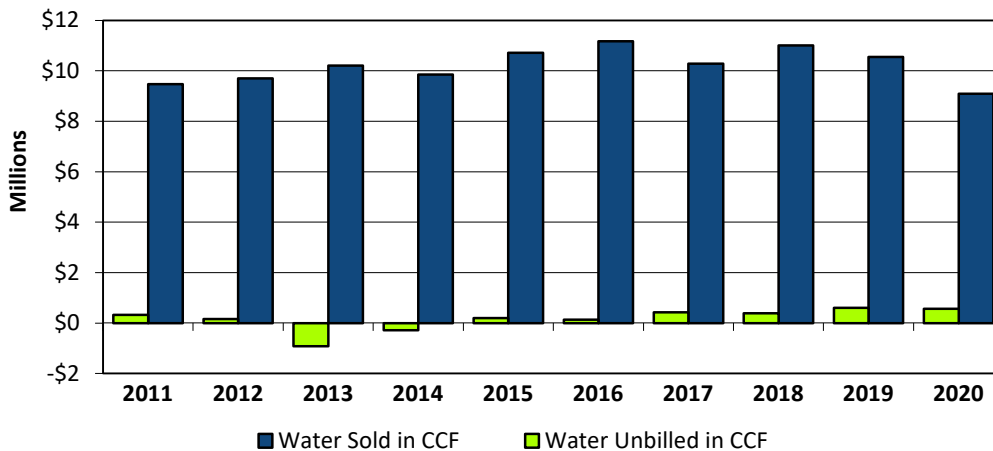


[1] Contributions in aid have been adjusted to remove the City of Hillsboro's cumulative ownership contributions in the Willamette Water Supply Program (WWSP).

TUALATIN VALLEY WATER DISTRICT
WATER PRODUCED AND CONSUMED
LAST TEN YEARS

Fiscal Year End	Water Purchased (CCF)	Water Sold (CCF) ^[2]	Water Unbilled (CCF) ^[2]	Average Percent Unbilled	Total Direct Rates ^[4]			Ratio of Water Sold to Water Purchased
					Fixed Charge ^[3]	Usage Rate Per CCF		
						Block 1	Block 2	
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	11,001,593	384,536	3.4%	27.90	4.61	6.57	96.6%
2017	10,701,959	10,280,144	421,815	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	10,710,551	192,484	1.8%	18.44	3.05	4.35	98.2%
[1] 2014	9,569,868	9,851,698	(281,830)	-2.9%	16.86	2.74	3.91	102.9%
[1] 2013	9,296,043	10,211,455	(915,412)	-9.8%	15.28	2.65	3.78	109.8%
2012	9,859,728	9,697,421	162,307	1.6%	13.72	2.51	3.59	98.4%
2011	9,796,823	9,465,918	330,905	3.4%	13.56	2.47	3.54	96.6%

Water Sold & Unbilled 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, it presents the rate for the most common size of meter (5/8" meter shown).

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

Source: Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT

BIMONTHLY WATER RATES

LAST TEN FISCAL YEARS

<u>Block Rates</u>	11/1/2019 Commodity	11/1/2018 Commodity	11/1/2017 Commodity	11/1/2016 Commodity	11/1/2015 Commodity
[1] Block 1 Rates	\$5.42/CCF	\$5.23/CCF	\$4.61/CCF	\$4.06/CCF	\$3.55/CCF
[1,2] Block 2 Rates	\$7.73/CCF	\$7.46/CCF	\$6.57/CCF	\$5.79/CCF	\$5.06/CCF

<u>Meter Size</u>	Bi-Monthly Fixed	Bi-Monthly Fixed	Bi-Monthly Fixed	Bi-Monthly Fixed	Bi-Monthly Fixed
5/8"	\$32.80	\$31.66	\$27.90	\$24.58	\$21.46
3/4"	36.12	34.86	30.72	27.06	23.64
1"	44.52	42.98	37.86	33.36	29.14
1-1/2"	59.82	57.74	50.88	44.82	39.14
2"	88.24	85.18	75.04	66.12	57.74
3"	245.70	237.16	208.96	184.10	160.78
4"	329.20	317.16	279.96	246.66	215.42
6"	530.56	512.12	451.20	397.54	347.20
8"	766.38	739.74	651.76	574.24	501.52
10"	1,260.46	1,216.66	1,071.94	944.44	824.84

[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.

Increases in water rates must be approved by the Board of Commissioners.

Source: Tualatin Valley Water District Records

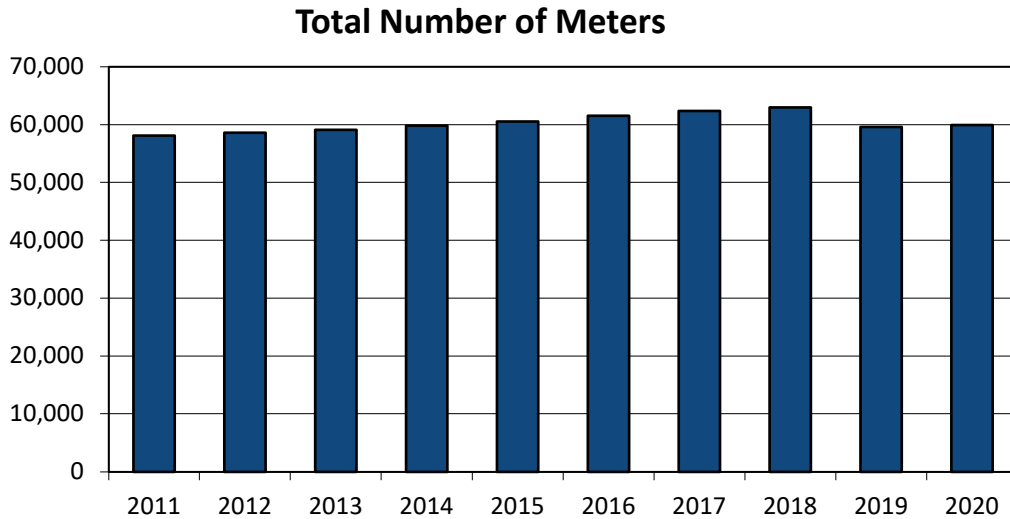
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<u>11/1/2014 Commodity</u>	<u>11/1/2013 Commodity</u>	<u>10/1/2012 Commodity</u>	<u>10/1/2011 Commodity</u>	<u>11/1/2010 Commodity</u>
\$3.05/CCF	\$2.74/CCF	\$2.65/CCF	\$2.51/CCF	\$2.47/CCF
\$4.35/CCF	\$3.91/CCF	\$3.78/CCF	\$3.59/CCF	\$3.54/CCF
<u>Bi-Monthly Fixed</u>	<u>Bi-Monthly Fixed</u>	<u>Bi-Monthly Fixed</u>	<u>Bi-Monthly Fixed</u>	<u>Bi-Monthly Fixed</u>
\$18.44	\$16.86	\$15.28	\$13.72	\$13.56
20.32	18.38	16.42	14.48	14.26
25.04	22.28	19.52	16.78	16.54
33.64	29.06	24.48	19.90	19.60
49.62	42.54	35.44	28.36	27.94
138.16	122.32	106.55	90.68	89.34
185.10	161.26	137.42	113.58	111.90
298.34	254.70	211.06	167.42	164.94
430.94	363.72	296.50	229.28	225.90
708.76	590.98	473.20	355.44	350.18

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

	Meters				Total Meters	Annual Taps Sold ^[3]
	<i>Class 1 & 2 Residential</i>	<i>Class 3 Commercial</i>	<i>Class 4 Industrial</i>	<i>Class 5-8 Other^[2]</i>		
2020	56,768	1,390	25	1,755	59,938	352
[1] 2019	56,459	1,370	27	1,731	59,587	634
2018	59,498	1,541	33	1,913	62,985	827
2017	58,907	1,565	33	1,872	62,377	741
2016	58,103	1,561	33	1,844	61,541	1,003
2015	57,186	1,529	33	1,802	60,550	829
2014	56,509	1,519	33	1,772	59,833	740
2013	55,864	1,493	34	1,719	59,110	252
2012	55,407	1,488	34	1,669	58,598	179
2011	54,956	1,477	34	1,650	58,117	182



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

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

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

TUALATIN VALLEY WATER DISTRICT

TEN LARGEST CUSTOMERS CURRENT YEAR AND TEN YEARS PRIOR

CUSTOMER	FISCAL YEAR 2019-20			FISCAL YEAR 2010-11		
		Consumption CCF [1]	Percent		Consumption CCF [1]	Percent
Intel	1	353,607	3.89%	1	328,621	3.47%
Maxim Integrated Products	2	325,590	3.58%	2	286,725	3.03%
Nike	3	176,463	1.94%	4	85,832	0.91%
Resers Fine Foods	4	121,190	1.33%	5	82,922	0.88%
Providence Health Systems	5	69,571	0.77%	3	121,162	1.28%
Panzer Nursery Inc	6	56,915	0.63%	7	65,776	0.69%
Heritage Village Mobile Park	7	53,965	0.59%	6	76,477	0.81%
Tualatin Hills Park & Recreation District	8	53,900	0.59%	10	46,788	0.49%
Simpson Property Group	9	49,749	0.55%	9	47,520	0.50%
OHSU West Campus	10	45,477	0.50%			
Tektronix				8	52,833	0.56%
		<u>1,306,427</u>	<u>14.38%</u>		<u>1,194,656</u>	<u>12.62%</u>
All Other Consumers		<u>7,780,103</u>	<u>85.62%</u>		<u>8,271,262</u>	<u>87.38%</u>
Total		<u><u>9,086,530</u></u>	<u><u>100%</u></u>		<u><u>9,465,918</u></u>	<u><u>100%</u></u>

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

Source: Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Revenues	System Development Charges	[1] Gross Revenues	[2] Less: Net Operating Expenses (Excluding Depreciation)	[3] Net Operating Revenues
2020	\$70,513,803	\$7,367,496	\$77,881,299	\$35,955,455	\$41,925,844
2019	75,853,581	6,193,831	82,047,412	33,013,524	49,033,888
2018	67,335,632	6,295,124	73,630,756	31,158,755	42,472,001
2017	55,782,450	7,981,382	63,763,832	30,943,116	32,820,716
2016	52,730,328	8,977,050	61,707,378	33,897,094	27,810,284
2015	46,143,442	6,086,538	52,229,980	25,720,436	26,509,544
2014	37,907,784	5,593,132	43,500,916	24,683,220	18,817,696
2013	36,542,458	4,795,030	41,337,488	24,175,952	17,161,536
2012	32,856,904	3,436,563	36,293,467	22,482,350	13,811,117
2011	31,904,024	3,422,818	35,326,842	21,896,393	13,430,449

- [1] Gross Revenues include all fees and charges resulting from the operation of the water system, including system development charges, revenues from product sales (including contracted services) and General Fund interest earnings.
- [2] Net Operating Expenses means all expenses incurred for operation, maintenance and repair of the water system, including but not limited to administration expenses, financial and auditing expenses, insurance premiums, claims (to the extent moneys are not available from proceeds of insurance), taxes, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, credits to the rate stabilization account, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the water system. Net Operating Expenses exclude depreciation and amounts treated for accounting purposes as payments for capital expenditures.
- [3] Net Operating Revenues means Gross Revenues less Net Operating Expenses (excluding depreciation), plus withdrawals from a rate stabilization account minus deposits to the rate stabilization account.
- [4] Debt Service includes principal and interest of revenue bonds only. It does not include general obligation bonds supported by property taxes or other long-term liabilities.
- [5] Only current year principal payment due shown for coverage purposes.
- [6] On March 30, 2012, the District fully cash redeemed all outstanding Water Revenue Refunding Bonds, Series 2002 as allowed by Section 2.3 of the Series 2002 Bond Declaration. Reported debt service for FY 2011-12 reflects an additional \$775,000 in principal payments and a reduction of \$7,727 in interest costs as a result of the early cash redemption. Presented here is debt service due for the year per the Bond Covenants covering the 2005 issue.
- [7] 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 and definitions from the 2005 master bond declaration.

Continued on next page

[4] Debt Service			Coverage Ratio	
[5] Principal	Interest	Total	1.25 minimum w/SDC's	1.20 minimum w/o SDC's
\$ -	\$ -	\$ -	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
-	-	-	n/a	n/a
- [7]	-	-	n/a	n/a
1,280,000	245,975	1,525,975	17.37	13.38
1,235,000	295,375	1,530,375	12.30	8.64
1,185,000	342,775	1,527,775	11.23	8.09
1,505,000 [6]	431,425 [6]	1,936,425	7.13	5.36
1,450,000	486,363	1,936,363	6.94	5.17

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TUALATIN VALLEY WATER DISTRICT

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	[1]	[1]	[2]				[2]	Total Debt	Debt Per Capita	Debt as a % of Personal Income
	District Population (Estimated)	Per Capita Personal Income	Revenue Bonds			Leases				
			Principal	Interest	Amortized Defeasance	Total				
2020	\$216,100	\$65,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
2019	214,717	61,924	-	-	-	-	8,967,417	8,967,417	42	0.07%
2018	229,100	60,971	-	-	-	-	8,933,256	8,933,256	39	0.06%
2017	226,360	57,787	-	-	-	-	1,021,556	1,021,556	5	0.01%
2016	221,749	55,017	-	-	-	-	-	-	-	0.00%
2015	218,399	52,923	-	-	-	-	-	-	-	0.00%
2014	214,143	49,762	5,470,000	635,250	(54,778)	6,050,472	-	6,050,472	28	0.06%
2013	211,556	46,171	6,705,000	930,625	(80,249)	7,555,376	-	7,555,376	36	0.08%
2012	207,849	46,533	7,890,000	1,273,400	(109,807)	9,053,593	-	9,053,593	44	0.09%
2011	205,236	44,028	10,170,000	1,751,325	(173,127)	11,748,198	-	11,748,198	57	0.13%

[1] From Demographic and Economic statistics schedule on page 89 of this CAFR

[2] From Tualatin Valley Water District Records

TUALATIN VALLEY WATER DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

	[1] District Population (Estimated)	[2] Washington County Population	[3] Per Capita Income	[2] x [3] Personal Income (000's)	[4] Unemployment rate County	[4] State of Oregon	[4] County Labor Force	[4] State Labor Force
2020	216,100 ^[5]	610,436 ^[5]	\$37,743 ^[5]	\$23,039,693	10.4%	11.7%	330,000	2,173,000
2019	214,717 ^[6]	601,592	39,368	23,683,474	3.4	4.0	324,800	2,113,900
2018	229,100	596,904	37,038	22,108,130	3.6	4.1	322,300	2,107,800
2017	226,360	591,336	34,685	20,510,489	3.7	4.2	321,400	2,104,800
2016	221,749	584,910	55,017	32,179,993	4.6	5.1	313,500	2,062,100
2015	218,399	572,664	52,923	30,307,097	5.0	5.8	300,400	1,988,500
2014	214,143	562,316	49,762	27,981,969	5.8	6.8	292,300	1,946,300
2013	211,556	555,264	46,171	25,637,094	6.6	8.0	287,200	1,924,100
2012	207,849	548,524	46,533	25,524,467	7.3	8.9	292,100	1,969,100
2011	205,236	540,967	44,028	23,817,695	7.9	9.6	295,600	2,007,000

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

[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

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

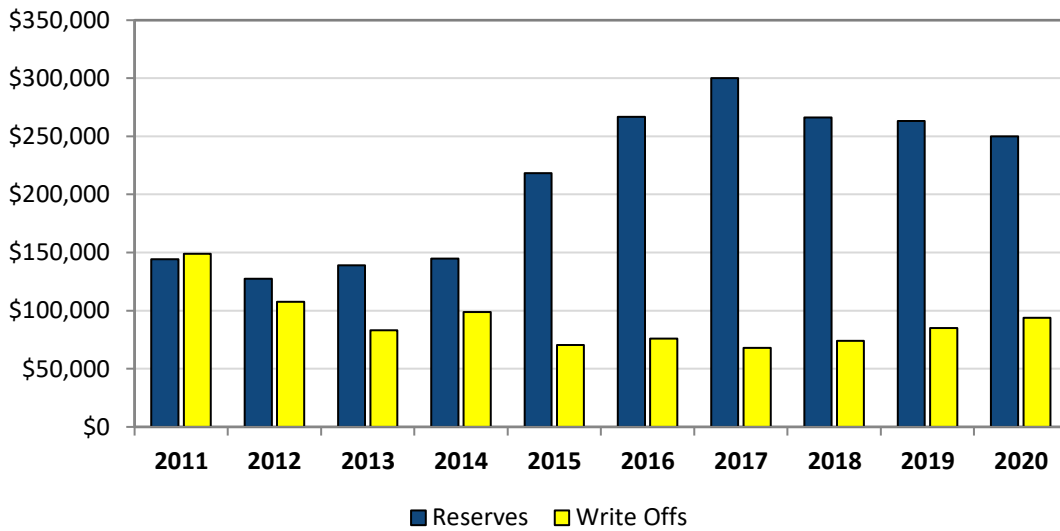
Industry	June 30, 2020			June 30, 2011		
	Employees	Percentage of Work Force	Rank	Employees	Percentage of Work Force	Rank
Professional and business services	51,443	18.88%	1	36,586	15.04%	3
Manufacturing	50,732	18.62%	2	43,135	17.74%	2
Trade, transportation and utilities	46,816	17.18%	3	48,042	19.75%	1
Education and health services	35,291	12.95%	4	29,583	12.16%	4
Government	21,973	8.06%	5	22,117	9.09%	5
Leisure and hospitality	17,010	6.24%	6	20,059	8.25%	6
Construction	15,963	5.86%	7	11,526	4.74%	8
Financial activities	14,776	5.42%	8	13,529	5.56%	7
Other services [1]	7,824	2.87%	9	7,537	3.10%	10
Information, publishing & telecomm.	7,217	2.65%	10	8,030	3.30%	9
All other industries	3,435	1.27%		3,050	1.27%	
Total Employment	272,480	100.00%		243,194	100.00%	

[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
WATER SALES, WRITE OFFS AND BAD DEBT RESERVES
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>Bad Debt Reserves</u>	<u>Bad Debt Reserves as a % of Accounts Receivable</u>
2020	\$ 66,198,211	\$ 93,935	0.14%	\$ 19,200,116	\$ 250,000	1.30%
2019	69,451,031	84,870	0.12%	18,814,033	263,085	1.40%
2018	63,730,160	73,998	0.12%	18,083,217	266,190	1.47%
2017	52,461,679	67,801	0.13%	15,655,053	300,092	1.92%
2016	48,728,635	75,948	0.16%	11,401,881	266,800	2.34%
2015	39,727,111	70,383	0.18%	8,377,842	218,303	2.61%
2014	35,013,145	98,724	0.28%	5,778,352	144,888	2.51%
2013	34,169,338	82,957	0.24%	5,301,577	138,846	2.62%
2012	30,666,849	107,647	0.35%	4,525,639	127,529	2.82%
2011	29,471,827	148,881	0.51%	4,137,284	144,230	3.49%

Bad Debt Reserves vs Write Offs



Source: Tualatin Valley Water District Records

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

	Full-Time-Equivalent Employees as of June 30,			
	2020	2019	2018	2017
WATER:				
System Operations, frmly Distribution	9	9	8	9
Construction, Maintenance, and Valve crews	24	29	22	22
Water Resources, frmly Water Quality	4	5	6	6
ENGINEERING & INSPECTION:				
Engineering	8	8	8	8
Inspections	2	2	2	2
ADMINISTRATION:				
Executive Administration	10	10	8	7
Human Resources	2	2	2	2
Conservation/Public Outreach	4	4	3	4
Billing/Customer Service	14	14	12	14
Meter Reading/Field Customer Service	14	14	14	14
Finance and Accounting	11	13	11	11
Information Services	9	8	8	7
OPERATIONS ADMINISTRATION:				
Administration	5	5	8	5
Asset Management-Facilities, Fleet, GIS	7	7	11	6
Safety & Security	2	2	1	2
WILLAMETTE WATER SUPPLY PROGRAM:				
Excutive Administration	2	2	1	1
Administration	3	4	4	3
Engineering	3	3	3	4
Finance and Accounting	2	1	1	1
Public Outreach	2	2	1	1
TOTAL EMPLOYEES ^[1]	137	144	134	129
Estimated district population ^[2]	216,100 ^[3]	214,717 ^[4]	229,100	226,360
Number of employees per 1,000 population	0.63	0.67	0.58	0.57

[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

Continued on next page

2016	2015	2014	2013	2012	2011
9	9	10	10	10	9
25	25	26	25	25	22
4	6	3	3	3	4
10	11	16	14	12	9
2	2	3	3	3	3
7	7	9	9	10	6
3	3	2	2	2	4
4	4	6	5	5	6
12	12	12	12	12	12
14	13	14	14	14	12
11	11	11	10	10	9
8	8	7	8	8	8
5	4	3	2	2	2
9	9	8	8	7	5
2	2	2	2	2	2
1	1	-	-	-	-
1	-	-	-	-	-
3	1	-	-	-	-
1	-	-	-	-	-
1	2	-	-	-	-
132	130	132	127	125	113
221,749	218,399	214,143	211,556	207,849	205,236
0.60	0.60	0.62	0.60	0.60	0.55

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TUALATIN VALLEY WATER DISTRICT

OPERATING AND CAPITAL INDICATORS

LAST TEN FISCAL YEARS

	Drinking Water				Consumption				Engineering, Inspection & Construction
	Storage Capacity (MG)	^[1] Miles of Water Mains	Number of Reservoirs	Number of Pump Stations	Peak-Day (MG)	Average (MGD)	Minimum- Day (MG)	Annual (MG)	Inspections Conducted
2020	67.35	752	23	12	38.34	20.96	14.58	7,671	390
2019	67.35	752	23	12	42.00	22.80	10.65	8,322	306
2018	62.35	790	23	12	45.38	23.33	14.97	8,515	306
2017	67.46	787	24	12	40.62	21.88	14.92	7,986	351
2016	59.35	780	22	11	43.44	22.54	10.97	8,250	450
2015	59.35	776	22	12	41.59	22.09	10.77	8,063	504
2014	59.60	788	22	13	39.96	19.50	10.49	7,118	387
2013	58.28	778	21	12	38.17	19.02	10.49	6,942	432
2012	59.18	769	23	12	33.27	18.65	11.70	6,826	297
2011	63.25	765	25	12	39.00	18.92	11.60	6,904	207

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

MG = million gallons

MGD=millions of gallons per day



Compliance Section



A TVWD employee distributes information about the Willamette Water Supply Program

Spreading the Word In A Variety of Ways

TVWD believes that customer communication is key to making sure customers have confidence in their water. When in person interaction isn't an option, District staff still has a variety of ways of reaching our customers. Some non-contact ways we have interacted with customers include: Hosting virtual forums on emergency preparedness and other high-interest topics; providing tips on efficient water use in the summer in our Water Words newsletter; and sending postcards and email updates about neighborhood programs and construction projects. Be sure to look follow us on Nextdoor, Twitter (@twdnews), Facebook and FlashAlert!

TUALATIN VALLEY WATER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2020

CFDA	Description	Pass-Through Agreement No.	Period Covered	Direct or Pass-Through	Award Amount	Expenditures	Agency Total
DEPARTMENT OF THE TREASURY - Office of Inspector General							
21.019	CARES Act Coronavirus Relief Fund Assistance for State, Local and Tribal Governments						
	CARES Act Cities & Special Districts Assistance Grant	IGA 20-1424	3/1/2020 - 11/15/2020	Pass-Through ^[1]	\$ 236,715	\$ 97,630	\$ 97,630
Total Expenditures of Federal Awards						<u>\$ 97,630</u>	<u>\$ 97,630</u>

[1] Pass through agency: Washington County, Oregon

See accompanying notes to Schedule of Expenditures of Federal Awards

TUALATIN VALLEY WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes activity of the Tualatin Valley Water District (District) funded by the federal government for the year ended June 30, 2020. The District's reporting entity is defined in Note 1 to the District's basic financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial net position, changes in net position, nor the cash flows of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Federal Financial Assistance

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

Federal Loan Programs

There were no outstanding federal loans during and as of the year ended June 30, 2020.

Expenditure Recognition

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

Subrecipients

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

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

Board of Commissioners
Tualatin Valley Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America the basic financial statements of Tualatin Valley Water District (the “District”) as of and for the year ended June 30, 2020 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 28, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control over financial reporting, in the aggregate, that we consider to be a material weakness as defined above. Discussion of the material weakness can be found in our Communication to Those Charged with Governance and Internal Control Related Matters dated December 28, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance of which could have a direct and material effect on the determination of financial statement amounts.

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

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

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2019 and 2020.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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

Purpose of This Report

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



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 28, 2020



TUALATIN VALLEY
WATER DISTRICT

This publication is one of a biennial series of financial communication tools:

2019-2021 Adopted Budget (Published June 2019)

2020-2021 Financial Plan (Published May 2020)

Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2020 and 2019
(Published December 2020)

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